THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

SHANGHAI ZENDAI PROPERTY LIMITED
上海証大房地產有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 755)

(A) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF EQUITY INTEREST IN MYWAY DEVELOPMENTS LIMITED;
(B) MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO PROVISION OF FINANCIAL ASSISTANCE;
(C) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE FRAMEWORK AGREEMENT;
AND
(D) NOTICE OF SPECIAL GENERAL MEETING

Financial adviser to Shanghai Zendai Property Limited

OPTIMA CAPITAL

Optima Capital Limited

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

CRESCENDO

Crescendo Capital Limited

A letter from the Board is set out on pages 6 to 31 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 32 to 33 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 34 to 87 of this circular.

A notice convening the SGM to be held at 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong at 10:00 a.m. on Thursday, 21 July 2022 is set out on pages SGM-1 to SGM-4 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Such form of proxy is also published on the website of the Stock Exchange at (www.hkexnews.hk) and the website of the Company (www.zendaiproperty.com). Whether or not you propose to attend the meeting, you are requested to read the notice of SGM and to complete the form of proxy enclosed in this circular in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting at the meeting should you so wish.

30 June 2022

* *for identification purpose only*

PRECAUTIONARY MEASURES FOR THE SGM

In compliance with the Government of Hong Kong directive on social distancing, personal and environmental hygiene, and the guidelines issued by the Centre for Health Protection of the Department of Health on the prevention of novel coronavirus disease (COVID-19), the Company will implement additional precautionary measures at the SGM including, without limitation:

(i) all persons have to take body temperature before entering the SGM venue. Anyone with a high body temperature or other flu-like symptoms may be requested to leave the SGM venue;

(ii) all participants will be requested to scan the "LeaveHomeSafe" venue QR code, and wear a surgical face mask before entering the SGM venue;

(iii) mandatory health declaration – all persons subject to quarantine, has any flu-like symptoms or has travelled overseas within 7 days immediately before the SGM (collectively "**Restricted Person**"), or is a close contact with Restricted Person will not be permitted to enter the SGM venue;

(iv) no distribution of corporate gift(s) and provision of refreshments; and

(v) appropriate distancing and spacing in line with the guidance from the Government of Hong Kong will be maintained and as such, the Company may limit the number of attendees at the SGM as may be necessary to avoid over-crowding.

Any person attending the SGM is reminded to observe good personal hygiene at all times and who does not comply with the aforesaid will be requested to leave the SGM venue.

In light of the continuing risks posed by the COVID-19 pandemic, the Company strongly encourages members NOT to attend the SGM in person, and advises members to appoint the chairman of the SGM as their proxy to vote according to their indicated voting instructions as an alternative to attending the SGM in person. In view of the travelling restrictions imposed by various jurisdictions including Hong Kong to prevent the spread of COVID-19, certain Director(s) may participate in the SGM through video conference or similar electronic means.

Subject to the development of the COVID-19 pandemic, the Company may implement further changes and precautionary measures and may issue further announcements on such measures as appropriate.

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

"Agreement"	the conditional sale and purchase agreement dated 7 June 2022 entered into among the Company, the Purchaser and the Disposal Target in relation to the Disposal
"Announcement"	the announcement of the Company dated 7 June 2022 in relation to the Agreement and the transactions contemplated thereunder (including the Framework Agreement and the provision of financial assistance)
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day(s) (excluding Saturday, Sunday, public holiday and any day on which typhoon signal No. 8 or above or a black rainstorm signal is hoisted during 9 a.m. to 5 p.m.) on which banks are generally open in Hong Kong to the general public for business
"COAMC"	China Orient Asset Management Co., Ltd., a company established in the PRC with limited liability
"COAMI"	China Orient Asset Management (International) Holding Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of COAMC
"COAMI Group"	COAMI and its subsidiaries
"Company"	Shanghai Zendai Property Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 755)
"Completion"	completion of the Disposal in accordance with the terms and conditions of the Agreement
"Condition(s)"	condition(s) precedent to Completion pursuant to the Agreement, as described in the paragraph headed "Conditions" under the section headed "THE AGREEMENT" in the letter from the Board contained in this circular

"Consideration"	the aggregate consideration payable by the Purchaser to the Company for the Sale Shares pursuant to the Agreement
"Director(s)"	the director(s) of the Company
"Disposal"	the proposed disposal of the Sale Shares to the Purchaser by the Company as contemplated under the Agreement
"Disposal Group"	the Disposal Target and its subsidiaries
"Disposal Group Guarantees"	the guarantees provided by the Disposal Group to the Remaining Group in respect of certain borrowings of the Remaining Group
"Disposal Target"	Myway Developments Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company as at the date of the Agreement
"Framework Agreement"	the framework agreement dated 7 June 2022 entered into between the Company and the Purchaser in relation to the appointment of the Remaining Group to provide services for the development, operation and management of the property projects of the Disposal Group after Completion
"Group"	the Company and its subsidiaries
"Haimen Property"	the integrated property project comprising commercial and residential space held by the Disposal Group in Haimen City, Jiangsu Province, the PRC
"Haimen Zendai"	海門証大濱江置業有限公司 (Haimen Zendai Binjiang Real Estate Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of the Agreement
"Hong Kong"	the Hong Kong Special Administrative Region
"Independent Board Committee"	an independent committee of the Board, comprising all the independent non-executive Directors, established to advise the Independent Shareholders on the Agreement and the transactions contemplated thereunder (including the Framework Agreement and the provision of financial assistance)

"Independent Financial Adviser"	Crescendo Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser appointed by the Company in respect of the Agreement and the transactions contemplated thereunder (including the Framework Agreement and the provision of financial assistance)
"Independent Shareholders"	Shareholders other than Smart Success Capital Ltd. and its associates
"Inter-company Balances"	the inter-company balances owed by the Disposal Group to the Remaining Group and vice versa
"Latest Practicable Date"	24 June 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Nanjing Lifang"	南京立方置業有限公司 (Nanjing Lifang Real Estate Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Haimen Zendai as at the date of the Agreement
"Nanjing Property"	the integrated property project comprising commercial and residential space held by the Disposal Group in Nanjing City, Jiangsu Province, the PRC
"Nanjing Shuiqingmuhua"	南京水清木華置業有限公司 (Nanjing Shuiqingmuhua Real Estate Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of Nanjing Lifang as at the date of the Agreement
"Nanjing Thumb"	南京証大大拇指商業發展有限公司 (Nanjing Thumb Commercial Development Co., Ltd.*), a company established in the PRC with limited liability and a 90%-owned subsidiary of Nanjing Lifang as at the date of the Agreement

"Nanjing Wudaokou"	南京五道口置業有限公司 (Nanjing Wudaokou Real Estate Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of Nanjing Lifang as at the date of the Agreement
"Nanjing Zendai Delta"	南京証大三角洲置業有限公司 (Nanjing Zendai Delta Land Real Estate Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of Nanjing Lifang as at the date of the Agreement
"PRC"	The People's Republic of China which, for the purpose of this circular, excludes Hong Kong, Macao Special Administrative Region and Taiwan
"Properties"	collectively, the Haimen Property and the Nanjing Property
"Purchaser"	Power Rider Enterprises Corp., a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of COAMI
"Remaining Group"	the Group, excluding the Disposal Group, following Completion
"Remaining Group Guarantees"	the guarantees provided by the Remaining Group to the Disposal Group in respect of certain borrowings of the Disposal Group
"Sale Shares"	two issued ordinary shares of the Disposal Target, representing the entire issued share capital of the Disposal Target as at the date of the Agreement and at Completion
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"SGM"	the special general meeting to be convened and held to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder (including the Framework Agreement and the provision of financial assistance)
"Share(s)"	ordinary share(s) of HK$0.02 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the issued Share(s)

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning as ascribed to it under the Listing Rules
"Zendai Real Estate"	上海証大置業有限公司 (Shanghai Zendai Real Estate Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"sq. m."	square metre(s)
"%"	per cent

In this circular, unless otherwise specified, amounts in RMB are converted into HK$ on the basis of RMB1 = HK$1.18. The conversion rate is for illustration purpose only and should not be taken as a representation that RMB could actually be converted into HK$ at such rate or at other rates or at all.

* *The Chinese names have been translated into English in this circular for references only.*

SHANGHAI ZENDAI PROPERTY LIMITED
上海証大房地產有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 755)

Executive Directors:
HUANG Yuhui *(Chairman)*
WANG Letian
HE Haiyang
LI Zhen

Non-executive Directors:
WANG Zheng
MA Yun
WU Junao

Independent non-executive Directors:
GUAN Huanfei
CHEN Shuang
CAO Hailiang
LIN Xinzhu
WANG Yuzhou

Registered office:
Victoria Place
5th Floor
31 Victoria Street
Hamilton HM10
Bermuda

Principal place of business in Hong Kong:
Unit 6508, 65/F
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

30 June 2022

To the Shareholders

Dear Sir/Madam,

(A) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF EQUITY INTEREST IN MYWAY DEVELOPMENTS LIMITED;
(B) MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO PROVISION OF FINANCIAL ASSISTANCE;
AND
(C) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE FRAMEWORK AGREEMENT

INTRODUCTION

Reference is made to the Announcement in which it was disclosed that on 7 June 2022, (i) the Company, the Purchaser and the Disposal Target entered into the Agreement, pursuant to which, among other things, the Company conditionally agreed to sell and the Purchaser

* *For identification purpose only*

conditionally agreed to acquire the Sale Shares at the Consideration of RMB225.0 million (equivalent to approximately HK265.5 million) in cash; and (ii) the Company and the Purchaser entered into the Framework Agreement in relation to the provision of property construction and management services by the Remaining Group to the Disposal Group after Completion and up to 31 December 2024.

The Disposal constitutes a very substantial disposal and a connected transaction of the Company. The Inter-company Balances owed by the Disposal Group to the Remaining Group and the Remaining Group Guarantees after Completion constitute major and connected transactions of the Company. The transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company. Accordingly, the Agreement and the transactions contemplated thereunder (including the Framework Agreement and the provision of financial assistance) are subject to the reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

The purpose of this circular is to provide you with, among other things, (i) details of the Agreement; (ii) details of the Framework Agreement; (iii) the letter of recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder (including the Framework Agreement and the provision of financial assistance); (iv) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder (including the Framework Agreement and the provision of financial assistance); (v) the financial information of the Group and the Disposal Group; (vi) the valuation report on the Properties; (vii) a notice convening the SGM together with the form of proxy; and (viii) other information as required under the Listing Rules.

THE AGREEMENT

After the Stock Exchange trading hours on 7 June 2022, the Company, the Purchaser and the Disposal Target entered into the Agreement, pursuant to which, among other things, the Company conditionally agreed to sell and the Purchaser conditionally agreed to acquire the Sale Shares (which represent the entire issued share capital of the Disposal Target) at the Consideration of RMB225.0 million (equivalent to approximately HK$265.5 million) in cash. The principal terms of the Agreement are set out below.

Date

7 June 2022

Parties

(i) The Company;

(ii) the Purchaser; and

(iii) the Disposal Target.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser is a wholly-owned subsidiary of COAMI, which is an indirect wholly-owned subsidiary of COAMC, a state-owned financial and asset management group. The Purchaser is principally engaged in special situation investments and asset management.

Assets to be sold

The Company conditionally agreed to sell and the Purchaser conditionally agreed to acquire the Sale Shares free from all encumbrances (except for the existing charges on the Sale Shares in favour of the COAMI Group) and with all rights attaching thereto as at Completion. The Sale Shares represent the entire issued share capital of the Disposal Target. The principal business activities of the Disposal Group are the development of and investment in the Haimen Property and the Nanjing Property. Please refer to the section headed "Information on the Disposal Group" below for further details.

Consideration

The Consideration for the Sale Shares amounts to RMB225.0 million (equivalent to approximately HK$265.5 million) and shall be payable by the Purchaser to the Company in cash in the following manner:

(i) as to RMB202.5 million (equivalent to approximately HK$239.0 million and representing 90% of the Consideration) payable at Completion; and

(ii) as to the balance of RMB22.5 million (equivalent to approximately HK$26.5 million and representing 10% of the Consideration) (the "**Balance Payment**") payable on the date falling on the ninth months after the date of Completion, subject to the fulfillment of the following conditions:

(a) the Company having fulfilled all of its obligations under the Agreement;

(b) there being no substantive losses incurred by the Purchaser as a result of untrue, inaccurate, incomplete or misleading representations or warranties given by the Company during the period from the date of the Agreement up to the payment date of the Balance Payment;

(c) there being no substantive losses incurred by the Purchaser as a result of undisclosed liabilities (including contingent liabilities), guarantees, warranties, encumbrances on assets and litigations of the Disposal Group during the period from the date of the Agreement up to the payment date of the Balance Payment; and

(d) there being no substantive losses incurred by the Purchaser as a result of breach of terms of the Agreement or other acts by the Company during the period from the date of the Agreement up to the payment date of the Balance Payment.

In the event that the Purchaser has incurred substantive losses as a result of non-fulfilment of the above conditions, the Purchaser and the Company shall first agree on the loss amount incurred by the Purchaser prior to the payment date of the Balance Payment, and the Balance Payment (after deducting the agreed loss amount) shall be payable by the Purchaser to the Company on the payment date of the Balance Payment. If the parties fail to agree on the aforesaid loss amount prior to the payment date of the Balance Payment, the Purchaser shall pay the Balance Payment (after deducting the loss amount it considers reasonable) to the Company on the payment date of the Balance Payment and the Company shall have the legal right to claim the disputed amount against the Purchaser.

The Consideration was determined after arm's length negotiations between the Company and the Purchaser with reference to (i) the unaudited combined net liabilities of the Disposal Group attributable to owner of the Disposal Target as at 31 December 2021 of approximately HK$4,423.6 million (equivalent to approximately RMB3,616.7 million converted at the then exchange rate of RMB1 = HK$1.223); and (ii) the preliminary valuation of the Properties as at 30 April 2022 of RMB10,230.6 million indicated by Jia Ce (Hong Kong) Surveyors Limited and Graval Consulting Limited using income approach and market approach (which is the same as the valuation as shown in their valuation report set out in Appendix V to this circular). The valuation represented a surplus of approximately RMB4,256.7 million over the corresponding carrying value of the Properties as at 31 December 2021. Having taken into account the effective percentage holding of the Disposal Target in the Properties, the valuation surplus of the Properties attributable to the Disposal Target amounted to approximately RMB3,842.4 million. The unaudited combined net liabilities of the Disposal Group attributable to the owner of the Disposal Target as at 31 December 2021, as adjusted by the aforesaid valuation surplus of the Properties attributable to the Disposal Target, would become an adjusted unaudited net assets of approximately RMB225.7 million. The Consideration represents a slight discount of 0.3% to the adjusted unaudited net assets and the Board considers it fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Conditions

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

(i) the Company having obtained all the necessary consents and authorisations (including but not limited to the approvals of the Board and the Shareholders) for the transactions contemplated under the Agreement, and such consents and authorisations remaining valid at Completion;

(ii) the Company having obtained all the necessary authorisations, approvals, waivers or consents from and completed all necessary registrations, confirmations or filings with relevant government or regulatory authority(ies) or any third parties in respect of the transactions contemplated under the Agreement, and such authorisations, approvals, waivers, consents, registrations, confirmations or filings remaining valid as at Completion;

(iii) there being no laws existing as at Completion which restrain Completion or make Completion or any relevant transaction documents illegal;

(iv) in the reasonable opinion of the Purchaser, there being no events, facts, conditions, changes or otherwise as at Completion which may result in material adverse change to the assets, financial structure, liabilities, technical knowhow, profitability and legality of operations of the Disposal Group;

(v) the representations and warranties given by the Company in the Agreement remaining true, accurate, complete and not misleading and there being no breach of such representations and warranties as at Completion;

(vi) the Company having complied with its pre-Completion obligations in accordance with the agreements, obligations and conditions stipulated in the Agreement and other transaction documents contemplated thereunder;

(vii) the Purchaser having completed its due diligence review on the Disposal Group, the results of which not having indicated that any representations and warranties given by the Company under the Agreement is/are incorrect, inaccurate, incomplete or misleading;

(viii) the Framework Agreement having been executed by the Company and the Purchaser;

(ix) Haimen Zendai having amended its articles of association to reflect certain corporate governance matters agreed between the Company and the Purchaser, including (i) establishing shareholders' meeting as the highest authority of Haimen Zendai and the offices of an executive director and a supervisor; (ii) resolutions that require unanimous approval of the shareholders; (iii) resolutions that require approval of majority vote of shareholders; (iv) nomination right of controlling shareholder in respect of executive director and legal representative; and (v) nomination right of minority shareholder in respect of supervisor and general manager;

(x) the Purchaser having obtained all internal approvals and authorisations for the transactions contemplated under the Agreement, and such consents and authorisations remaining valid at Completion; and

(xi) the Purchaser having obtained all the necessary authorisations, approvals, waivers or consents from and completed all necessary registrations, confirmations or filings with relevant government or regulatory authority(ies) or any third parties in respect of the transactions contemplated under the Agreement, and such authorisations, approvals, waivers, consents, registrations, confirmations or filings remaining valid as at Completion.

The parties to the Agreement shall use their best endeavours to procure satisfaction of the Conditions on or before 31 December 2022. Conditions (iv) to (ix) above may be waived by the Purchaser while the other Conditions are not capable of being waived.

As at the Latest Practicable Date, Conditions (ii), (viii), (x) and (xi) above had been fulfilled.

If any of the Conditions is not satisfied or waived (as the case may be) on or before 31 December 2022, the Company and the Purchaser may agree to extend such date in writing, failing which either party may terminate the Agreement and upon which the rights and obligations of the parties to the Agreement shall cease immediately save for any antecedent breaches of the terms thereof.

Completion

Completion shall take place on the 10th Business Day after the satisfaction or waiver (as the case may be) of all the Conditions set out above or such other date as agreed by the Company and the Purchaser in writing.

Upon Completion, the Remaining Group will continue to hold a 9.09% equity interest in Haimen Zendai and a 10% equity interest in Nanjing Thumb, both through Zendai Real Estate, and such interests will be retained and accounted for as financial assets at fair value through other comprehensive income in the consolidated financial statements of the Group. Members of the Disposal Group shall cease to be subsidiaries of the Company.

Inter-company Balances and guarantees

There are Inter-company Balances between members of the Disposal Group and members of the Remaining Group. As at 31 March 2022, the total amount of the Inter-company Balances owed by the Disposal Group to the Remaining Group amounted to approximately RMB1,749.0 million (equivalent to approximately HK$2,063.8 million), while the total amount owed by the Remaining Group to the Disposal Group amounted to approximately RMB1,204.8 million (equivalent to approximately HK$1,421.7 million). Accordingly, the net amount of the Inter-company Balances owed by the Disposal Group to the Remaining Group amounted to approximately RMB544.2 million (equivalent to approximately HK$642.2 million).

The Inter-company Balances will not be settled upon Completion as the Purchaser is only willing to acquire the Sale Shares but not the shareholder's loan (ie. the net amount of the Inter-company Balances). Having considered the liquidity needs of the Remaining Group (as further elaborated in the section headed "Reasons for and benefits of the Disposal" below) and to facilitate the Disposal, the Board considered that it is acceptable to retain the Inter-company Balances.

Prior to Completion, the Disposal Group and the Remaining Group shall enter into agreements to set out the terms of the outstanding Inter-company Balances owed to each other. The outstanding Inter-company Balances shall bear interest with effect from the date of Completion at the rate of 11.9% per annum and shall be repayable in full on or before 31 December 2024. The interest rate was determined with reference to the weighted average of the interest rates currently charged by the COAMI Group on the outstanding loans owed by the Disposal Group. In the event that the Inter-company Balances owed by the Disposal Group and the Remaining Group have not been repaid in full as at 31 December 2024, the Remaining Group shall have the right to extend the maturity dates of the Inter-company Balances owed by the Disposal Group and the Remaining Group by not more than three years. In the event that the Company decides to extend the maturity date of the Inter-company Balances owed by the Disposal Group to the Remaining Group, the Company will re-comply with the applicable requirements under Chapters 14 and 14A of the Listing Rules.

As at 31 March 2022, the Remaining Group has provided the Remaining Group Guarantees in respect of certain borrowings of the Disposal Group in the aggregate amount (principal and interest) of approximately RMB1,119.2 million (equivalent to approximately HK$1,320.7 million), whereas the Disposal Group has provided the Disposal Group Guarantees in respect of certain borrowings of the Remaining Group in the aggregate amount (principal and interest) of approximately RMB789.9 million (equivalent to approximately HK$932.1 million). The Remaining Group Guarantees and the Disposal Group Guarantees have been provided by the Remaining Group and the Disposal Group, respectively, in favour of third party financial institutions as security for certain existing borrowings of the Disposal Group and the Remaining Group, and cannot be released prior to Completion as certain borrowings have been in default and it would be difficult to negotiate with the relevant lenders for release of such guarantees within a short period of time.

The Company and the Purchaser shall use their best endeavours to procure the release of the aforesaid guarantees following Completion. Prior to the release of such guarantees, the party being guaranteed shall pay annual fee to the guarantor equivalent to 1% of the guaranteed amount. The rate of guarantee fee was determined after considering the Purchaser being a state-owned enterprise and with reference to the rates charged by companies listed on the Stock Exchange to their connected persons for guarantees ranging from 0% to 1.25% as noted from publicly available information. In addition, prior to the release of the Remaining Group Guarantees and full repayment of the Inter-company Balances owed by the Disposal Group to the Remaining Group (whichever is the later), the Disposal Group shall not demand repayment of the Inter-company Balances owed by the Remaining Group to the Disposal Group.

In the event that the Remaining Group has performed any payment obligations under the Remaining Group Guarantees or the Disposal Group has performed any payment obligations under the Disposal Group Guarantees, the excess of the amounts paid by the Remaining Group over the amounts paid by the Disposal Group shall be deducted from the Inter-company Balances owed by the Remaining Group to the Disposal Group. If the Inter-company Balances are not sufficient to cover the excess, Haimen Zendai shall provide counter-indemnity in respect of the shortfall amount.

Unless prior written consent of the Company has been obtained, in the event that the Purchaser disposes of all or part of its (direct or indirect) equity interest in the Disposal Group to any party other than the related parties of the Purchaser such that the Purchaser no longer has control over the Disposal Group, the Purchaser shall procure the Disposal Group to (i) fully settle the Inter-company Balances owed to the Remaining Group before entering into the relevant share transfer agreement, otherwise the Remaining Group shall have the right to demand immediate repayment of the Inter-company Balances owed by the Disposal Group to the Remaining Group; and (ii) take necessary actions to procure the release of the Remaining Group Guarantees before entering into the relevant share transfer agreement, otherwise Haimen Zendai shall provide guarantee in respect of the Inter-company Balances owed by the Disposal Group to the Remaining Group and provide counter-indemnity to the Remaining Group in respect of the Remaining Group Guarantees.

The Board has assessed the credit risk involved in the aforesaid arrangements for the Inter-company Balances and the Remaining Group Guarantees and considered them acceptable based on the following reasons:

(i) it is expected that Haimen Zendai will be the major creditor of the Remaining Group in respect of the net amount of the Inter-company Balances owed by the Disposal Group. The undeveloped land parcels of the Haimen Property held by Haimen Zendai are planned to be developed into a comprehensive residential development with ancillary accommodations with a total gross floor area of approximately 1.4 million sq. m. (inclusive of basement) (the "**Haimen Project**") but the construction works have yet to commence due to lack of working capital. With the Purchaser becoming the controlling shareholder of the Disposal Group and its state-owned background and financial strength, the Company expects the Purchaser would be in a better position than the Group to procure the required capital and financing for the Disposal Group to kick off the development works such that cashflows can be generated from the sale of the properties of the Haimen Project. Such proceeds are expected to be sufficient to settle its existing trade and other payables, the estimated developments costs and finance costs to be incurred and the net amount of the Inter-company Balances owed to the Remaining Group;

(ii) it is expected that the Remaining Group will enter into individual project development management agreement with the Disposal Group under the Framework Agreement (as discussed below) to act as the project manager of the Haimen Project. As the project manager, the Remaining Group shall have the right to formulate the business plan of the Haimen Project, including but not limited to development and sale schedule, cost control and settlement of liabilities, which shall not be objected by the Purchaser without reasonable grounds. This would enable the Remaining Group to have an ongoing monitoring and understanding of the financial position and liquidity of the Haimen Project;

(iii) the Remaining Group will continue to hold a 9.09% interest in Haimen Zendai after Completion. As a condition precedent to Completion, the articles of association of Haimen Zendai will be amended to incorporate certain provisions to protect the interest of Zendai Real Estate as a minority shareholder, particularly Zendai Real Estate shall have veto rights over certain matters which need unanimous consent from both shareholders, such as disposal of or creation of charges and mortgages on material assets, and engagement of project managers etc.; and

(iv) there are provisions in the Agreement to mitigate the credit risk of the Inter-company Balances and the Remaining Group Guarantees as mentioned above, such as the Inter-company Balances owed by the Remaining Group to the Disposal Group will not be repaid unless the Inter-company Balances owed by the Disposal Group to the Remaining Group have been fully repaid and the Remaining Group Guarantees have been released, and any excess payments made under the Remaining Group Guarantees shall be deducted from the Inter-company Balances owed by the Remaining Group to the Disposal Group.

THE FRAMEWORK AGREEMENT

After the Stock Exchange trading hours on 7 June 2022, the Company and the Purchaser also entered into the Framework Agreement in relation to the provision of property construction and management services by the Remaining Group to the Disposal Group after Completion. The principal terms of the Framework Agreement are set out below.

Date

7 June 2022

Parties

(i) The Company; and

(ii) the Purchaser.

Subject matter

The Purchaser shall appoint the Remaining Group to provide services for the development, construction and operation of property development projects, and the operation and management of completed commercial property projects (including those existing projects and new projects) held by the Disposal Group. Separate project agreements will be entered into between the Remaining Group and the Disposal Group to set out the specific terms for each property projects being managed in accordance with the principles and broad terms agreed in the Framework Agreement.

Effective date and duration

The Framework Agreement will become effective from the date of Completion and will be valid until 31 December 2024, and shall be renewable upon its expiry subject to the Company complying with the applicable Listing Rules requirements in due course.

Scope of services

The scope of services to be provided by the Remaining Group to the Disposal Group includes, among other things, the management of financial affairs, planning and design, procurement, construction, sales and marketing, completion and delivery, customer services and maintenance, human resources, administration and operation of commercial investment property.

Service fees

For property development projects, the service fees to be charged by the Group shall be 3% of the proceeds from the sale of units of the relevant project, plus an additional 2% as incentive subject to performance appraisal such as achievement of sales target, and shall be settled on a quarterly basis. The service fee was determined with reference to the management fee rates (calculated by dividing the revenue from project management services by contract sales for project under management) charged by companies listed on the Stock Exchange for similar services in the range of 3.2% to 3.6% as noted from publicly available information.

For commercial investment properties, the service fees to be charged by the Group shall be 10% of the total operating income generated from the relevant project and shall be settled on a quarterly basis. The service fee was determined with reference to the market rate of about 10% charged by other service providers for similar services based on the knowledge, experience and market intelligence of the management of the Company.

Conditions

The Framework Agreement will become effective subject to fulfillment of the following conditions:

(i) the Framework Agreement having been signed by the Company and the Purchaser; and

(ii) all of the Conditions under the Agreement having been fulfilled or waived (as the case may be) and all of the pre-Completion obligations under the Agreement having been discharged by the Company.

Termination

In the event that the Company has triggered any events of default under the Framework Agreement and failed to rectify to the satisfaction of the Purchaser within the remedial period, the Purchaser is entitled to terminate the Framework Agreement.

In the event that the Purchaser disposes of all or part of its (direct or indirect) equity interest in the Disposal Group to any party other than the Remaining Group such that the Purchaser no longer has control over the Disposal Group, the Purchaser shall disclose the Framework Agreement and the relevant management agreements to the new purchaser prior to the share transfer transaction and request the new purchaser to take up the rights and obligations under the Framework Agreement and the relevant management agreements.

If the Framework Agreement or the relevant management agreements are terminated not as a result of default by the Company, the Company shall have the right to demand immediate repayment of the Inter-company Balances owed by the Disposal Group to the Remaining Group.

Annual caps

The maximum amount of fees receivable by the Remaining Group under the Framework Agreement shall not exceed the annual caps set out below:

For the financial year ending 31 December	*HK$' million*
2022	6
2023	200
2024	230

The annual caps have been determined after having considered the following factors: (i) the development status and sales plan of the property development projects currently being undertaken by the Disposal Group (being the Haimen Project and the unsold units of the Nanjing Property (the "**Unsold Nanjing Properties**")); (ii) the historical and estimated operating income of the completed commercial property projects (being Nanjing Himalayas Center); (iii) the rates of fees as described above in the Framework Agreement; and (iv) a buffer of about 10% to allow for flexibility.

The Haimen Project is currently a clear construction site. Subject to availability of financing and working capital, it is expected that construction work will commence in late 2022 and will be completed by 2029 in phases. Having considered the development plan of the Haimen Project, it is estimated that pre-sale will commence in 2023 and sales proceeds will be approximately HK$3,224.8 million and HK$3,916.7 million in 2023 and 2024, respectively.

The Unsold Nanjing Properties comprise certain unsold completed office units, shops, storage rooms and car parking spaces, some of which are under mortgage or seizure. It is intended that the Disposal Group will offer a portion of the Unsold Nanjing Properties for sale at discount to market price in 2022, 2023 and 2024. Having considered the possible release of such mortgage or seizure after the Purchaser taking control of the Disposal Group, it is estimated that sales proceeds will be approximately HK$66.1 million, HK$128.0 million and HK$17.7 million in 2022, 2023 and 2024, respectively.

Based on the sales plan above and the maximum service fee rate of 5%, the service fee receivable for property development projects would be approximately HK$3.3 million, HK$167.6 million and HK$196.7 million for the period from the date of Completion to 31 December 2022 (assuming Completion in September 2022) and the two years ending 31 December 2023 and 2024, respectively.

Nanjing Himalayas Center is a completed shopping mall newly opened in October 2021 and is currently at the stage of optimising its tenant mix. For the three months ended 31 December 2021, total operating income of the property (mainly rental and property management fee income) was approximately HK$9.0 million. As occupancy rate increases and taking into account the expected increase in mall activities due to containment of COVID-19 in the PRC in the second half of 2022, it is estimated that total operating income would increase to approximately HK$20.8 million for the period from the date of Completion to 31 December 2022 (assuming Completion in September 2022). As the operations stabilise, it is estimated that total operating income would further increase to approximately HK$80.5 million and HK$90.5 million for the two years ending 31 December 2023 and 2024, respectively. Based on the above and the service fee rate of 10%, the service fee receivable for commercial investment properties would be approximately HK$2.1 million, HK$8.1 million and HK$9.1 million for the period from the date of Completion to 31 December 2022 (assuming Completion in September 2022) and the two years ending 31 December 2023 and 2024, respectively.

Set out below is the calculation of the annual caps:

	For the period from the date of Completion to 31 December 2022	**For the year ending 31 December 2023**	**2024**
	HK$' million	*HK$' million*	*HK$' million*
Property development projects	3.3	167.6	196.7
Commercial investment properties	2.1	8.1	9.1
Buffer (about 10%)	0.6	24.3	24.2
Annual caps	6.0	200.0	230.0

INFORMATION ON THE DISPOSAL GROUP

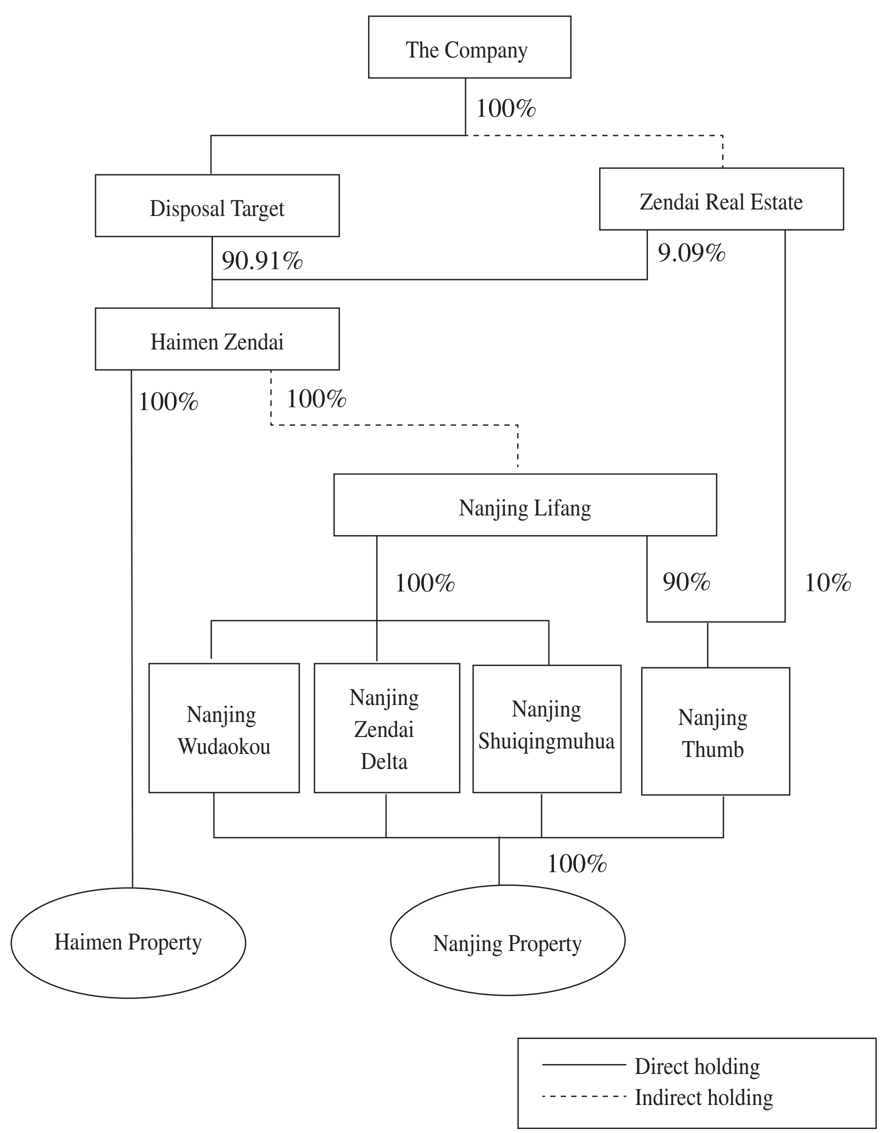
Group structure

The Disposal Target is a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company as at the Latest Practicable Date.

The Disposal Target holds an approximately 90.91% equity interest in Haimen Zendai. The remaining 9.09% equity interest of Haimen Zendai is held by Zendai Real Estate, an indirect wholly-owned subsidiary of the Company. The principal business activity of Haimen Zendai is the development of the Haimen Property.

Haimen Zendai also indirectly holds the entire equity interest in Nanjing Lifang, which in turn holds the entire equity interests in Nanjing Wudaokou, Nanjing Zendai Delta and Nanjing Shuiqing Muhua, and a 90% equity interest in Nanjing Thumb. The remaining 10% equity interest in Nanjing Thumb is held by Zendai Real Estate. The principal business activities of Nanjing Lifang and its subsidiaries are the development and holding of the Nanjing Property.

Set out below is the simplified shareholding chart of the Disposal Group as at the Latest Practicable Date:



The Haimen Property

The Haimen Property comprises a commercial complex (the "**Haimen Commercial Complex**"), unsold residential units (the "**Haimen Residential Units**") and certain land parcels (the "**Haimen Land Parcels**") located in Haimen District, Nantong City, Jiangsu Province, the PRC.

The Haimen Commercial Complex (90.91% effective interest)

The commercial complex comprises a shopping arcade, two clubhouses, a commercial podium and a hotel of a commercial/residential composite development completed between 2009 to 2021. The property has a total gross floor area of approximately 43,170 sq. m. (exclusive of basement of approximately 10,956 sq. m.) which is held for sale.

The Haimen Residential Units (90.91% effective interest)

The unsold residential units comprise 21 residential units of a commercial/residential composite development completed in between 2009 to 2021 with a total gross floor area of approximately 3,808 sq. m. (exclusive of basement of approximately 396 sq. m.) which are held for sale.

The Haimen Land Parcels (90.91% effective interest)

The land parcels are clear sites with a total site area of approximately 753,515 sq. m. and are proposed to be developed into a comprehensive residential development with ancillary accommodations with a total gross floor area of approximately 1,055,729 sq. m. (exclusive of basement of approximately 337,938 sq. m.).

The Nanjing Property

The Nanjing Property comprises commercial properties at Nanjing Himalayas Center, Nanjing Fengyunfu and Nanjing Yueshangju, and two construction sites (the "**Nanjing Construction Sites**") located in Gulou District and Yuhuatai District in Nanjing City, Jiangsu Province, the PRC.

Nanjing Himalayas Center (81.82% effective interest)

Nanjing Himalayas Center comprises thirteen blocks of 16 to 27-storey commercial buildings (exclusive of a 3-storey basement), which was completed between 2017 and 2020. The property comprises two adjoining commercial podiums with a total gross floor area of approximately 81,418 sq. m. (inclusive of basement of approximately 19,687 sq. m.) which are held for investment. Portion of the property with total gross floor area of 44,383 sq. m. has been leased to independent third parties for retail and ancillary uses.

The property also comprises a shop unit, 29 office units, 24 storerooms and 3,507 car parking spaces with total gross floor area of approximately 3,447 sq. m. (exclusive of the storerooms and the car parking spaces) which are held for sale.

Nanjing Fengyunfu (90.91% effective interest)

Nanjing Fengyunfu is a four 32-storey commercial buildings (exclusive of a 2-storey basement), which was completed in 2017. The property comprises three office units, two storerooms and 78 basement car parking spaces with a total gross floor area of approximately 279 sq. m. (exclusive of the storeroom of approximately 97 sq. m. and car parking spaces) which are held for sale.

Nanjing Yueshangju (90.91% effective interest)

Nanjing Yueshangju is a four 33-storey commercial buildings (exclusive of a 2-storey basement), which was completed in 2020. The property comprises six shop units, nine office units, two storerooms and 260 basement car parking spaces with a total gross floor area of approximately 888 sq. m. (exclusive of the storerooms of approximately 54 sq. m. and car parking spaces) which are held for sale.

The Nanjing Construction Sites (90.91% effective interest)

One of the Nanjing Construction Sites comprises two land parcels with a total site area of approximately 15,566 sq. m. (exclusive of basement with a site area of approximately 17,380 sq. m.) which is proposed to be developed into a commercial development with four blocks of 22 to 33-storey commercial buildings (exclusive of a 3-storey basement) with a total gross floor area of approximately 126,863 sq. m. (exclusive of basement of approximately 48,897 sq. m.). It is under development and is expected to be completed by late 2025.

The other Nanjing Construction Site comprises two land parcels with a total site area of approximately 15,234 sq. m. which is proposed to be developed into six blocks of 21 to 25-storey commercial buildings erected over a 2-storey podium (exclusive of a 3-storey basement) with a total gross floor area of approximately 90,512 sq. m. (exclusive of basement of approximately 40,303 sq. m.). It is under development and is expected to be completed by late 2025.

Financial information

Set out below is the unaudited combined financial information of the Disposal Group for the two years ended 31 December 2020 and 2021 prepared in accordance with the Hong Kong Financial Reporting Standards, on the basis that the existing group structure of the Disposal Group had been in existence throughout the relevant year.

	For the year ended 31 December	
	2020	**2021**
	HK$' million	*HK$' million*
Revenue	4,065.1	299.1
Loss before taxation	266.9	1,413.6
Loss after taxation	589.9	1,376.0

Revenue recorded by the Disposal Group were mainly from the sale of properties. The Disposal Group started to generate rental income from Nanjing Himalayas Center in 2021. The decrease in revenue in 2021 was mainly attributable to the reduced sale of properties as the development of the key projects of the Disposal Group in Nanjing was in a closing stage and a majority of the properties in these projects had already been sold and delivered to the customers in the previous years. The loss recorded by the Disposal Group in 2020 was mainly due to finance costs while the loss recorded in 2021 was mainly due to finance costs, fair value loss of investment properties and the write-off of all previously incurred construction cost (other than land cost) and capitalised interest expenses incurred for certain properties which have been dismantled for development into another project.

The unaudited combined net liabilities of the Disposal Group as at 31 December 2021 amounted to approximately HK$4,055.9 million. Total assets (HK$12,260.1 million) mainly comprised investment properties (HK$2,064.3 million), properties under development and completed properties held-for-sale (HK$5,217.0 million) and the Inter-company Balances owed by the Remaining Group (HK$4,478.6 million). Total liabilities (HK$16,316.0 million) mainly comprised borrowings owed by the intermediate holding companies of the Nanjing Property to the COAMI Group and other financial institutions (HK$4,417.2 million), trade and other payables mainly for property development and interest expenses (HK$3,617.2 million), contract liabilities for receipt in advance from pre-sale of properties (HK$2,122.3 million) and the Inter-company Balances owed to the Remaining Group (HK$5,284.1 million). If non-controlling interest of approximately HK$367.7 million is excluded, the unaudited combined net liabilities of the Disposal Group attributable to owner of the Disposal Target as at 31 December 2021 amounted to approximately HK$4,423.6 million.

As at 31 March 2022, the total amount of the Inter-company Balances owed by the Disposal Group to the Remaining Group amounted to approximately RMB1,749.0 million (equivalent to approximately HK$2,063.8 million), while the total amount owed by the Remaining Group to the Disposal Group amounted to approximately RMB1,204.8 million (equivalent to approximately HK$1,421.7 million). Accordingly, the net amount of the Inter-company Balances owed by the Disposal Group to the Remaining Group amounted to approximately RMB544.2 million (equivalent to approximately HK$642.2 million).

FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, members of the Disposal Group shall cease to be subsidiaries of the Company. Accordingly, their results, assets and liabilities will no longer be consolidated into the financial statements of the Group.

The Group expects to record a gain (before tax) as a result of the Disposal of approximately HK$4,654.7 million, which is calculated based on the difference between (i) the Consideration of RMB225.0 million (equivalent to approximately HK$265.5 million), and (ii) the unaudited combined net liabilities of the Disposal Group as at 31 December 2021 of approximately HK$4,055.9 million, plus the adjustment for the recognition of the residual 9.09% equity interest in Haimen Zendai and 10% equity interest in Nanjing Thumb as financial assets at fair value through other comprehensive income of approximately HK$512.2 million, and less the adjustment for the release of the accumulated deficit from exchange reserve of the Disposal Group as a result of the Disposal of approximately HK$174.6 million and the estimated transaction costs attributable to the Disposal of approximately HK$4.3 million.

Shareholders should note that the above expected gain as a result of the Disposal is for illustrative purpose only and estimated based on the information currently available. The actual amount of the gain or loss as a result of the Disposal to be recognised in the consolidated financial statements of the Group depends on, among other things, the net asset/liability value of the Disposal Group at Completion and will be subject to final audit.

According to the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, assuming Completion had taken place on 31 December 2021, the Remaining Group's total assets as at 31 December 2021 would have decreased from approximately HK$13,537.5 million to approximately HK$11,823.1 million, and the Remaining Group's total liabilities as at 31 December 2021 would have decreased from approximately HK$15,329.9 million to approximately HK$8,776.5 million.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in property development, property investment, provision of property management services and hotel operation in the PRC. The Group holds commercial property and residential projects in various cities in the PRC, the majority of which are located in Shanghai and Nanjing.

As disclosed in the annual report of the Company for the year ended 31 December 2021, the real estate industry in the PRC had entered into a stage of adjustment since 2021 following the introduction of regulation policies over, among other things, property purchase restrictions, loan restrictions and financing quota control, optimisation of land auction rules and pre-sale fund supervision. Coupled with the repeated outbreak of COVID-19 pandemic restricting flow of people and therefore affecting the commercial leasing market, the overall environment for real estate developers and operators in the PRC including the Group had been difficult.

For the financial year ended 31 December 2021, the Group recorded a significant drop in revenue by approximately 84% as compared to the previous financial year due to reduced sales of properties, and an increase in audited loss of about 80% partly due to heavy finance costs and partly due to significant impairment of properties. The financial position of the Group as at 31 December 2021 had also deteriorated, with audited net liabilities of approximately HK$1.8 billion (versus an audited net assets of approximately HK$305 million as at 31 December 2020) and current ratio dropped to 0.47 times (versus current ratio of 0.68 times as at 31 December 2020). In addition, the Group had defaulted in repaying certain of its borrowings amounting to approximately HK$5,458 million as at 31 December 2021. Such default also triggered cross-defaults of other borrowings in an aggregate amount of approximately HK$740 million. The auditor of the Company issued a disclaimer of opinion on the financial statements of the Group for the year ended 31 December 2021 due to uncertainties about the Group's ability to continue as a going concern.

In view of the challenging business environment of the real estate sector in the PRC and the worsened financial position of the Group, the Group has been exploring different options to reduce its gearing and improve its liquidity and financial position. To this end, the Group is keen to divest part of its property portfolio to urgently improve liquidity and reduce debts, and at the same time utilise its resources and experience to explore asset-light property businesses such as provision of services for commercial property management and property development.

As at 31 December 2021, the Group's total borrowings amounted to approximately HK$6,976 million, of which approximately HK$6,328 million were repayable within one year and approximately HK$648 million were repayable after one year, and about HK$4,417 million were incurred by the Disposal Group. The Disposal will remove the Disposal Group's borrowings from the Group and reduce the Remaining Group's overall gearing substantially. In addition, the Company intends to apply the net proceeds from the Disposal, which is estimated to be approximately RMB221.4 million (equivalent to approximately HK$261.3 million), as to (i) RMB120.0 million (equivalent to approximately HK$141.6 million) for the repayment of borrowings; and (ii) RMB101.4 million (equivalent to approximately HK$119.7 million) as general working capital (including payments to suppliers, and for rentals and wages and salaries for employees).

As a result of the Disposal, the Group's land bank will be reduced and it will forego the profits from and potential appreciation in the property projects underlying the Properties. Nevertheless, the Disposal will help to reduce its debts and enhance the liquidity and financial position of the Group, while the Framework Agreement will enable the Group to secure income from the outgoing property projects by acting as the property development and management agent, which is consistent with the Group's strategy to expand its asset-light property business in the PRC as mentioned above.

Based on the above, the Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) are of the view that the terms of the Agreement and the transactions contemplated thereunder (including the Framework Agreement and the provision of financial assistance) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

BUSINESSES OF THE REMAINING GROUP

Upon Completion, the Remaining Group will continue to engage in property development and property investment in the PRC. It holds a substantial portfolio of assets which includes Shanghai Zendai Thumb Plaza and Grand Mercure Shanghai Century Park, Qingdao Zendai Thumb Plaza as well as Himalayas Qingdao Hotel, and various commercial and residential projects radiating nationwide with total carrying value of approximately HK$4,377.0 million as at 31 December 2021. It also holds investment in Shanghai Himalayas Center. It will continue to engage in the provision of property management services and hotel operations in the PRC.

Properties held for investment and hotel operations

Shanghai Zendai Thumb Plaza (100%-owned)

Shanghai Zendai Thumb Plaza is the first community complex standard case created by the Group in China in a prime location adjacent to Shanghai's Century Park and the Lujiazui financial district. It has been developed into a platform at the forefront of integration of the individual culture, fine art and trendy commerce and is held by the Remaining Group for investment.

During the year ended 31 December 2021, the average occupancy rate of the commercial space (with a leasable area of 44,960 sq. m.) was around 99%, generating total revenue of approximately HK$125.8 million.

Grand Mercure Shanghai Century Park (100%-owned)

Grand Mercure Shanghai Century Park is an 18-storey five-star hotel with a floor area of 31,530 sq. m. located in Shanghai Zendai Thumb Plaza. It is held by the Remaining Group for hotel operations and managed under the "Grand Mercure" brand by HUAZHU Hotel Group.

During the year ended 31 December 2021, the occupancy rate of the hotel was 54%, generating total income of approximately HK$83.0 million from the hotel operator.

Qingdao Zendai Thumb Plaza (100%-owned)

Qingdao Zendai Thumb Plaza is located in the central business district at Haier Road in Qingdao City, Shandong Province, the PRC and is held by the Remaining Group for investment.

During the year ended 31 December 2021, the occupancy rate of the commercial space (with a leasable area of 46,545 sq. m.) was around 84%, generating total revenue of approximately HK$33.4 million.

Himalayas Qingdao Hotel (100%-owned)

Himalayas Qingdao Hotel is located in Qingdao Zendai Thumb Plaza and has a floor area of 27,673 sq. m.. It is held by the Remaining Group for hotel operations and managed by its own hotel management company under the Remaining Group's "Himalayas" brand.

During the year ended 31 December 2021, the occupancy rate of the hotel was around 70%, generating total revenue of approximately HK$46.8 million.

Yangzhou Commercial Project (100%-owned)

The Yangzhou project is designed for commercial, cultural, leisure and entertainment use in the heart of Yangzhou City, and is held by the Remaining Group for investment.

During the year ended 31 December 2021, the occupancy rate of the commercial space (with a leasable area of 15,974 sq. m.) was around 92%, generating total revenue of approximately HK$8.1 million.

Properties held for sale

Zendai Nantong Yicheng Thumb Plaza (100%-owned)

Zendai Nantong Yicheng Thumb Plaza occupies a total site area of 281,912 sq. m. and has total gross floor area of approximately 279,076 sq. m. (including car-parking space and ancillary facilities of 77,143 sq. m.). Construction of the project is divided into three phases:

– The first phase named Phase 1 of Old Town consists of commercial area of approximately 38,737 sq. m. and is currently held by the Remaining Group for rental. During the year ended 31 December 2021, the occupancy rate of the commercial space is around 77%, generating total revenue of approximately HK$8.0 million.

- The second phase is an ancillary residential project with commercial space with total saleable area of approximately 74,528 sq. m. As at 31 December 2021, a total cumulative area of 71,585 sq. m. (representing approximately 96.1% of the saleable area) has been sold. The Remaining Group currently holds an area of 2,943 sq. m. for sale.

- The third phase occupies a total area of approximately 147,688 sq. m. (with an underground area of 53,150 sq. m.), comprising Phase 2 of Old Town with commercial area of 60,979 sq. m. (including an underground area of 21,000 sq. m.) and Old Town, New Port, with a commercial area of approximately 14,967 sq. m. and a residential area of approximately 71,742 sq. m. (including an underground area of 32,150 sq. m.). The Old Town, New Port commenced construction in May 2014 and started pre-sale in September 2016. As at 31 December 2021, a total cumulative area of 40,715 sq. m. has been sold, representing approximately 21.6% of the total saleable area (i.e. 188,688 sq. m.). The Remaining Group holds the remaining saleable area of 147,973 sq. m. for sale.

Properties held for future development

Chengmai County Project, Hainan Province (over 50%-owned)

The Hainan project involves a parcel of land in Chengmai County, Hainan Province with a site area of 1,309,563 sq. m.. It is still at the planning stage.

Properties held by an associate

Shanghai Himalayas Center (45%-owned)

Shanghai Himalayas Center is located in the heart of Pudong, Shanghai, which comprises Jumeirah Himalayas Hotel Shanghai, a shopping mall and other auxiliary facilities (such as contemporary art galleries (the Himalayas Art Museum), multifunctional auditorium (the DaGuan Theatre), business centre and creative office.

During the year ended 31 December 2021, the occupancy rate of the commercial space (with a leasable area of 28,499 sq. m.) was approximately 45%, generating total revenue of approximately HK$37.5 million to the associate.

Jumeirah Himalayas Hotel Shanghai (45%-owned)

Jumeirah Himalayas Hotel Shanghai is a luxury five-star hotel with a floor area of 60,452 sq. m. managed by the Jumeirah Hotel Group from Dubai, being the Jumeirah Hotel Group's first hotel in Asia Pacific.

During the year ended 31 December 2021, the occupancy rate of the hotel was 46%, generating total income of approximately HK$130.7 million from the hotel operator to the associate.

Property management services

In addition to property development and investment, the Remaining Group extended its business presence to ten large and medium-sized cities in the PRC by engaging in asset-light property management business. The projects under management cover a wide range of properties such as high-end business plazas, grade-A office buildings, top-tier villa areas, high-end residences and urban complexes.

During the year ended 31 December 2021, the Remaining Group managed more than 30 projects with a total area of 3,282,706 sq. m. and generated operating revenue of approximately HK$126.5 million.

The Qingdao Order

As disclosed in the Company's announcement dated 21 June 2022, the Group received an enforcement order (the "**Qingdao Order**") from 中華人民共和國甘肅省蘭州市中級人民法院 (Intermediate People's Court of Lanzhou, Gansu Province, the PRC*) (the "**Lanzhou Court**") against 青島証大大拇指商業發展有限公司 (Qingdao Zendai Thumb Commercial Development Co., Ltd.*) ("**Qingdao Thumb**") (an indirect wholly-owned subsidiary of the Company), Nanjing Lifang, Zendai Real Estate and Mei Yi International Ltd. ("**Mei Yi**") (an indirect wholly-owned subsidiary of the Company). The Qingdao Order arose from an event of default of a loan (the "**Qingdao Loan**") owed by Qingdao Thumb to a financial institution (the "**Financial Institution**"). The Qingdao Loan was secured by assets held by Qingdao Thumb (primarily Qingdao Zendai Thumb Plaza and Himalays Qingdao Hotel) and guaranteed by Nanjing Lifang and Zendai Real Estate. As a result of the default, the Financial Institution claimed for repayment of the principal, prepayment for investment gains and liquidated damages from Qingdao Thumb and Nanjing Lifang. Subsequently, the parties reached a settlement on the claim through a statement of civil mediation issued by the Lanzhou Court on 16 December 2021, pursuant to which Qingdao Thumb and Nanjing Lifang were required to repay to the Financial Institution the loan principal of approximately RMB601 million and pay liquidated damages of approximately RMB106 million (the "**Outstanding Sum**") by installments. As at 31 May 2022, the Outstanding Sum amounted to approximately RMB787 million. However, due to the serious impact of COVID-19 pandemic in Shanghai, Qingdao Thumb was unable to arrange payment for the Outstanding Sum on time in accordance with the statement of civil mediation. As a result, the Financial Institution obtained the Qingdao Order from the Lanzhou Court, details of which are disclosed in the Company's announcement dated 21 June 2022.

In view of the serious impact of COVID-19 pandemic in Shanghai to the operations and current financial position of the Group, the Group may not be able to repay the Outstanding Sum in accordance with the Qingdao Order. The Group has been negotiating with the Financial Institution in order to reach a settlement, including but not limited to the possibilities of extension of repayment dates of the Outstanding Sum, refinancing the Qingdao Loan with borrowings from other financial institution(s) or disposal of the assets held by Qingdao Thumb. Having considered that the market values of the assets held by Qingdao Thumb are well above the Outstanding Sum, the Company is of the view that the matters will be resolved amicably and does not consider the Qingdao Order will have any material impact on the business plan of the Remaining Group.

LISTING RULES IMPLICATIONS

As at the date of the Agreement, Smart Success Capital Ltd., a company indirectly controlled by COAMI, held 2,703,248,481 issued Shares (representing approximately 18.17% of the issued share capital of the Company) and is a substantial Shareholder. The Purchaser is a wholly-owned subsidiary of COAMI. By virtue of COAMI's controlling interests in both Smart Success Capital Ltd. and the Purchaser, the Purchaser is therefore a connected person of the Company under the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposal exceeds 75%, the Disposal also constitutes a very substantial disposal of the Company.

The Inter-company Balances owed by the Disposal Group to the Remaining Group after Completion will constitute provision of financial assistance by the Remaining Group to the Disposal Group. The Remaining Group Guarantees will also constitute provision of financial assistance by the Remaining Group to the Disposal Group after Completion. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the aggregate amount of the Inter-company Balances and the Remaining Group Guarantees exceeds 25%, the Inter-company Balances and the Remaining Group Guarantees together constitute a major transaction of the Company. As the Disposal Target will become a subsidiary of the Purchaser, the aforesaid provision of financial assistance constitutes a connected transaction of the Company and the transactions contemplated under the Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules.

Accordingly, the Agreement and the transactions contemplated thereunder (including the Framework Agreement and the provision of financial assistance) are subject to the reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

By virtue of Mr. Wang Letian being the co-president of COAMI and Mr. He Haiyang being a director of China Orient Summit Capital Co., Ltd (a company which is 40% owned by COAMI), they are considered to have material interest in the Agreement and the transactions contemplated thereunder (including the Framework Agreement and the provision of financial assistance) and have abstained from voting on the relevant Board resolution.

THE SGM

The SGM will be convened and held to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder (including the Framework Agreement and the provision of financial assistance). Smart Success Capital Ltd. and its associates are required to abstain from voting on the resolution in respect of the Agreement and the transactions contemplated thereunder (including the Framework Agreement and the provision of financial assistance) at the SGM. Save for the above, none of the other Shareholders has a material interest in the Agreement and the transactions contemplated thereunder (including the Framework Agreement and the provision of financial assistance) and therefore no other Shareholder will be required to abstain from voting on the resolution in respect of the Agreement and the transactions contemplated thereunder (including the Framework Agreement and the provision of financial assistance) at the SGM.

The Independent Board Committee comprising Dr. Guan Huanfei, Mr. Wang Yuzhou, Mr. Chen Shuang, Mr. Cao Hailiang and Dr. Lin Xinzhu, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder (including the Framework Agreement and the provision of financial assistance). Crescendo Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A notice convening the SGM to be held at 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong at 10:00 a.m. on Thursday, 21 July 2022 is set out on pages SGM-1 to SGM-4 of this circular. An ordinary resolution will be proposed at the SGM for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder (including the Framework Agreement and the provision of financial assistance). The voting on the ordinary resolution to be proposed at the SGM will be taken by way of poll and an announcement will be made by the Company after the SGM on the result of the SGM with respect to whether or not the proposed ordinary resolution has been passed by the Shareholders.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you propose to attend the meeting, you are requested to read the notice of SGM and to complete the form of proxy enclosed in this circular in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy form shall not preclude you from attending and voting at the meeting should you so wish.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee on pages 32 to 33 of this circular, which contains its recommendation to the Independent Shareholders, and the letter of advice from the Independent Financial Adviser on pages 34 to 87 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder (including the Framework Agreement and the provision of financial assistance).

Having considered the principal factors and reasons stated in the Letter from the Independent Financial Adviser, the Independent Board Committee consider that (i) the terms of the Agreement (including the provision of financial assistance) are fair and reasonable so far as the Independent Shareholders are concerned, the transactions contemplated under the Agreement (including the provision of financial assistance) are on normal commercial terms and in the interests of the Company and the Shareholders as a whole although the Disposal and the provision of financial assistance are not conducted in the ordinary and usual course of business of the Company; and (ii) the terms of the Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the transactions contemplated under the Framework Agreement (including the annual caps) are on normal commercial terms and conducted in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

Accordingly, the Independent Board Committee recommend the Independent Shareholders to vote in favor of the resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder (including the Framework Agreement (including the annual caps) and the provision of financial assistance).

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board of
Shanghai Zendai Property Limited
Mr. Huang Yuhui
Chairman

SHANGHAI ZENDAI PROPERTY LIMITED
上海証大房地產有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 755)

30 June 2022

To the Independent Shareholders,

Dear Sir or Madam,

(A) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF EQUITY INTEREST IN MYWAY DEVELOPMENTS LIMITED;
(B) MAJOR AND CONNECTED TRANSACTION IN RELATION TO PROVISION OF FINANCIAL ASSISTANCE;
AND
(C) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE FRAMEWORK AGREEMENT

We refer to the circular of the Company dated 30 June 2022 (the "**Circular**") of which this letter forms part. Capitalised terms used in this letter shall have the same meanings with those defined in the Circular unless the context otherwise requires.

We have been appointed by the Board to form the Independent Board Committee to advise you in connection with the Agreement and the transactions contemplated thereunder (including the Framework Agreement and the provision of financial assistance), details of which are set out in the letter from the Board in the Circular.

Crescendo Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. We wish to draw your attention to their letter of advice which is set out on pages 34 to 87 of the Circular.

* *For identification purpose only*

Having considered the principal factors and reasons stated in the letter from the Independent Financial Adviser, we consider that (i) the terms of the Agreement (including the provision of financial assistance) are fair and reasonable so far as the Independent Shareholders are concerned, the transactions contemplated under the Agreement (including the provision of financial assistance) are on normal commercial terms and in the interests of the Company and the Shareholders as a whole although the Disposal and the provision of financial assistance are not conducted in the ordinary and usual course of business of the Company; and (ii) the terms of the Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the transactions contemplated under the Framework Agreement (including the annual caps) are on normal commercial terms and conducted in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder (including the Framework Agreement (including the annual caps) and the provision of financial assistance).

Yours faithfully,
Independent Board Committee

Dr. Guan Huanfei	**Mr. Chen Shuang**	**Mr. Cao Hailiang**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

Dr. Lin Xinzhu	**Mr. Wang Yuzhou**
Independent Non-executive Director	*Independent Non-executive Director*

The following is the text of a letter of advice from Crescendo Capital Limited to the Independent Board Committee and the Independent Shareholders regarding its advice on the Agreement and the transactions contemplated thereunder (including the Framework Agreement and the provision of financial assistance) prepared for the purpose of incorporation into this circular.

1105 Tai Tung Building
8 Fleming Road
Wanchai, Hong Kong

30 June 2022

Shanghai Zendai Property Limited
Unit 6508, 65/F
Central Plaza
18 Harbour Road
Wanchai, Hong Kong

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

(A) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF EQUITY INTEREST IN MYWAY DEVELOPMENTS LIMITED; (B) MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO PROVISION OF FINANCIAL ASSISTANCE; AND (C) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the Agreement and the transactions contemplated thereunder (including the Framework Agreement and the provision of financial assistance), details of which are set out in the letter from the Board contained in the circular of the Company dated 30 June 2022 to the Shareholders (the "**Circular**"), of which this letter forms part. Capitalized terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

On 7 June 2022 (after the Stock Exchange trading hours), the Company, the Purchaser and the Disposal Target entered into the Agreement, pursuant to which, among other things, the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares, representing the entire issued share capital of the Disposal Target, at the Consideration of RMB225.0 million (equivalent to approximately HK$265.5 million), which shall be satisfied by the Purchaser wholly in cash.

As at the Latest Practicable Date, Smart Success Capital Ltd., a company indirectly controlled by COAMI, held 2,703,248,481 issued Shares, representing approximately 18.17% of the issued share capital of the Company, and is a substantial Shareholder. The Purchaser is a wholly-owned subsidiary of COAMI. By virtue of COAMI's controlling interests in both Smart Success Capital Ltd. and the Purchaser, the Purchaser is therefore a connected person of the Company under the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposal exceeds 75%, the Disposal also constitutes a very substantial disposal of the Company under the Listing Rules.

Upon Completion, there will be outstanding loans and inter-company balances between members of the Disposal Group and members of the Remaining Group. It is expected that the Disposal Group and the Remaining Group shall enter into loan agreements in respect of the outstanding Inter-company Balances prior to Completion. The Remaining Group will also continue to provide the Remaining Group Guarantees to the Disposal Group after Completion. On 7 June 2022 (after the Stock Exchange trading hours), the Company and the Purchaser also entered into the Framework Agreement in relation to the provision of property construction and management services by the Remaining Group to the Disposal Group after Completion (the "**Continuing Connected Transactions**").

The Inter-company Balances owed by the Disposal Group to the Remaining Group after Completion will constitute the provision of financial assistance by the Remaining Group to the Disposal Group. The Remaining Group Guarantees will also constitute the provision of financial assistance by the Remaining Group to the Disposal Group after Completion. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the aggregate amount of the Inter-company Balances and the Remaining Group Guarantees ("**Financial Assistance**") exceeds 25%, the provision of Financial Assistance constitutes a major transaction of the Company. As the Disposal Target will become a subsidiary of the Purchaser, the provision of Financial Assistance also constitutes a connected transaction of the Company, and the transactions contemplated under the Framework Agreement constitute continuing connected transactions for the Company of the Listing Rules.

Accordingly, the Agreement and the transactions contemplated thereunder (including the Framework Agreement and the provision of Financial Assistance) are subject to the reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

The SGM will be convened and held to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder (including the Framework Agreement and the provision of Financial Assistance). Smart Success Capital Ltd. and its associates are required to abstain from voting on the resolution in respect of the Agreement and the transactions contemplated thereunder (including the Framework Agreement and the provision of Financial Assistance) at the SGM. Save for the above, none of the Shareholders has a material interest in the Agreement and the transactions contemplated thereunder (including the Framework Agreement and the provision of Financial Assistance) and therefore no other Shareholders will be required to abstain from voting on the resolution in respect of the Agreement and the transactions contemplated thereunder (including the Framework Agreement and the provision of Financial Assistance) at the SGM.

The Independent Board Committee, comprising all independent non-executive Directors, namely Dr. Guan Huanfei, Mr. Chen Shuang, Mr. Cao Hailiang, Dr. Lin Xinzhu and Mr. Wang Yuzhou, has been established to advise the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder (including the Framework Agreement and the provision of Financial Assistance). We, Crescendo Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard, in particular as to whether the terms of the Agreement, the Framework Agreement as well as the provision of Financial Assistance are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

We are not associated with the Group and its associates and do not have any shareholding in any member of the Group or right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of the Group. Save for acting as an independent financial adviser in this appointment, we have not acted as a financial adviser or an independent financial adviser to the Company and its associates in the past two years. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fee or benefit from the Group and its associates. We are not aware of any relationship or interest between our firm and the Company or other parties that would be reasonably considered to affect our independence to act as an independent financial adviser to the Independent Board Committee and the Independent Shareholders and we are independent of the Company pursuant to the requirements under Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information and representations supplied, and the opinions expressed, by the Directors and management of the Company and have assumed that such information and statements, and representations made to us or referred to in the Circular are true, accurate and complete in all material respects as of the date hereof and will continue as such at the date of the SGM. The Directors have collectively and individually accepted full responsibility for the Circular, including particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group and having made all reasonable enquiries have confirmed that, to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate, and consider that they may be relied upon in formulating our opinion. We have not, however, for the purposes of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group and the related subject of, and parties to, the Agreement and the Framework Agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in the market and economic conditions) may affect and/or change this opinion.

PRINCIPAL FACTORS AND REASONS CONSIDERED

A. THE DISPOSAL

In arriving at our opinion regarding the Disposal, we have considered the following principal factors and reasons:

A.1 Information on the Group

The Company, being the Vendor, is an investment holding company incorporated in Bermuda and the Shares of which are listed on the main board of the Stock Exchange. Its subsidiaries are principally engaged in property development, property investment, provision of property management and agency services and hotel operation in the PRC.

The audited consolidated financial information of the Group for the two years ended 31 December 2021 and 2020 as extracted from the annual report of the Company for the year ended 31 December 2021 is summarized as follows:

	For the year ended 31 December 2021	2020
	HK$'000	*HK$'000*
Revenue		
– Sale of properties	307,025	4,207,815
– Property rental, management and agency services	340,328	318,740
– Hotel operations	93,640	72,148
	740,993	4,598,703
Gross (loss)/profit	(189,263)	546,783
Loss before income tax	(2,163,004)	(809,561)
Loss for the year attributable to the Shareholders	(2,070,423)	(1,150,773)

	As at 31 December 2021
	HK$'000
Non-current assets	6,983,635
Current assets (including assets held for sale)	6,553,910
Total assets	13,537,545
Non-current liabilities	1,308,660
Current liabilities	14,021,221
Total liabilities	15,329,881
Net current liabilities	(7,467,311)
Net liabilities	(1,792,336)
Deficit attributable to the Shareholders	(2,018,688)

For the year ended 31 December 2021, the Group's revenue decreased significantly from approximately HK$4,598.7 million for the year ended 31 December 2020 to approximately HK$741.0 million, of which approximately 41.4% (2020: 91.5%) was derived from the sale of properties, approximately 45.9% (2020: 6.9%) was derived from property rental, management and agency services while the remaining 12.7% (2020: 1.6%) was derived from hotel operations. The substantial decrease in revenue was mainly attributable to the reduced sale of properties for the year as the development of the Group's key projects in Nanjing, namely the third phase office building of "Nanjing Himalayas Center" and the second phase project "Riverside Mansion" of "Riverside Thumb Plaza", was in a closing stage in 2021 and a majority of the properties in these two projects had already been sold and delivered to the customers in the previous years. With a reduced saleable area of properties for the year ended 31 December 2021, the Group recorded a gross loss of approximately HK$189.3 million for the year ended 31 December 2021, as compared to a gross profit of approximately HK$546.8 million for the year ended 31 December 2020. In addition, the increases in impairment of property, plant and equipment of approximately HK$259.2 million, fair value loss of investment properties of approximately HK$210.8 million and the financing costs of approximately HK$201.6 million for the year ended 31 December 2021 further boosted the loss before income tax of the Group from approximately HK$809.6 million for the year ended 31 December 2020 to approximately HK$2,163.0 million for the year ended 31 December 2021. Taking into account the income tax credit of approximately HK$81.1 million for the year ended 31 December 2021, as compared to the income tax expense of approximately HK$346.9 million for the previous year, the loss attributable to the Shareholders for the year ended 31 December 2021 increased by approximately HK$919.6 million from approximately HK$1,150.8 million for the year ended 31 December 2020 to approximately HK$2,070.4 million for the year ended 31 December 2021.

As at 31 December 2021, the Group's current assets (including assets held for sale) and current liabilities amounted to approximately HK$6,553.9 million and HK$14,021.2 million respectively, and therefore net current liabilities of approximately HK$7,467.3 million were recorded. The current ratio, as expressed as current assets over current liabilities, was 0.47 times as at 31 December 2021. The current assets mainly comprised properties under development and completed properties held-for-sale of approximately HK$5,465.3 million, trade and other receivables and prepayments of approximately HK$283.9 million, tax prepayments of approximately HK$235.8 million, pledged bank deposits of approximately HK$221.1 million and cash and bank balances of approximately HK$315.3 million. The Group's current liabilities mainly comprised trade and other payables of approximately HK$4,671.1 million, contract liabilities of approximately HK$2,138.9 million, amounts due to minority owners of subsidiaries of HK$122.8 million, borrowings of approximately HK$6,327.7 million and tax payables of approximately HK$729.3 million.

The non-current assets of the Group amounted to approximately HK$6,983.6 million as at 31 December 2021, which mainly included property, plant and equipment of approximately HK$754.1 million, investment properties of approximately HK$5,380.7 million and properties under development of approximately HK$812.2 million. The Group's non-current liabilities amounted to approximately HK$1,308.7 million as at 31 December 2021, which mainly consisted of borrowings of approximately HK$648.8 million and deferred income tax liabilities of approximately HK$592.8 million.

As at 31 December 2021, the deficit attributable to the Shareholders was approximately HK$2,018.7 million and the gearing ratio, as expressed as total liabilities over total assets, was approximately 113.2%.

The Group had defaulted in repaying certain of its borrowings which amounted to approximately HK$5,458 million as at 31 December 2021. Such default also triggered cross-defaults of other borrowings in an aggregate amount of approximately HK$740 million. The auditor of the Company issued a disclaimer of opinion on the financial statements of the Group for the year ended 31 December 2021 due to uncertainties relating to the Group's ability to continue as a going concern.

In June 2022, certain subsidiaries of the Group received an enforcement order (the "**Qingdao Order**") issued by 中華人民共和國甘肅省蘭州市中級人民法院 (Intermediate People's Court of Lanzhou, Gansu Province, the PRC*). The Qingdao Order arose from an event of default of a loan owed by an indirect wholly-owned subsidiary of the Company to a financial institution (the "**Financial Institution**") in an outstanding balance (principal and interest) of approximately RMB787 million as at 31 May 2022, details of which are set out in the section headed "Litigation" in Appendix VI to the Circular and the Company's announcement dated 21 June 2022.

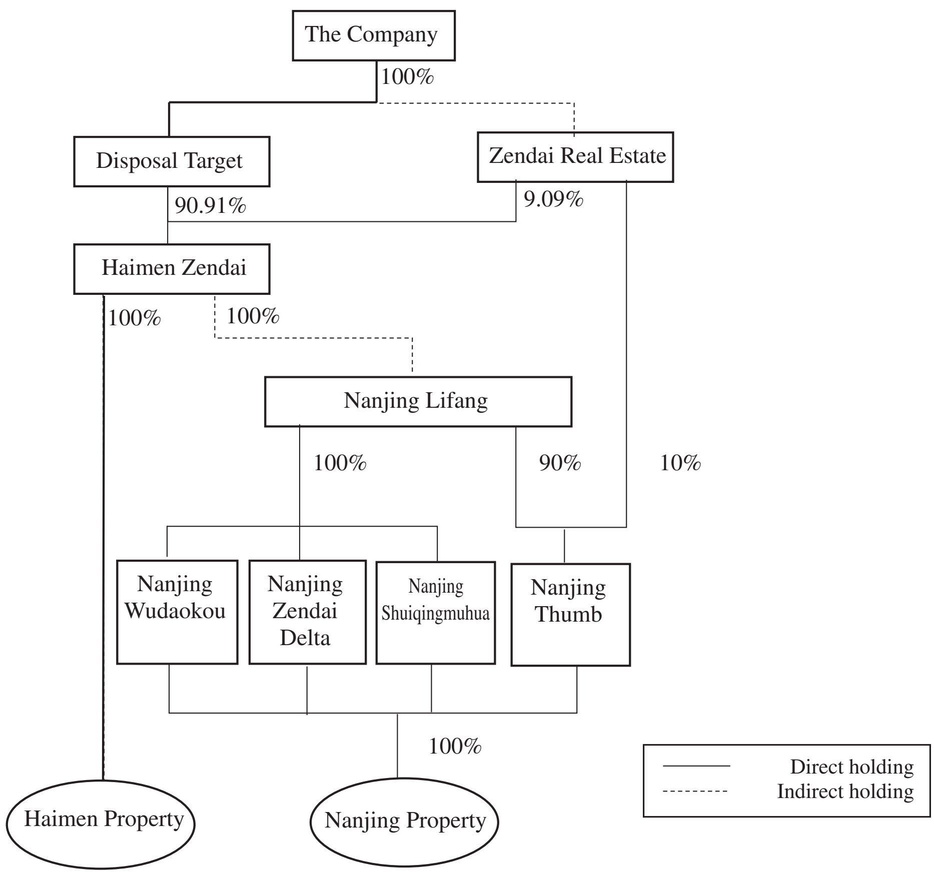
A.2 Information on the Disposal Group

The Disposal Target, a wholly-owned subsidiary of the Company, is a company incorporated in the British Virgin Islands with limited liability. The Disposal Group is principally engaged in property development and investment in Haimen and Nanjing, Jiangsu Province, the PRC. As at the Latest Practicable Date, the major property projects of the Disposal Group were the Haimen Property and the Nanjing Property.

As at the Latest Practicable Date, the Disposal Target held approximately 90.91% equity interest in Haimen Zendai, a company established in the PRC with limited liability. The remaining 9.09% equity interest of Haimen Zendai was held by Zendai Real Estate, an indirect wholly-owned subsidiary of the Company. The principal business activity of Haimen Zendai is the development of the Haimen Property.

As at the Latest Practicable Date, Haimen Zendai also indirectly held the entire equity interest in Nanjing Lifang, which in turn held the entire equity interests in Nanjing Wudaokou, Nanjing Zendai Delta and Nanjing Shuiqing Muhua, and a 90% equity interest in Nanjing Thumb while the remaining 10% equity interest in Nanjing Thumb was held by Zendai Real Estate. The principal business activities of Nanjing Lifang and its subsidiaries are the development and holding of the Nanjing Property.

A simplified shareholding chart of the Disposal Group as at the Latest Practicable Date is set out as follows:



A.2.1 Property development and investment projects

The Haimen Property

The Haimen Property comprises a commercial complex (the "**Haimen Commercial Complex**"), unsold residential units (the "**Haimen Residential Units**") and certain land parcels (the "**Haimen Land Parcels**") located in Haimen District, Nantong City, Jiangsu Province, the PRC.

The Haimen Commercial Complex (90.91% effective interest)

The commercial complex comprises a shopping arcade, two clubhouses, a commercial podium and a hotel of a commercial/residential composite development completed between 2009 and 2021. The property has a total gross floor area of approximately 43,170 sq. m. (exclusive of the basement of approximately 10,956 sq. m.) which is held for sale.

The Haimen Residential Units (90.91% effective interest)

The unsold residential units comprise 21 residential units of a commercial/ residential composite development completed between 2009 and 2021 with a total gross floor area of approximately 3,808 sq. m. (exclusive of the basement of approximately 396 sq. m.) which are held for sale.

The Haimen Land Parcels (90.91% effective interest)

The land parcels are clear sites with a total site area of approximately 753,515 sq. m. and are proposed to be developed into a comprehensive residential development with ancillary accommodations with a total gross floor area of approximately 1,055,729 sq. m. (exclusive of the basement of approximately 337,938 sq. m.).

The Nanjing Property

The Nanjing Property comprises commercial properties at Nanjing Himalayas Center, Nanjing Fengyunfu and Nanjing Yueshangju, and two construction sites (the "**Nanjing Construction Sites**") located in Gulou District and Yuhuatai District in Nanjing City, Jiangsu Province, the PRC.

Nanjing Himalayas Center (81.82% effective interest)

Nanjing Himalayas Center comprises thirteen blocks of 16- to 27-storey commercial buildings (exclusive of a 3-storey basement), which were completed between 2017 and 2020. The property comprises two adjoining commercial podiums with a total gross floor area of approximately 81,418 sq. m. (inclusive of the basement of approximately 19,687 sq. m.) which are held for investment. A portion of the property with a total gross floor area of 44,383 sq. m. has been leased to independent third parties for retail and ancillary uses.

The property also comprises a shop unit, 29 office units, 24 storerooms and 3,507 car parking spaces with a total gross floor area of approximately 3,447 sq. m. (exclusive of the storerooms and the car parking spaces) which are held for sale.

Nanjing Fengyunfu (90.91% effective interest)

Nanjing Fengyunfu comprises four 32-storey commercial buildings (exclusive of a 2-storey basement), which were completed in 2017. The commercial buildings comprise three office units, two storerooms and 78 basement car parking spaces with a total gross floor area of approximately 279 sq. m. (exclusive of the storeroom of approximately 97 sq. m. and car parking spaces) which are held for sale.

Nanjing Yueshangju (90.91% effective interest)

Nanjing Yueshangju comprises four 33-storey commercial buildings (exclusive of a 2-storey basement), which were completed in 2020. The commercial buildings comprise six shop units, nine office units, two storerooms and 260 basement car parking spaces with a total gross floor area of approximately 888 sq. m. (exclusive of the storerooms of approximately 54 sq. m. and car parking spaces) which are held for sale.

The Nanjing Construction Sites (90.91% effective interest)

One of the Nanjing Construction Sites comprises two land parcels with a total site area of approximately 15,566 sq. m. (exclusive of the basement with a site area of approximately 17,380 sq. m.). The property is proposed to be developed into a commercial development with four blocks of 22- to 33-storey commercial buildings (exclusive of a 3-storey basement) with a total gross floor area of approximately 126,863 sq. m. (exclusive of the basement of approximately 48,897 sq. m.). It is under development and is expected to be completed by late 2025.

Another Nanjing Construction Site comprises two land parcels with a total site area of approximately 15,234 sq. m. which is proposed to be developed into six blocks of 21- to 25-storey commercial buildings erected over a 2-storey podium (exclusive of a 3-storey basement) with a total gross floor area of approximately 90,512 sq. m. (exclusive of basement of approximately 40,303 sq. m.). It is under development and is expected to be completed by late 2025.

A.2.2 Financial information

Set out below is the summary of the unaudited combined financial information of the Disposal Group for the two years ended 31 December 2020 and 31 December 2021 prepared, according to the Hong Kong Financial Reporting Standards, on the basis that the existing group structure of the Disposal Group had been in existence throughout the relevant years:

	For the year ended 31 December	
	2021	**2020**
	HK$'000	*HK$'000*
Revenue		
– Sale of properties	293,795	4,065,056
– Property rental	5,354	73
	299,149	4,065,129
Gross (loss)/profit	(363,282)	404,850
Loss before income tax	(1,413,588)	(266,906)
Loss for the year attributable to the owner of the Disposal Target	(1,312,760)	(560,316)

	As at 31 December 2021
	HK$'000
Non-current assets	2,098,310
Current assets (including assets held for sale)	10,161,778
Total assets	12,260,088
Non-current liabilities	547,679
Current liabilities	15,768,326
Total liabilities	16,316,005
Net current liabilities	(5,606,548)
Net liabilities	(4,055,917)
Deficit attributable to the owner of the Disposal Target	(4,423,595)

During the two years ended 31 December 2021, over 98% of the revenue of the Disposal Group was derived from the sale of properties. The Disposal Group's revenue decreased significantly from approximately HK$4,065.1 million for the year ended 31 December 2020 to approximately HK$299.1 million for the year ended 31 December 2021. The substantial decrease in revenue was mainly attributable to the reduced sale of properties for the year as the development of the key projects of the Disposal Group in Nanjing, namely the third phase office building of the Nanjing Himalayas Center and the second phase project "Riverside Mansion" of the Nanjing Thumb Plaza, was in a closing stage and a majority of the properties in these projects had already been sold and delivered to the customers in the previous years.

As the area of properties available for sale in 2021 decreased substantially and certain properties under development and completed properties held-for-sale of the Haimen Property were impaired in 2021, the Disposal Group recorded a gross loss of approximately HK$363.3 million for the year ended 31 December 2021, as compared to a gross profit of approximately HK$404.9 million for the year ended 31 December 2020. The Disposal Group also recorded increases in expenses for the year ended 31 December 2021 as compared to the prior year, including an increase in fair value loss of investment properties of approximately HK$186.3 million and an increase in financing costs of approximately HK$130.8 million. The loss before income tax of the Disposal Group increased by approximately HK$1,146.7 million from approximately HK$266.9 million for the year ended 31 December 2020 to approximately HK$1,413.6 million for the year ended 31 December 2021. Taking into account the income tax credit for the year ended 31 December 2021 of approximately HK$37.6 million, as compared to the income tax expense of approximately HK$323.0 million for the previous year, the loss attributable to the owner of the Disposal Target for the year ended 31 December 2021 increased by approximately HK$752.5 million from approximately HK$560.3 million for the year ended 31 December 2020 to approximately HK$1,312.8 million for the year ended 31 December 2021.

As at 31 December 2021, the Disposal Group had current assets (including assets held for sale) and current liabilities of approximately HK$10,161.8 million and HK$15,768.3 million respectively, resulting in net current liabilities of approximately HK$5,606.5 million. The current ratio, as expressed as current assets over current liabilities, was 0.64 times as at 31 December 2021. The current assets mainly comprised properties under development and completed properties held-for-sale of approximately HK$5,217.0 million, amounts due from the Remaining Group of approximately HK$4,478.6 million, tax prepayments of approximately HK$228.3 million, trade and other receivables and prepayments of approximately HK$124.9 million and cash and cash equivalents of approximately HK$96.2 million. The Disposal Group's current liabilities mainly comprised trade and other payables of approximately HK$3,617.2 million, contract liabilities of approximately HK$2,122.3 million, amounts due to the Remaining Group of approximately HK$5,284.1 million, borrowings of approximately HK$4,124.3 million and tax payables of approximately HK$619.8 million.

The non-current assets of the Disposal Group amounted to approximately HK$2,098.3 million as at 31 December 2021, which included property, plant and equipment of approximately HK$34.0 million and investment properties of approximately HK$2,064.3 million. The Disposal Group's non-current liabilities amounted to approximately HK$547.7 million as at 31 December 2021, which consisted of borrowings of approximately HK$293.0 million and deferred tax liabilities of approximately HK$254.7 million.

As at 31 December 2021, the Disposal Group had a deficit of approximately HK$4,055.9 million and the gearing ratio, as expressed as total liabilities over total assets, was approximately 133.1%. The Disposal Group's deficit attributable to the owner of the Disposal Target was approximately HK$4,423.6 million as at 31 December 2021. As at 31 December 2021, the net amount due to the Remaining Group was approximately HK$805.5 million.

A.3 Information on the Remaining Group

The Company is the holding company of the Remaining Group. Upon Completion, the Remaining Group will continue to engage in property development, property investment and provision of property management and agency services and hotel operation in the PRC. The portfolio of assets of the Remaining Group includes Shanghai Zendai Thumb Plaza and Grand Mercure Shanghai Century Park in Shanghai, Qingdao Zendai Thumb Plaza as well as Himalayas Qingdao Hotel in Qingdao, and various commercial and residential projects radiating nationwide with a total carrying value of approximately HK$4,377.0 million as at 31 December 2021. It also holds an investment in Shanghai Himalayas Center.

A.3.1 Property development and investment projects

The information on the Remaining Group's property development and investment projects is summarized in the following table:

Name of project	Ownership of the Remaining Group in the project	Location	Description	Average occupancy rate during the year ended 31 December 2021	Total revenue for the year ended 31 December 2021
Properties held for investment and hotel operations					
Shanghai Zendai Thumb Plaza	100%	Adjacent to Shanghai's Century Park and the Lujiazui financial district	A community complex platform with integration of individual culture, fine art and trendy commerce. It is held for investment with a total leasable area of the commercial space of approximately 44,960 sq. m.	99%	Approximately RMB104.4 million (equivalent to approximately HK$125.8 million)
Grand Mercure Shanghai Century Park	100%	Located in Shanghai Zendai Thumb Plaza	An 18-storey five-star hotel with a floor area of 31,530 sq. m. held by the Remaining Group for hotel operations and managed under the "Grand Mercure" brand by HUAZHU Hotel Group	54%	Approximately RMB68.9 million (equivalent to approximately HK$83.0 million)
Qingdao Zendai Thumb Plaza	100%	Located in the central business district on Haier Road in Qingdao City, Shandong Province, the PRC	A commercial plaza with a total leasable area of commercial space of 46,545 sq. m.. It is held for investment	84%	Approximately RMB27.7 million (equivalent to approximately HK$33.4 million)
Himalayas Qingdao Hotel	100%	Located in Qingdao Zendai Thumb Plaza	A hotel held by the Remaining Group for hotel operations and managed by its own hotel management company under the Group's "Himalayas" brand. The total leasable area is approximately 27,673 sq. m.	70%	Approximately RMB38.9 million (equivalent to approximately HK$46.8 million)
Yangzhou Commercial Project	100%	Yangzhou City, Jiangsu Province, the PRC	A property development project with a total leasable area of 15,974 sq. m. designed for commercial, cultural, leisure and entertainment use in the heart of Yangzhou City. It is held for investment	92%	Approximately RMB 6.7 million (equivalent to approximately HK$8.1 million)
Zendai Nantong Yicheng Thumb Plaza ("Nantong Plaza") Phase 1	100%	Nantong City, Jiangsu Province, the PRC	A commercial plaza with a total leasable area of approximately 38,737 sq. m.. It is held for investment	77%	Approximately RMB6.7 million (equivalent to approximately HK$8.0 million)

Name of project	Ownership of the Remaining Group in the project	Location	Description	Average occupancy rate during the year ended 31 December 2021	Total revenue for the year ended 31 December 2021
Properties held for sale					
Nantong Plaza Phase 2	100%	Nantong City, Jiangsu Province, the PRC	An ancillary residential project with commercial space with a total saleable area of approximately 74,528 sq. m.	Not applicable. A total cumulative area of 71,585 sq. m. was sold, representing approximately 96.1% of the total saleable area	A total cumulative contract value of about RMB848.9 million (equivalent to approximately HK$1,022.7 million)
Nantong Plaza Phase 3	100%	Nantong City, Jiangsu Province, the PRC	A commercial plaza with a total commercial area of 75,946 sq. m. (including an underground area of 21,000 sq. m.) and a residential area of approximately 71,742 sq. m. (including an underground area of 32,150 sq. m.)	Not applicable. A total cumulative area of 40,715 sq. m. of the saleable area was sold, representing approximately 21.6% of the total saleable area	A total cumulative contract value of about RMB683.4 million (equivalent to approximately HK$823.3 million)
Properties held for future development					
Hainan Project	over 50%	Chengmai County, Hainan Province	A parcel of land with a site area of 1,309,563 sq. m., development of which is at the planning stage	Not applicable	Not applicable
Properties held by an associate					
Shanghai Himalayas Center	45%	Pudong, Shanghai	A complex comprises Jumeirah Himalayas Hotel Shanghai, a shopping mall and other auxiliary facilities such as contemporary art galleries (the Himalayas Art Museum), a multifunctional auditorium (the DaGuan Theatre), a business center and a creative office with a total leasable area of approximately 28,499 sq. m.	45%	Approximately RMB31.2 million (equivalent to approximately HK$37.5 million)
Jumeirah Himalayas Hotel Shanghai	45%	Located in Shanghai Himalayas Center	a luxury five-star hotel with a floor area of 60,452 sq. m. managed by the Jumeirah Hotel Group from Dubai, being the Jumeirah Hotel Group's first hotel in the Asia Pacific	45%	Approximately RMB108.5 million (equivalent to approximately HK$130.7 million)

A.3.2 Property management services

In addition to the property development and investment business, the Remaining Group extended its business presence to ten large- and medium-sized cities in the PRC by providing asset-light property management services. The projects under the Remaining Group's management cover a wide range of properties such as high-end business plazas, grade-A office buildings, top-tier villa areas, high-end residences and urban complexes. During the year ended 31 December 2021, the Remaining Group managed more than 30 projects with a total area of over 3 million sq. m., from which a total revenue of approximately RMB105.0 million (equivalent to approximately HK$126.5 million) was generated to the Remaining Group.

A.3.3 Financial information

The unaudited pro-forma financial information of the Remaining Group is summarized as follows:

	For the year ended 31 December	
	2021	**2020**
	HK$'000	*HK$'000*
Revenue		
– Sale of properties	13,230	142,759
– Property rental, management and agency services	334,974	318,668
– Hotel operations	93,640	72,147
	441,844	533,574
Gross profit	174,019	141,933
Loss before income tax	(658,178)	(503,298)
Loss for the year attributable to the Shareholders	(666,425)	(551,100)

	As at 31 December 2021
	HK$'000
Non-current assets	4,885,300
Current assets	6,154,800
Total assets	11,040,100
Non-current liabilities	761,000
Current liabilities	8,015,600
Total liabilities	8,776,600
Net current liabilities	(1,860,800)
Net assets	2,263,500
Equity attributable to the Shareholders	2,404,900

For the year ended 31 December 2021, the Remaining Group's revenue decreased by approximately 17.2% from approximately HK$533.6 million for the year ended 31 December 2020 to approximately HK$441.8 million, of which approximately 3.0% (2020: 26.8%) was derived from the sale of properties, approximately 75.8% (2020: 59.7%) was derived from property rental, management and agency services while the remaining 21.2% (2020: 13.5%) was derived from hotel operations. The decrease in revenue was mainly attributable to the decrease in sales of properties for the year ended 31 December 2021 as the majority of the properties in Nantong Plaza and Zendai Xizhen Thumb Plaza had been sold and delivered to the customers in the previous years.

With the shift of business development focus to property rental, management and agency services, which has a higher gross profit margin as compared to other revenue sources, the gross profit of the Remaining Group increased by approximately HK$32.1 million from approximately HK$141.9 million for the year ended 31 December 2020 to approximately HK$174.0 million for the year ended 31 December 2021. In addition, the Remaining Group recorded an increase in other income, gains and expenses of approximately HK$76.7 million for the year ended 31 December 2021, which mainly represented the net effect of an increase in interest income of approximately HK$107.4 million, a decrease in investment gain of approximately HK$35.7 million, an increase in fair value loss of investment properties of approximately HK$35.5 million and a decrease in exchange loss of approximately HK$39.0 million. However, as impacted by the increase in recognition of impairment of property, plant and equipment of approximately HK$259.2 million for the year ended 31 December 2021, the loss before income tax of the Remaining Group increased by approximately HK$154.9 million from approximately HK$503.3 million for the year ended 31 December 2020 to approximately HK$658.2 million for the year ended 31 December 2021. Taking into account the income tax credit for the year ended 31 December 2021 of approximately HK$43.5 million as compared to the income tax expense of approximately HK$23.9 million for the previous year, the loss for the year ended 31 December 2021 attributable to the Shareholders increased by approximately HK$115.3 million from approximately HK$551.1 million for the year ended 31 December 2020 to approximately HK$666.4 million for the year ended 31 December 2021.

As at 31 December 2021, the Remaining Group had current assets and current liabilities of approximately HK$6,154.8 million and HK$8,015.6 million respectively, resulting in net current liabilities of approximately HK$1,860.8 million. The current assets mainly comprised properties under development and completed properties held-for-sale of approximately HK$248.3 million, trade and other receivables and prepayments of approximately HK$159.0 million, amounts due from the Disposal Group of approximately HK$5,284.1 million, pledged bank deposits of approximately HK$221.1 million and cash and cash equivalents of approximately HK$219.2 million. The Remaining Group's current liabilities mainly comprised trade and other payables of approximately HK$1,053.9 million, amounts due to the minority owners of subsidiaries of approximately HK$122.8 million, amounts due to the Disposal Group of approximately HK$4,478.6 million, borrowings of approximately HK$2,203.4 million and tax payables of approximately HK$109.5 million.

The non-current assets of the Remaining Group amounted to approximately HK$4,885.3 million as at 31 December 2021, which mainly included property, plant and equipment of approximately HK$720.1 million, investment properties of approximately HK$3,316.4 million and properties under development of approximately HK$812.2 million. The Remaining Group's non-current liabilities amounted to approximately HK$761.0 million as at 31 December 2021, which consisted of borrowings of approximately HK$355.8 million, lease liabilities of approximately HK$67.1 million and deferred tax liabilities of approximately HK$338.1 million.

As at 31 December 2021, the Remaining Group had a net asset value of approximately HK$2,263.5 million and the gearing ratio, as expressed as total liabilities over total assets, was approximately 79.5%. The Remaining Group's equity attributable to the Shareholders was approximately HK$2,404.9 million as at 31 December 2021. As at 31 December 2021, the net amount due from the Disposal Group was approximately HK$805.5 million.

A.4 Reasons for the Disposal and use of proceeds

The Group is principally engaged in property development, property investment and provision of property management and agency services and hotel operation in the PRC. The Group holds commercial property and residential projects in various cities in the PRC, a majority of which are located in Shanghai and Nanjing. Upon Completion, the Remaining Group will continue to hold a 9.09% equity interest in Haimen Zendai and a 10% equity interest in Nanjing Thumb, both through Zendai Real Estate, and such interests will be retained and accounted for as financial assets at fair value through other comprehensive income in the consolidated financial statements of the Group. Save for the aforementioned, the Remaining Group shall no longer hold any equity interest in the Disposal Group and members of the Disposal Group shall cease to be subsidiaries of the Company after Completion.

As set out in the annual report of the Company for the year ended 31 December 2021, the real estate industry in the PRC had entered into a stage of adjustment since 2021 following the introduction of various regulatory policies, such as property purchase restrictions, mortgage loan restrictions and financing quota control, optimization of land auction rules and pre-sale fund supervision, by the Government. Coupled with the travel restrictions and epidemic prevention and control measures to curb population flow after the outbreak of the COVID-19 pandemic, the commercial leasing market was adversely affected tremendously and the overall environment for real estate developers and operators in the PRC including the Group had been difficult.

With reference to the information released by the National Bureau of Statistics, the gross domestic product of the PRC was approximately RMB114,367 billion for the year 2021 and approximately RMB27,018 billion for the first quarter of 2022, representing an increase of 8.1% and 4.8% as compared to the last year/corresponding period respectively. The total sales area of commercial housing in the PRC was 1.79 billion sq. m. for the year ended 31 December 2021, representing an increase of 1.9% as compared to the previous year while the total sales amount of commercial housing in the PRC was RMB18,193 billion for the year ended 31 December 2021, representing an increase of 4.8% as compared to the prior year. For the three months ended 31 March 2022, the total sales area of commercial housing in the PRC was 0.31 billion sq. m., representing a reduction of 13.8% as compared to the last corresponding period. The total sales amount of commercial housing in the PRC also dropped by 22.7%, as compared to the last corresponding period, to RMB2,965.5 billion for the three months ended 31 March 2022.

For the year ended 31 December 2021, the Group's revenue dropped materially by approximately 83.9% as compared to the previous year due to the reduced sale of properties. Combined with the effect of significant impairment in properties and heavy finance costs, the loss of the Group attributable to the Shareholders for the year ended 31 December 2021 increased by approximately 79.9% as compared to the prior year. The financial position of the Group had also deteriorated rapidly, from having net assets of approximately HK$304.8 million as at 31 December 2020 to net liabilities of approximately HK$1,792.3 million as at 31 December 2021. The Group's current ratio, as expressed as current assets over current liabilities, dropped from 0.68 times as at 31 December 2020 to 0.47 times as at 31 December 2021. The Group defaulted in repaying certain of its borrowings and received the Qingdao Order as mentioned in section A.1 of this letter.

Having considered the challenging business environment of the real estate industry in the PRC and the deteriorating financial position of the Group, the Group has been exploring different options to reduce its gearing and improve its liquidity and financial position. The Group is keen to divest part of its property portfolio to urgently improve liquidity and reduce debts, and at the same time utilise its resources and experience to conduct asset-light property businesses such as the provision of services for commercial property management and property development.

As at 31 December 2021, the Group's total borrowings amounted to approximately HK$6,976.5 million, of which HK$6,327.7 million were repayable within one year and HK$648.8 million were repayable after one year, and about HK$4,417.3 million were incurred by the Disposal Group, of which HK$4,124.3 million was repayable within one year and HK$293.0 million was repayable after one year. The Disposal will effectively remove the Disposal Group's borrowings from the Group and reduce the Remaining Group's overall gearing.

The gross proceeds from the Disposal amounted to RMB225.0 million (equivalent to approximately HK$265.5 million). The Group intends to apply the net proceeds from the Disposal (after deducting the estimated direct expenses for the Disposal) of approximately RMB221.4 million (equivalent to approximately HK$261.3 million) as to (i) approximately RMB120.0 million (equivalent to approximately HK$141.6 million) for the repayment of borrowings; and (ii) approximately RMB101.4 million (equivalent to approximately HK$119.7 million) for the general working capital of the Remaining Group including payments to suppliers, and for rentals and wages and salaries for employees.

Having considered that (i) the Disposal Group had a loss-making track record for the past two years; (ii) the Disposal can effectively remove the Disposal Group's borrowings from the Group and enhance the liquidity and financial position of the Remaining Group; and (iii) the Disposal allows the Group to realize its investment in the Disposal Group at a fair price and provides additional general working capital to the Remaining Group to facilitate its daily operations, we concur with the view of the Directors that the Disposal is in the interests of the Company and the Shareholders as a whole.

A.5 Principal terms of the Agreement

Pursuant to the Agreement, the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares, being the entire issued share capital of the Disposal Target, at a Consideration of RMB225.0 million (equivalent to approximately HK$265.5 million), which shall be payable by the Purchaser to the Company in cash in the following manner:

(i) as to RMB202.5 million (equivalent to approximately HK$239.0 million and representing 90% of the Consideration) payable at Completion; and

(ii) as to the balance of RMB22.5 million (equivalent to approximately HK$26.5 million and representing 10% of the Consideration) (the "**Balance Payment**") payable on the date falling on the ninth month after the date of Completion, subject to the fulfillment of the following conditions (the "**Balance Payment Conditions**"):

(a) the Company having fulfilled all of its obligations under the Agreement;

(b) there being no substantive losses incurred by the Purchaser as a result of untrue, inaccurate, incomplete or misleading representations or warranties given by the Company during the period from the date of the Agreement up to the payment date of the Balance Payment;

(c) there being no substantive losses incurred by the Purchaser as a result of undisclosed liabilities (including contingent liabilities), guarantees, warranties, encumbrances on assets and litigations of the Disposal Group during the period from the date of the Agreement up to the payment date of the Balance Payment; and

(d) there being no substantive losses incurred by the Purchaser as a result of a breach of terms of the Agreement or other acts by the Company during the period from the date of the Agreement up to the payment date of the Balance Payment.

In the event that the Purchaser has incurred substantive losses as a result of non-fulfilment of the above conditions, the Purchaser and the Company shall first agree on the loss amount incurred by the Purchaser prior to the payment date of the Balance Payment and the Balance Payment (after deducting the agreed loss amount) shall be payable by the Purchaser to the Company on the payment date of the Balance Payment. If the parties fail to agree on the aforesaid loss amount prior to the payment date of the Balance Payment, the Purchaser shall pay the Balance Payment (after deducting the loss amount it considers reasonable) to the Company on the payment date of the Balance Payment and the Company shall have the legal right to claim the disputed amount against the Purchaser.

The Consideration was determined after arm's length negotiations between the contracting parties with reference to (i) the unaudited combined net liabilities of the Disposal Group attributable to the owner of the Disposal Target as at 31 December 2021 of approximately HK$4,423.6 million (equivalent to approximately RMB3,616.7 million converted at the then exchange rate of RMB1=HK$1.223); (ii) the preliminary valuation of the Properties as at 30 April 2022 of approximately RMB10,230.6 million valued by Jia Ce (Hong Kong) Surveyors Limited and Graval Consulting Limited (the "**Joint Valuers**"), independent professional valuers, using income approach for properties which are leased to independent third parties and market approach for properties which are in vacant possession or under development (which is the same as the valuation as shown in their valuation report set out in Appendix V to the Circular). The valuation represented a surplus of approximately RMB4,256.7 million over the corresponding carrying value of the Properties as at 31 December 2021 and the valuation surplus of the Properties attributable to the Disposal Target amounted to approximately RMB3,842.4 million, having taken into account the effective percentage holding of the Disposal Target in the Properties.

A.5.1 Consideration

To assess the fairness and reasonableness of the Consideration, we have considered the following factors:

Valuation of the Properties

As disclosed in section A.2 of this letter, the Disposal Group is principally engaged in property development and investment in Haimen and Nanjing, Jiangsu Province, the PRC and its major property projects are the Haimen Property and the Nanjing Property.

According to the valuation report (the "**Valuation Report**") jointly prepared by the Joint Valuers, both of them are independent valuers, as set out in Appendix V to the Circular, the market value of the Properties held by the Disposal Group was approximately RMB10,230.6 million (equivalent to approximately HK$12,072.1 million) as at 30 April 2022.

We have performed works as required under Note 1(d) to Rule 13.80 of the Listing Rules in respect of the valuation of the Properties, which included a discussion with the Joint Valuers as to their qualification and experiences in valuing properties in the PRC similar to those of the Properties and their relationship with the Group and other parties to the Agreement, and a review on the terms of the Joint Valuers' engagements for the assessment of the valuations of the Properties, in particular to their scope of work.

We understand that (i) Mr. Lawrence Chan Ka Wah, a partner of Graval Consulting Limited and one of the three signors of the Valuation Report, is a member of the Royal Institution of Chartered Surveyors ("**RICS**"), a member of the Hong Kong Institute of Surveyors, Registered Professional Surveyors in the General Practice Section, a RICS Registered Valuer and a member of the China Institute of Real Estate Appraisers and Agents, who has over 18 years' experience in valuation of properties in Hong Kong, Macau, the PRC and the Asia-Pacific Region; (ii) Mr. Zhang Xiao, the Chief Valuer of Jia Ce (Hong Kong) Surveyors Limited and one of the three signors of the Valuation Report, is a member of RICS, RICS Registered Valuer and a member of the China Institute of Real Estate Appraisers and Agents, who has over 10 years' experience in the valuation of properties in the PRC; and (iii) Mr. Zhao Qi, General Manager of Jia Ce (Hong Kong) Surveyors Limited and one of the three signors of the Valuation Report, is a member of RICS, RICS Registered Valuer and a member of the China Institute of Real Estate Appraisers and Agents, who has over 20 years' experience in the valuation of properties in the PRC. As such, we are of the view that the signors of the Valuation Report are qualified, experienced and competent in performing valuation of properties in the PRC and forming a reliable opinion in respect of the valuations of the Properties. We noted from the engagement letters entered into between the Company and the Joint Valuers that the scope of work was appropriate for the Joint Valuers to form the opinion required to be given and there were no limitations on the scope of work that might adversely impact the degree of assurance given by the Joint Valuers in the Valuation Report. The Joint Valuers confirmed to us that apart from normal professional fees payable to them in connection with their engagements for the valuation, no arrangements exist whereby they would receive any fee or benefit from the Group and its associates. We have enquired with the Joint Valuers as to their independence from the Group and the parties to the Agreement and were given to understand that the Joint Valuers are third parties independent of the Company and its connected persons. The Joint Valuers also confirmed to us that they were not aware of any relationship or interest among them and the Company or any other parties that would be reasonably considered to affect their independence to act as independent joint valuers for the Company.

We have reviewed the Valuation Report in respect of the valuations of the Properties prepared by the Joint Valuers and discussed with the Joint Valuers the methodology, basis and assumptions adopted in arriving at the valuations of the Properties as at 30 April 2022. We understand from the Joint Valuers that the Valuation Report was prepared in compliance with the HKIS Valuation Standards 2020 Edition published by the Hong Kong Institute of Surveyors, the RICS Valuation-Global Standards effective in 2022 published by the RICS, the International Valuation Standards effective in 2022 published by the International Valuation Standards Council and the requirements as set out in Chapter 5 and Practice Note 12 of the Listing Rules.

We noted that the market approach was adopted for assessing the value of the properties which are in vacant possession or under development while the income approach was adopted for assessing the value of the properties which are leased to independent third parties. The Joint Valuers advised us that given there were sufficient market transactions available for comparison purposes, they considered the market approach was the most appropriate valuation method in arriving at the valuations of the properties which are in vacant possession or under development. Meanwhile, as the value of the properties which are held for investment is income-driven and such properties have been rented to third parties under the existing leases, the Joint Valuers considered that the income approach was the most appropriate valuation method in valuing the properties which are leased to independent third parties.

For assessing the properties which are in vacant possession or under development, the Joint Valuers assumed that the properties are sold in their existing states with the benefit of immediate vacant possession and reference was made to comparable sales transactions as available in the market. For the properties held for development and future development, the Joint Valuers have adopted the market approach by referring to comparable sales evidence as available in the market and also taken into account the accrued construction costs and professional fees relevant to the stage of construction. We have discussed with the Joint Valuers the selection criteria of, and reviewed, the comparables used by the Joint Valuers for assessing the values of the properties which are held for sale and held for development and future development and noted that three to four comparables were used by the Joint Valuers for comparison with each of the properties held for sale and held for development and future development and such comparables are similar assets located in the same city as the properties which are held for sale and held for development and future development for which price information is available. The locations of the subject properties and the comparables are set out in the table below.

Property no. as shown in the Valuation Report	Property location	Comparable 1	Comparable 2	Comparable 3	Comparable 4
2 (shop units)	Haimen Port, Haimen District, Nantong City	Zhonglou New Village, Haimen District, Nantong City	Fangdoucheng, Dieshiqiao, Haimen District, Nantong City	Renmin Road Central, Haimen District, Nantong City	Not applicable
3 (shop units)	Nanjing Himalayas Center, Yuhuatai District, Nanjing City	Nanjing Himalayas Center, Yuhuatai District, Nanjing City	Galaxy Centre, Yuhuatai District, Nanjing City	Chengji Kongjianzhan, Yuhuatai District, Nanjing City	Not applicable
3 (office units)	Nanjing Himalayas Center, Yuhuatai District, Nanjing City	Nanjing Himalayas Center, Yuhuatai District, Nanjing City	Nanjing Himalayas Center, Yuhuatai District, Nanjing City	Nanjing Himalayas Center, Yuhuatai District, Nanjing City	Not applicable
3 (car parking spaces)	Nanjing Himalayas Center, Yuhuatai District, Nanjing City	Wanke Jiuduhui, Yuhuatai District, Nanjing City	Fenghuang Hemei, Yuhuatai District, Nanjing City	Jindi Zizaicheng, Yuhuatai District, Nanjing City	Not applicable
4 (office units)	Nanjing Fengyunfu, Gulou District, Nanjing City	Suning Huigu, Gulou District, Nanjing City	Central Jindi Plaza, Gulou District, Nanjing City	Qingjiang Suning Plaza, Gulou District, Nanjing City	Not applicable
4 (car parking spaces)	Nanjing Fengyunfu, Gulou District, Nanjing City	Jinda Garden, Gulou District, Nanjing City	Bincheng Shijia, Gulou District, Nanjing City	Jinlingwan, Gulou District, Nanjing City	Not applicable
5 (shop units)	Nanjing Yueshangju, Gulou District, Nanjing City	Shengshi Binjiang, Gulou District, Nanjing City	Weitan Xincheng, Gulou District, Nanjing City	Taoyuanli, Gulou District, Nanjing City	Not applicable
5 (office units)	Nanjing Yueshangju, Gulou District, Nanjing City	Suning Huigu, Gulou District, Nanjing City	Central Jindi Plzaz, Gulou District, Nanjing City	Qingjiang Suning Plaza, Gulou District, Nanjing City	Not applicable
5 (car parking spaces)	Nanjing Yueshangju, Gulou District, Nanjing City	Jinda Garden, Gulou District, Nanjing City	Bincheng Shijia, Gulou District, Nanjing City	Jinlingwan, Gulou District, Nanjing City	Not applicable
6 (apartment units)	Haimen Port, Haimen District, Nantong City	Zendai Binjiang Garden, Haimen District, Nantong City	Fujiang Yipin, Haimen District, Nantong City	Rongheyuan, Haimen District, Nantong City	Not applicable
7 (commercial land parcel)	Western side of Jiangbian Road, Gulou District, Nanjing City	Western side of Qinhuai River, Qinhuai District, Nanjing City	Western side of Qinhuai River, Qinhuai District, Nanjing City	Northern side of Beijing Road and western and eastern side of Yunnan Road, Gulou District, Nanjing City	Western side of Shuiji Road and southern side of Yunshui Road, Gulou District, Nanjing City

Property no. as shown in the Valuation Report	Property location	Comparable 1	Comparable 2	Comparable 3	Comparable 4
7 (residential land parcel)	Western side of Jiangbian Road, Gulou District, Nanjing City	Southern side of Fangjiaying Road and eastern side of Binjiang Road, Gulou District, Nanjing City	Eastern and western sides of Wubaicun Road, Golou District, Nanjing City	Eastern side of Guodong Road and northern side of Jiayuan Road, Qinhuai District, Nanjing City	Northern side of Jiayuan Road and western side of Yexiu 2nd Road, Gulou District, Nanjing City
8 (commercial land parcel)	Western side of Jiangbian Road, Gulou District, Nanjing City	Western side of Qinhuai River, Qinhuai District, Nanjing City	Western side of Qinhuai River, Qinhuai District, Nanjing City	Northern side of Beijing Road and west and eastern side of Yunnan Road, Gulou District, Nanjing City	Western side of Shuiji Road and southern side of Yunshui Road, Gulou District, Nanjing City
9 (commercial land parcel)	Haimen Port, Haimen District, Nantong City	Eastern side of Tongjiang Road and northern side of Beijing Road, Haimen District, Nantong City	Southern side of Nanjing Road and western side of Zhangjian Avenue, Haimen District, Nantong City	Northern side of Xiushan Road and western side of Yanjiang Highway, Haimen District, Nantong City	Not applicable
9 (residential land parcel)	Haimen Port, Haimen District, Nantong City	Southern side of Xiushan Road and eastern side of Pujiang Road, Haimen District, Nantong City	Western side of Zhangjian Avenue and northern side of Guangzhou Road, Haimen District, Nantong City	Southern side of Development Avenue and eastern side of Huhai Road, Haimen District, Nantong City	Not applicable
9 (education and/or healthcare land parcel)	Haimen Port, Haimen District, Nantong City	Eastern side of Linglonghu Road and southern side of Linjiang Avenue, Haimen District, Nantong City	Jianghai Industrial Zone, Qidong, Nantong City	Jianghai Industrial Zone, Qidong, Nantong City	Wanxin Village, Chengbei Jiedao, Rugao, Nantong City

Based on the above, we concur with the view of the Joint Valuers that the comparables used in the valuation are reasonable and comparable to the Disposal Group's properties which are held for sale and held for development and future development.

In valuing the Disposal Group's properties which are leased to independent third parties, the Joint Valuers have adopted the income approach by taking into account the portion of property subject to various tenancy agreements with the latest expiry date on 15 October 2035 at a total annual rental of approximately RMB35.8 million derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which was then capitalized to determine the market value at an appropriate capitalization rate. We have discussed with the Joint Valuers, and reviewed, the list of leasing information of 203 shop units held by the Disposal Group provided by the Joint Valuers. We also understand from the Joint Valuers that they had carried out on-site inspections and made relevant enquiries and searches for the purpose of the assessment and no irregularities were noted during the course of the assessment.

Given the methodologies applied by the Joint Valuers are the generally accepted procedures and practices of professional surveyors and are in compliance with valuation standards published by the recognized professional surveying organizations as stated above, we consider that the methodology and basis adopted by the Joint Valuers for determining the market values of the Properties are appropriate. Together with the fact that no unusual matters had come to our attention that led us to believe that the valuations of the Properties were not prepared on a reasonable basis, we believe that the valuations of the Properties fairly represent the market values of the Properties and form a fair and reasonable basis for our further assessment on the Consideration.

Valuation of the Disposal Group

The adjusted unaudited combined net asset value of the Disposal Group attributable to the owner of the Disposal Target (after adjusting for the valuation of the Properties) as at 31 December 2021 amounted to approximately RMB225.7 million (equivalent to approximately HK$266.3 million), which was calculated as follows:

	RMB million
Unaudited combined net liabilities of the Disposal Group attributable to the owner of the Disposal Target as at 31 December 2021	(3,616.7)
Fair value adjustment of the Properties attributable to the owner of the Disposal Target:	
Valuation of the Properties as at 30 April 2022	10,230.6
Carrying value of the Properties in the accounts of the Disposal Group as at 31 December 2021	(5,973.9)
Valuation surplus	4,256.7
Valuation surplus of the Properties attributable to the owner of the Disposal Target	3,842.4
Adjusted unaudited combined net asset value of the Disposal Group attributable to the owner of the Disposal Target as at 31 December 2021	225.7

The Consideration of RMB225.0 million (equivalent to approximately HK$265.5 million) represents a slight discount of approximately 0.3% to the adjusted unaudited combined net asset value of the Disposal Group attributable to the owner of the Disposal Target as at 31 December 2021 of approximately RMB225.7 million (equivalent to approximately HK$266.3 million).

To assess the fairness and reasonableness of the Consideration, we have also considered various commonly adopted comparison approaches for the evaluation of a company, namely the net assets approach, price-to-earnings approach and dividends approach. However, given that (i) no profits were recorded by the Disposal Group for the two years ended 31 December 2021; and (ii) no dividends were declared by the Disposal Group in the past two years, we are of the view that the price-to-earnings approach and the dividends approach were inapplicable for assessing the value of the Disposal Group. Therefore, only the net assets approach was adopted in assessing the value of the Disposal Group.

Based on the adjusted combined net asset value of the Disposal Group attributable to the owner of the Disposal Target as at 31 December 2021 of approximately RMB225.7 million (equivalent to approximately HK$266.3 million) and the Consideration of RMB225.0 million (equivalent to approximately HK$265.5 million), the price-to-book ratio (the "**PBR**") of the Disposal Group implied by the Consideration is approximately 1.00 times.

We have searched for the companies that (a) are listed on the main board of the Stock Exchange and the trading of which was not suspended as at the Latest Practicable Date; (b) all of the revenue was derived from property development and investment in the PRC for the latest financial year; and (c) have market capitalization up to HK$1,000 million as at the Latest Practicable Date, taking into account the Consideration of RMB225.0 million (equivalent to approximately HK$265.5 million). Criterion (a) was set for the purpose of limiting the comparable samples to those companies with reliable public financial information for comparison purposes. Criterion (b) was set so that only those companies whose principal activities match with that of the Disposal Group are included as comparable samples. Criterion (c) was set for the purpose of limiting the comparable samples to those companies with a business size similar to the Disposal Group while allowing sufficient samples for comparison purposes.

Based on the above-mentioned criteria, we have, in our best effort, identified seven comparable companies (the "**PB Comparables**") as valuation benchmarks and we consider such PB Comparables represent an exhaustive list of relevant comparable companies based on the said criteria and are fair and representative samples for assessing the fairness and reasonableness of the consideration as their businesses are comparable to the business of the Disposal Group and their turnover was derived from the business of property development and investment in the PRC for their respective latest financial year. Set out below is a comparison of the PBRs of the Disposal Group, as implied by the Consideration, and the PB Comparables as at the Latest Practicable Date.

Table – PBR of the PB Comparables and the Disposal Group

Company name (stock code)	**Principal business activities**	**Market capitalization as at the Latest Practicable Date** *HK$'million*	**PBR as at the Latest Practicable Date** *times*
Xinming China Holdings Limited (2699)	Property development and investment in the PRC	56.4	2.29
Coastal Greenland Limited (1124)	Property development and investment in the PRC	174.1	0.04
Sanxun Holdings Group Limited (6611)	Property development in the PRC	520.2	0.26
Jiande International Holdings Limited (865)	Property development in the PRC	525.4	0.57
Great China Holdings (Hong Kong) Limited (21)	Property development and investment in the PRC	560.5	0.57
Million Cities Holdings Limited (2892)	Property development in the PRC	637.5	0.49
Ever Reach Group (Holdings) Company Limited (3616)	Property development in the PRC	792.0	0.38
Minimum			0.04
Maximum			2.29
Average			0.66
Disposal Group	Property development and investment in the PRC		1.00

Source: the website of the Stock Exchange

As shown in the above table, the PBRs of the PB Comparables ranged from approximately 0.04 times to 2.29 times, with an average of approximately 0.66 times. The implied PBR of the Consideration of approximately 1.00 times falls within the range of the PBRs of the PB Comparables and is higher than the average PBR of the PB Comparables.

The above comparison with the PB Comparables is for illustrative purposes only as each of the PB Comparables may not be entirely comparable to the Disposal Group in terms of the market capitalization, the scale of operations, asset base, cash position, debt structure, minority interest, risk profile, track record, the composition of their business activities, the prospects and other relevant factors. All these factors may affect the valuation of a company as indicated by the varied range of results in our comparison. Therefore, in forming our opinion, we have considered the results of the above comparison together with all other factors stated in this letter as a whole.

Due to the aforementioned limitations in the comparison approach, we have also considered assessing the value of the Disposal Group by discounted cash flows method. However, given a valuation using discounted cash flows method involves various subjective assumptions and parameters which may largely affect the value of the subject, we consider that it is inappropriate to use the income approach to assess the value of the Disposal Group.

Having considered that (i) the Consideration is only slightly lower than the adjusted unaudited combined net asset value of the Disposal Group attributable to the owner of the Disposal Target as at 31 December 2021 by 0.3%; (ii) the implied PBR of the Consideration falls within the range of the PBRs of the PB Comparables and is higher than the average of the PB Comparables; and (iii) the Disposal would bring in benefits to the Group as detailed in the sections headed "A.4 Reasons for the Disposal and use of proceeds" above and "A.6 Financial effects of the Disposal" below, we consider that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned and on normal commercial terms although the Consideration is slightly lower than the adjusted unaudited combined net asset value of the Disposal Group attributable to the owner of the Disposal Target as at 31 December 2021.

A.5.2 Settlement method of the Consideration

Pursuant to the Agreement, 90% of the Consideration (i.e. RMB202.5 million) shall be payable at Completion while the remaining 10% (i.e. RMB22.5 million) shall be payable on the date falling on the ninth month after the date of Completion, subject to the fulfillment of the Balance Payment Conditions.

We were advised by the management of the Company that a 10% deferred payment of the Consideration was requested by the Purchaser in view of the involvement of the Disposal Group in litigations regarding the loan arrangement, details of which are set out in points (ii) and (iii) under the section headed "7. LITIGATION" in Appendix VI of the Circular, in respect of its property development projects, of which the whole development period has been over ten years. Therefore, a period of nine months is requested by the Purchaser for understanding the litigations and operations of the Disposal Group to ensure there are no untrue, inaccurate, incomplete or misleading representations or warranties and undisclosed liabilities (including contingent liabilities) that might cause any substantive losses to the Purchaser after the Completion. Management of the Company confirmed that the Company has made necessary representations, warranties and information disclosures regarding the situation of the Disposal Group and considers that the risk of non-fulfilment of the Balance Payment Conditions is relatively low.

Given the risk of non-fulfilment of the Balance Payment Conditions is low and the Purchaser insisted on the deferred payment arrangement, we concur with the view of the Directors that the deferred payment arrangement is commercially justifiable having considered the benefits of the Disposal to be brought to the Group as a whole.

A.6 Financial effects of the Disposal

Upon Completion, members of the Disposal Group shall cease to be subsidiaries of the Company. Accordingly, their results, assets and liabilities will no longer be consolidated into the financial statements of the Group. The financial effects of the Disposal on the Group's earnings, cash flow, net asset value and gearing are set out below. However, it should be noted that the analysis below is for illustrative purposes only and does not purport to represent how the financial position of the Remaining Group would be upon Completion.

Earnings

With reference to the "Unaudited pro forma financial information of the Remaining Group" as set out in Appendix III to the Circular, had the Completion been taken place on 1 January 2021, the results of the Group for the year ended 31 December 2021 would have a turnaround from a loss attributable to the Shareholders of approximately HK$2,070.4 million to a profit attributable to the Shareholders of approximately HK$2,439.1 million.

Cashflow

The Consideration of RMB225.0 million (equivalent to approximately HK$265.5 million) shall be settled by the Purchaser in cash. Therefore, the Remaining Group shall have a cash inflow of RMB225.0 million (equivalent to approximately HK$265.5 million) from the Disposal.

Net asset value

According to the "Unaudited pro forma financial information of the Remaining Group" as set out in Appendix III to the Circular, had the Completion been taken place on 31 December 2021, the total assets of the Group would have decreased by approximately HK$1,714.4 million from approximately HK$13,537.5 million to approximately HK$11,823.1 million while the total liabilities of the Group would have decreased by approximately HK$6,553.4 million from approximately HK$15,329.9 million to approximately HK$8,776.5 million. Therefore, the financial position of the Group would have improved from net liabilities of approximately HK$1,792.3 million to net assets of approximately HK$3,046.5 million had the Completion been taken place on 31 December 2021.

Gearing

Having considered the effects of the Disposal on the total assets and total liabilities of the Group as mentioned above, the gearing of the Group, as expressed as total liabilities over total assets, would have decreased from approximately 1.13 to approximately 0.74 had the Completion been taken place on 31 December 2021.

Based on the above analysis, we noted that the Disposal would have positive effects on the earnings, cash position, net asset value and gearing of the Group.

A.7 Opinion on the terms of the Agreement for the Disposal

Having considered that (i) the implied PBR of the Consideration falls within the range, and is higher than the average, of the PBRs of the PB Comparables; (ii) the Consideration of RMB225.0 million represents only a slight discount of approximately 0.3% to the adjusted unaudited combined net asset value of the Disposal Group attributable to owners of the Disposal Target of approximately RMB225.7 million as at 31 December 2021; (iii) the Consideration will be settled fully in cash and such additional cash inflow to the Remaining Group can help alleviating the Remaining Group's cashflow problem; (iv) a deferral in payment of 10% of the Consideration is commercially justifiable, having taken into account the existence of litigations in the Disposal Group and the benefits of the Disposal to be brought to the Group as a whole; and (v) the Disposal would have positive effects on the earnings, cash position, net asset value and gearing of the Group, we consider that the terms of the Agreement, including the Consideration, for the Disposal are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole.

B. PROVISION OF FINANCIAL ASSISTANCE

There are inter-company balances between members of the Disposal Group and members of the Remaining Group. As at 31 March 2022, the total amount of the Inter-company Balances owed by the Disposal Group to the Remaining Group amounted to approximately RMB1,749.0 (equivalent to approximately HK$2,063.8 million), while the total amount owed by the Remaining Group to the Disposal Group amounted to approximately RMB1,204.8 (equivalent to approximately HK$1,421.7 million). Accordingly, the net amount of the Inter-company Balances owed by the Disposal Group to the Remaining Group amounted to approximately RMB544.2 million (equivalent to approximately HK$642.2 million).

In addition, as at 31 March 2022, the Remaining Group has provided the Remaining Group Guarantees in respect of certain borrowings of the Disposal Group in an aggregate amount (principal and interest) of approximately RMB1,119.2 million (equivalent to approximately HK$1,320.7 million), whereas the Disposal Group has provided the Disposal Group Guarantees in respect of certain borrowings of the Remaining Group in an aggregate amount (principal and interest) of approximately RMB789.9 million (equivalent to approximately HK$932.1 million). The Remaining Group Guarantees and the Disposal Group Guarantees have been provided by the Remaining Group and the Disposal Group, respectively, in favour of third party financial institutions as security for certain existing borrowings of the Disposal Group and the Remaining Group, and cannot be released prior to Completion as certain borrowings have been in default and it would be difficult to negotiate with the relevant lenders for the release of such guarantees within a short period of time.

The Inter-company Balances owed by the Disposal Group to the Remaining Group as well as the Remaining Group Guarantees and the Disposal Group Guarantees will continue to exist for a certain period after Completion and such transactions will constitute a provision of financial assistance by the Remaining Group to the Disposal Group. Meanwhile, the provision of Financial Assistance also constitutes a major and connected transaction of the Company under the Listing Rules.

In arriving at our opinion regarding the provision of Financial Assistance by the Remaining Group, we have considered the following principal factors and reasons:

B.1 Reasons for the provision of Financial Assistance

We have been advised by the management of the Company that the Inter-company Balances arose from the transactions between the Remaining Group and the Disposal Group in their normal operations such as payment of dividends, purchase and sale of assets and borrowing and lending. As the Inter-company Balances involve many different business entities of the Group and each of them may have its own tax, operational and cashflow concerns for the repayment of the Inter-company Balances, it is impracticable for the relevant parties to settle all the outstanding Inter-company Balances before Completion, which shall take place within a few months after the signing of the Agreement. The Company endeavoured to request the Purchaser to settle the net amount of the Inter-company Balances owed by the Disposal Group to the Remaining Group upon Completion. However, the Purchaser is willing to acquire the Sale Shares only but not the shareholder's loan (i.e. the net amount of the Inter-company Balances) as the full settlement of the outstanding amount of the Inter-company Balances upon Completion shall substantially increase the cash outflow of the Purchaser for the Disposal and the Purchaser shall opt-out of the transaction completely if it has to settle the net amount of the Inter-company Balances upon Completion. Having considered the liquidity needs of the Remaining Group and to facilitate the Disposal, the contracting parties to the Agreement agreed that the Disposal Group and the Remaining Group would enter into loan agreements in respect of the outstanding Inter-company Balances owed to each other before Completion. The outstanding Inter-company Balances shall bear interest with effect from the date of Completion at the rate of 11.9% per annum and shall be repayable in full on or before 31 December 2024.

We noted that the Remaining Group Guarantees and the Disposal Group Guarantees are related to the respective borrowings of the Disposal Group and the Remaining Group provided by independent creditors and the release of such guarantees requires the consent of the creditors. We were also given to understand that certain borrowings have been in default and it would be difficult for the Company to negotiate with the relevant lenders for the release of such guarantees and/or change in the guarantors in a short period of time. In light of this practical problem, the Company and the Purchaser have reached an agreement that the Remaining Group and the Disposal Group shall continue to provide the Remaining Group Guarantees and the Disposal Group Guarantees to each other after Completion but both parties shall use their best endeavours to procure the release of the aforesaid guarantees. Furthermore, the party being guaranteed shall pay a fee to the guarantor equivalent to 1% of the guaranteed amount per annum prior to the release of such guarantees.

Having considered that (i) it is impracticable for the Group to fully settle the outstanding Inter-company Balances and release the Remaining Group Guarantees and the Disposal Group Guarantees before Completion; (ii) imposing the conditions of full settlement of the Inter-company Balances and release of the Remaining Group Guarantees and the Disposal Group Guarantees before Completion may unavoidably cause postponement to the Completion and further delay in receipt of the Consideration by the Group which is in an urgent need of additional funding; (iii) the Purchaser is willing to acquire the Sale Shares only but not the net amount of the Inter-company Balances; (iv) the Remaining Group's receivables from the Inter-company Balances shall generate interest income to the Remaining Group; and (v) the provision of the Remining Group Guarantees to the Disposal Group shall generate additional income to the Remaining Group as a guarantee fee shall be charged to the Disposal Group for the Remaining Group Guarantees, we consider that the provision of Financial Assistance to the Disposal Group by the Remaining Group is in the interests of the Company and its Shareholders as a whole although it is not conducted in the ordinary and usual course of business of the Company.

B.2 Principal terms for the provision of the Financial Assistance

B.2.1 The Inter-company Balances

Prior to Completion, the Disposal Group and the Remaining Group shall enter into agreements to set out the terms of the outstanding Inter-company Balances owed by the Disposal Group and the Remaining Group. The outstanding Inter-company Balances shall bear interest with effect from the date of Completion at the rate of 11.9% per annum and shall be repayable in full on or before 31 December 2024. In the event that the Inter-company Balances owed by the Disposal Group and the Remaining Group have not been repaid in full as at 31 December 2024, the Remaining Group shall have the right to extend the maturity dates of the Inter-company Balances owed by the Disposal Group and the Remaining Group by not more than three years. In the event that the Company decides to extend the maturity date of the Inter-company Balances owed by the Disposal Group to the Remaining Group, the Company will re-comply with the applicable requirements under Chapters 14 and 14A of the Listing Rules.

The interest rate was determined with reference to the weighted average of the interest rates currently charged by the COAMI Group on the outstanding loans owed by the Disposal Group. In order to assess the fairness and reasonableness of the interest rate for the Inter-company Balances, we have conducted independent research from the public domain on comparable transactions (the "**Comparable Loan Transactions**") which (i) were announced by companies listed on the Stock Exchange from 1 April 2022 up to the date of the Agreement (the "**Review Period**"), which in our view represents an appropriate time for benchmarking a sufficient number of Comparable Loan Transactions to reflect the prevailing market practice in respect of the provision of loans; and (ii) involved the provision of financial assistance by way of loans by companies listed in Hong Kong to its connected persons. To the best of our knowledge and on a best-effort basis, we have identified an exhaustive list of 19 Comparable Loan Transactions which fit the abovementioned selection criteria. A summary of the Comparable Loan Transactions conducted during the Review Period is set out below:

Date of announcement	Company Name	Stock Code	Loan Amount	Annual Interest Rate
06/06/2022	Jacobson Pharma Corporation Limited	2633	HK$60 million	5.82%[Note 1]
27/05/2022	Baiying Holdings Group Limited	8525	RMB8.0 million	5.00%
24/05/2022	JNBY Design Limited	3306	RMB100 million	4.90%
20/05/2022	Shenzhen Investment Limited	604	RMB550 million	3.50%
16/05/2022	China Wan Tong Yuan (Holdings) Limited	6966	RMB100 million	12.00%
03/05/2022	Shi Shi Services Limited	8181	HK$21 million	10.00%
03/05/2022	Wang On Group Limited	1222	HK$70 million	10.00%
03/05/2022	Wai Yuen Tong Medicine Holdings Limited	897	HK$506 million	10.00%
29/04/2022	Yankuang Energy Group Company Limited	1171	RMB17 billion[Note 2]	4.45%[Note 2]
28/04/2022	Smart-Core Holdings Limited	2166	US$3.5 million	8.00%
28/04/2022	51 Credit Card Inc.	2051	RMB8.0 million	5.80%
28/04/2022	China Suntien Green Energy Corporation Limited	956	RMB3.0 billion	3.65%[Note 3]
27/04/2022	China New City Commercial Development Limited	1321	RMB585.0 million[Note 4]	5.16%[Note 4]
27/04/2022	China Youzan Limited	8083	HK$900 million	2.00%
22/04/2022	Metropolis Capital Holdings Limited	8621	RMB2.35 million	12.00%
22/04/2022	China Pipe Group Limited	380	US$10 million	5.50%
20/04/2022	China Resources Pharmaceutical Group Limited	3320	HK$1.2 billion	4.45%[Note 5]
06/04/2022	Asian Citrus Holdings Limited	73	RMB7.0 million	6.00%
04/04/2022	Grandshores Technology Group Limited	1647	HK$5.8 million	8.00%
			Maximum	12.00%
			Minimum	2.00%
			Average	6.64%
	The Company			11.90%

Notes:

1. As disclosed in the announcement of Jacobson Pharma Corporation Limited dated 6 June 2022, the interest rate of the loan facility is HIBOR + 2.5% per annum. As at the Latest Practicable Date, the prevailing 12-month HIBOR as announced by The Hong Kong Association of Banks was approximately 3.32% per annum. For comparison purposes only, an interest rate of 5.82% per annum was taken for the analysis of the Comparable Loan Transactions.

2. As disclosed in the announcement of Yankuang Energy Group Company Limited dated 29 April 2022, the daily balance of the credit facilities (including accrued interests) should not exceed RMB15 billion, RMB16 billion and RMB17 billion for each of the three years from 2023 to 2025 during the term of the agreement. For comparison purposes only, the highest credit facility amount was taken for the analysis of the Comparable Loan Transactions. In addition, the interest of the loan shall be determined on normal commercial terms with reference to the loan benchmark interest rate promulgated by the People's Bank of China periodically (if any), and the interest rate offered by General Commercial Banks for the provision of the same type of loan services. As at the Latest Practicable Date, the prevailing loan prime rate (LPR) for 5-year loans in the PRC as promulgated by the People's Bank of China was 4.45% per annum, as announced by the website of the People's Bank of China. For comparison purposes only, a loan prime rate of 4.45% per annum was taken for the analysis of the Comparable Loan Transactions.

3. As disclosed in the announcement of China Suntien Green Energy Corporation Limited dated 28 April 2022, the interest rate of each loan drawdown shall be calculated based on the one-year LPR as announced by the National Interbank Funding Center on the working day prior to the drawdown date, minus five basis points. As at the Latest Practicable Date, the prevailing one-year LPR as announced by the National Interbank Funding Center was 3.7% per annum.

4. As disclosed in the announcement of China New City Commercial Development Limited ("**CNCCD**") dated 27 April 2022, CNCCD made to its connected persons unsecured recurring advances which amounted to approximately RMB585.0 million as at 31 December 2021. Approximately RMB208.0 million of the advances were interest-free and the remaining balance of approximately RMB377.0 million was interest-bearing at a rate of 8% per annum. For comparison purposes only, the weighted average interest rate of 5.16% per annum was taken for the analysis of the Comparable Loan Transactions.

5. As disclosed in the announcement of China Resources Pharmaceutical Group Limited dated 20 April 2022, the interest rate of each loan is subject to a floating interest rate based on the applicable rate offered by the People's Bank of China as at the pricing date. For comparison purposes only, the prevailing LPR for 5-year loans of 4.45% per annum was taken for the analysis of the Comparable Loan Transactions.

As shown in the above table, the interest rates of the Comparable Loan Transactions ranged from approximately 2.00% to 12.00%, with an average of approximately 6.64%. The interest rate of the Inter-company Balances falls within the range of the interest rates of the Comparable Loan Transactions and is higher than the average interest rate of the Comparable Loan Transactions. Moreover, the interest rate for the Inter-company Balances applies to both the loans due from the Remaining Group to the Disposal Group and the loans due from the Disposal Group to the Remaining Group. Accordingly, we consider that the interest rate of the Inter-company Balances is fair and reasonable so far as the Independent Shareholders are concerned and on normal commercial terms.

B.2.2 Guarantees

In accordance with the Agreement, the Company and the Purchaser shall use their best endeavours to procure the release of the Disposal Group Guarantees and the Remaining Group Guarantees respectively. Prior to the release of such guarantees, the party being guaranteed shall pay a fee to the guarantor equivalent to 1% of the guaranteed amount per annum. As disclosed in the letter from the Board contained in the Circular, the rate of guarantee fee was determined after considering the Purchaser being a state-owned enterprise and with reference to the rates charged by companies listed on the Stock Exchange to their connected persons for guarantees ranging from 0% to 1.25%. In addition, prior to the release of the Remaining Group Guarantees and full repayment of the Inter-company Balances owed by the Disposal Group to the Remaining Group (whichever is the later), the Disposal Group shall not demand repayment of the Inter-company Balances owed by the Remaining Group to the Disposal Group.

In the event that the Remaining Group has performed any payment obligations under the Remaining Group Guarantees or the Disposal Group has performed any payment obligations under the Disposal Group Guarantees, the excess of the amounts paid by the Remaining Group over the amounts paid by the Disposal Group shall be deducted from the Inter-company Balances owed by the Remaining Group to the Disposal Group. If the Inter-company Balances are insufficient to cover the excess, Haimen Zendai shall provide counter-indemnity in respect of the shortfall amount.

Unless prior written consent of the Company has been obtained, in the event that the Purchaser disposes of all or part of its (direct or indirect) equity interest in the Disposal Group to any party other than the related parties of the Purchaser such that the Purchaser no longer has control over the Disposal Group, the Purchaser shall procure the Disposal Group to (i) fully settle the Inter-company Balances owed to the Remaining Group before entering into the relevant share transfer agreement, otherwise the Remaining Group shall have the right to demand immediate repayment of the Inter-company Balances owed by the Disposal Group to the Remaining Group; and (ii) take necessary actions to procure the release of the Remaining Group Guarantees before entering into the relevant share transfer agreement, otherwise Haimen Zendai shall provide guarantee in respect of the Inter-company Balances owed by the Disposal Group to the Remaining Group and provide counter-indemnity to the Remaining Group in respect of the Remaining Group Guarantees.

In order to assess the fairness and reasonableness of the guarantee fee, we have searched for financial assistance transactions by way of provision of guarantee (the "**Comparable Guarantee Transactions**") which (i) were announced by companies listed on the Stock Exchange during the Review Period, which in our view represents an appropriate time for benchmarking a sufficient number of Comparable Guarantee Transactions to reflect the prevailing market practice in respect of the provision of guarantees; and (ii) involved the provision of financial assistance by way of guarantees by companies listed in Hong Kong to its connected persons. To the best of our knowledge and on a best-effort basis, we have identified an exhaustive list of 7 Comparable Guarantee Transactions which fit the abovementioned selection criteria. A summary of the Comparable Guarantee Transactions announced during the Review Period is set out below:

Date of announcement (dd/mm/yyyy)	Company name	Stock code	Maximum Guaranteed amount	Annual guarantee fee as a percentage of the maximum guaranteed amount
26/05/2022	Lansen Pharmaceutical Holdings Limited	503	RMB130 million	0.50%
19/05/2022	Angang Steel Company Limited	347	RMB300 million	Nil
16/05/2022	China Vanadium Titano-Magnetite Mining Company Limited	893	RMB730 million	1.25%
03/05/2022	Wai Yuen Tong Medicine Holdings Limited	897	RMB300 million	Nil
28/04/2022	China Overseas Property Holdings Limited	2669	RMB30 million	Nil
26/04/2022	Ganfeng Lithium Co., Ltd.	1772	RMB500 million	Nil
20/04/2022	E-commodities Holdings Limited	1733	RMB160 million	Nil
			Maximum	1.25%
			Minimum	0.00%
			Average	0.25%
			The Company	1.00%

As illustrated above, the annual guarantee fees of the Comparable Guarantee Transactions ranged from nil to 1.25% of the maximum guarantee amount, with an average rate of approximately 0.25%. The annual guarantee fee of 1.0% of the guaranteed amount for the Remaining Group Guarantees and the Disposal Group Guarantees falls within the range of the rate of guarantee fee of the Comparable Guarantee Transactions and is higher than the average rate of guarantee fee of the Comparable Guarantee Transactions. In light of the above and the fact that the same rate of the guarantee fee will be applied to both the Remaining Group Guarantees and the Disposal Group Guarantees, we are of the view that the annual guarantee fee of the guarantees is fair and reasonable so far as the Independent Shareholders are concerned and is no less favourable than normal commercial terms and in the interests of the Company and the Shareholders as a whole.

B.3 Credit Risk Assessment on the Disposal Group

The Board has assessed the credit risk involved in the arrangements for the Inter-company Balances and the Remaining Group Guarantees and considered the risk is acceptable based on the following reasons:

(i) it is expected that Haimen Zendai will be the major creditor of the Remaining Group in respect of the net amount of the Inter-company Balances owed by the Disposal Group. The undeveloped land parcels of the Haimen Property held by Haimen Zendai are planned to be developed into a comprehensive residential development with ancillary accommodations with a total gross floor area of approximately 1.4 million sq. m. (inclusive of the basement) (the "**Haimen Project**") but the construction works have yet to commence due to a lack of working capital. With the Purchaser becoming the controlling shareholder of the Disposal Group and its state-owned background and financial strength, the Company expects the Purchaser would be in a better position than the Group to procure the required capital and financing for the Disposal Group to kick off the development works such that cashflows can be generated from the sale of the properties of the Haimen Project. Such proceeds are expected to be sufficient to settle its existing trade and other payables, the estimated development costs and finance costs to be incurred and the net amount of the Inter-company Balances owed to the Remaining Group;

(ii) it is expected that the Remaining Group will enter into an individual project development management agreement with the Disposal Group under the Framework Agreement (as discussed below) to act as the project manager of the Haimen Project. As the project manager, the Remaining Group shall have the right to formulate the business plan of the Haimen Project, including but not limited to the development and sale schedule, cost control and settlement of liabilities, which shall not be objected by the Purchaser without reasonable grounds. This would enable the Remaining Group to have an ongoing monitoring and understanding of the financial position and liquidity of the Haimen Project;

(iii) the Remaining Group will continue to hold a 9.09% interest in Haimen Zendai after Completion. As a condition precedent to Completion, the articles of association of Haimen Zendai will be amended to incorporate certain provisions to protect the interest of Zendai Real Estate as a minority shareholder, particularly Zendai Real Estate shall have veto rights over certain matters which need unanimous consent from both shareholders, such as disposal of or creation of charges and mortgages on material assets, and engagement of project managers, etc.; and

(iv) there are provisions in the Agreement to mitigate the credit risk of the Inter-company Balances and the Remaining Group Guarantees as mentioned above, such as the Inter-company Balances owed by the Remaining Group to the Disposal Group will not be repaid unless the Inter-company Balances owed by the Disposal Group to the Remaining Group have been fully repaid and the Remaining Group Guarantees have been released, and any excess payment made under the Remaining Group Guarantees shall be deducted from the Inter-company Balances owed by the Remaining Group to the Disposal Group.

We understand that the Disposal Group had a loss-making track record in the past two years and was at a net liability position as at 31 December 2021. The weak financial position of the Disposal Group implies a high credit risk if no concrete financial supports are given to the Disposal Group or no significant improvements in the Disposal Group's operations. To the best information and knowledge of management of the Company, the Purchaser was indirectly controlled by COAMC. According to the information disclosed in the 2021 information disclosure report released on the website of COAMC, COAMC is a central financial enterprise approved by the State Council and co-founded by the Ministry of Finance of the People's Republic of China and the National Council for Social Security Fund. Other shareholders include China Telecommunications Corporation, China Reform Capital Limited*（國新資本有限公司）and Shanghai Electric Group Company Limited, all are reputable companies with a strong financial background in the PRC. Currently, COAMC has 26 branches and 11 first-class subsidiaries which are principally engaged in the management of non-performing assets, insurance, banking, securities, funds, trusts, credit ratings and overseas business, etc.. As at 31 December 2021, COAMC had consolidated total assets and equity interest of approximately RMB1,205.8 billion and RMB157.4 billion respectively. For the year ended 31 December 2021, COAMC recorded a consolidated total revenue and net income attributable to shareholders of approximately RMB106.9 billion and RMB7.2 billion respectively.

Having considered the state-owned background and strong financial position of the controlling shareholder of the Purchaser, we concur with the view of the management of the Company that the Purchaser would be in a better position than the Group to procure the required capital and financing for the Disposal Group to facilitate the development of the Haimen Project such that positive cash flow could be generated from the sale of the properties of the Haimen Project for settlement of the amount due from the Disposal Group to the Remaining Group under the Inter-company Balances. Furthermore, being a shareholder of Haimen Zendai and the project manager of the Haimen Project, the Remaining Group shall have veto rights in approving the disposal of or creation of charges and mortgages on material assets, and the right to manage the cash flow of the Haimen Project. Therefore, the management of the Remaining Group shall have a thorough understanding on the financial position of the Disposal Group and can effectively monitor the progress of repayment of the Inter-company Balances. The pre-requisites of full repayment of the Inter-company Balances owed by the Disposal Group to the Remaining Group and the release of the Remaining Group Guarantees for the settlement of the Inter-company Balances owed by the Remaining Group to the Disposal Group would further mitigate the credit risk of the Inter-company Balances and the Remaining Group Guarantees. Based on the above, we consider that the credit risk of the Inter-company Balances and the Remaining Group Guarantees is commercially acceptable.

C. THE CONTINUING CONNECTED TRANSACTIONS

In arriving at our opinion regarding the Continuing Connected Transactions, we have considered the following principal factors and reasons:

C.1 Background and reasons for the Continuing Connected Transactions

On 7 June 2022 (after the trading hours of the Stock Exchange), the Company and the Purchaser also entered into the Framework Agreement in relation to the provision of property construction and management services by the Remaining Group to the Disposal Group after Completion.

As disclosed in the Company's annual report for the year ended 31 December 2021, the Group is exploring opportunities for further development of its asset-light property business. The Directors consider that the entering into of the Framework Agreement enables the Remaining Group to secure income from the outgoing property projects by acting as the property development and management agent, and is consistent with the Remaining Group's strategy to expand its asset-light property business in the PRC.

Having considered that (i) the provision of property management services is one of the Remaining Group's principal businesses; (ii) the Remaining Group possesses the necessary expertise and experience in providing the property construction and management services; and (iii) the Continuing Connected Transactions shall expand the property management business of the Remaining Group and provide additional revenue to the Remaining Group, we concur with the view of the Directors that the Continuing Connected Transactions are commercial transactions conducted in the ordinary and usual course of business of the Remaining Group and it is in the interests of the Company and the Shareholders as a whole.

C.2 Principal terms of the Framework Agreement

The Purchaser shall appoint the Remaining Group to provide services for the development, construction and operation of property development projects, and the operation and management of completed commercial investment properties (including those existing projects and new projects) held by the Disposal Group. The Framework Agreement will become effective from the date of Completion and will be valid until 31 December 2024, and shall be renewable upon its expiry subject to the Company complying with the applicable Listing Rules requirement in due course. Separate project agreements will be entered into between the Remaining Group and the Disposal Group to set out the specific terms for each property project being managed in accordance with the principles and broad terms agreed in the Framework Agreement.

The scope of services to be provided by the Remaining Group to the Disposal Group includes, among other things, the management of financial affairs, planning and design, procurement, construction, sales and marketing, completion and delivery, customer services and maintenance, human resources, administration and operation of commercial investment property.

Property development projects

The service fees to be charged by the Remaining Group for the property development projects shall be 3% of the proceeds from the sale of units of the relevant project, plus an additional 2% as an incentive, subject to performance appraisal such as achievement of sales target, and shall be settled quarterly. The service fees were negotiated on an arm's length basis and determined with reference to the management fee rates (calculated by dividing the revenue from project management services by contract sales for project under management) charged by companies listed on the Stock Exchange for similar services in the range of 3.2% to 3.6% as noted from publicly available information.

We were given to understand that the Group has not provided any property development management services to independent customers up to the Latest Practicable Date. As such, no comparable transactions with independent customers can be referred to for assessing the terms of the transactions between the Remaining Group and the Disposal Group. As an alternative assessment, we have searched for companies listed in Hong Kong which have more than 50% of their revenue to be generated from the provision of property project management services in the PRC, and have identified, to our best knowledge, two companies (the "**Management Fee Comparables**"), namely Greentown Management Holdings Company Limited (stock code: 9979) and Central China Management Co., Ltd. (stock code: 9982), which meet the aforementioned criterion. Based on the available information from their annual reports and prospectus, the ratios of revenue from project management services to contracted sales for project under management were in the range of 3.2% to 3.6% for the three years ended 31 December 2021, which are slightly higher than the minimum rate of 3%, but lower than the maximum rate of 5%, under the Framework Agreement. We were advised by the management of the Company that the rate of 3% under the Framework Agreement only represents the minimum fee to be charged by the Remaining Group while an additional fee of 2% may be charged by the Remaining Group subject to its performance. As the Remaining Group is a relatively new participant in the property development management industry, the Company considers that it is commercially justifiable for the Remaining Group to offer a price advantage to customers by charging a slightly lower fixed rate with an additional variable rate as an incentive.

Given the minimum rate of 3% of the management fee under the Framework Agreement is only slightly lower than, and the maximum rate of 5% (subject to performance appraisal) is higher than, that of the Management Fee Comparables, we are of the opinion that the service fees to be charged by the Remaining Group for the property development projects are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

Commercial investment properties

The service fees to be charged by the Remaining Group for commercial investment properties shall be 10% of the total operating income generated from the relevant project and shall be settled quarterly. The service fees were negotiated on an arm's length basis and determined with reference to the market rate of about 10% charged by other service providers for similar services based on the knowledge, experience and market intelligence of the management of the Company.

We were advised by the management of the Company that the existing property management services provided by the Group to the independent customers mainly involve the provision of security, cleaning facility, equipment maintenance and car-parking lot management services to the residential and commercial properties (the "**Existing Property Management Services**"). The service fees for the Existing Property Management Services are charged based on the size of the subject properties. On the other hand, in addition to the Existing Property Management Services, the property management services to be provided for the commercial investment properties under the Framework Agreement also include the provision of daily operations, leasing, marketing and promotion and other related services and the service fees shall be charged based on a certain percentage of the total operating income generated from the relevant property. Therefore, the service fees charged by the Remaining Group to the Disposal Group and the independent customers cannot be directly compared.

Alternatively, we have reviewed the public information of all the real estate investment trusts listed in Hong Kong and noted that nine of them (the "**REIT Comparables**") have conducted connected transactions regarding property management services which are similar to the scope of services to be provided by the Remaining Group under the Framework Agreement. We have reviewed the terms of the property management services of the REIT Comparables and noted that the terms vary among the REIT Comparables with a typical adopted rate of 2%-5% per annum of gross property revenue or 2% of the net property income. We consider the REIT Comparables are representative as they include all the real estate investment trusts listed in Hong Kong having transactions similar to the property management services to be provided for the commercial investment properties under the Framework Agreement. Given the rate of 10% per annum of the total operating income charged by the Remaining Group is higher than those adopted by the REIT Comparables with similar services, we are of the opinion that the service fee to be charged for the commercial investment properties is in the interest of the Company and fair and reasonable so far as the Independent Shareholders are concerned.

Based on the above, we consider that the terms of the Framework Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

C.3 Internal control measures

The Group has adopted the following internal control procedures and corporate governance measures in relation to the Continuing Connected Transactions to ensure that the terms of each individual agreement to be entered between the Remaining Group and the Disposal Group are in line with the terms of the Framework Agreement and no less favourable to the Remaining Group than those offered to the independent third parties:

(i) the finance department of the Company will closely monitor the Continuing Connected Transactions to ensure the transaction amount will not exceed the Annual Caps for the Framework Agreement;

(ii) the finance department of the Company will closely monitor whether the terms of the individual project agreements entered into between the Remaining Group and the Disposal Group are in accordance with the principles and broad terms set out in the Framework Agreement, and whether the terms of the individual project agreements are on normal commercial terms and in the interest of the Company and the Shareholders as a whole;

(iii) the finance department together with the legal affairs department of the Company will determine the terms of transactions similar to the Continuing Connected Transactions to be offered to independent customers with reference to the terms offered to the Disposal Group, and in any event, the terms offered to the Disposal Group will be no less favourable to the Remaining Group than those offered to the independent third parties;

(iv) the auditors of the Company will review the Continuing Connected Transactions annually to confirm whether the Continuing Connected Transactions are conducted in accordance with the terms set out in the Framework Agreement and the transaction amount does not exceed the Annual Caps; and

(v) the independent non-executive Directors will review the Continuing Connected Transactions annually to confirm whether the Continuing Connected Transactions are entered into in the ordinary and usual course of business of the Remaining Group, on normal commercial terms or better, and according to the Framework Agreement on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We have discussed the above internal control measures with the management of the Company who confirmed to us that the abovementioned internal control policies would be consistently applied to all the Continuing Connected Transactions. Having considered the internal control measures to be implemented by the Remaining Group, we concur with the Directors' view that adequate internal control measures are in place to govern the Continuing Connected Transactions and ensure the terms of the Continuing Connected Transactions are no less favourable to the Remaining Group than those offered to the Independent Third Parties. With the implementation of the abovementioned internal control measures, we believe that the Continuing Connected Transactions will be conducted on normal commercial terms and on terms that are fair and reasonable and in the interests of the Company and Shareholders as a whole.

C.4 Annual Caps

The maximum amount of fees receivable by the Remaining Group under the Framework Agreement shall not exceed the annual caps (the "**Annual Caps**") set out below:

	HK$'million
For the financial year ending 31 December 2022	6
For the financial year ending 31 December 2023	200
For the financial year ending 31 December 2024	230

The annual caps have been determined after having considered the following factors: (i) the development status and sales plan of the property development projects currently being undertaken by the Disposal Group (being the Haimen Project and the unsold units of the Nanjing Property); (ii) the historical and estimated operating income of the commercial investment properties (being Nanjing Himalayas Center); (iii) the rates of fees as described above in the Framework Agreement; and (iv) a buffer of about 10% to allow for flexibility.

The breakdown of the Annual Caps is set out as below, for illustrative purposes only:

	Annual Caps		
	For the period from the date of Completion to 31 December	For the financial year ending 31 December	
	2022	2023	2024
	HK$'million	*HK$'million*	*HK$'million*
Property development projects	3.3	167.6	196.7
Commercial investment properties	2.1	8.1	9.1
Buffer	0.6	24.3	24.2
Total	6.0	200.0	230.0

We noted that the Annual Caps in respect of the property development projects accounted for around 55%, 84% and 86% of the Annual Caps for the period from the date of Completion to 31 December 2022 and the financial years ending 31 December 2023 and 2024 respectively while the Annual Caps in respect of the commercial investment properties accounted for only around 35%, 4% and 4% of the Annual Caps for the period from the date of Completion to 31 December 2022 and the financial years ending 31 December 2023 and 2024 respectively. Therefore, we focus our analysis on the Annual Caps in respect of the property development projects.

To assess whether the Annual Caps in respect of the property development projects are fair and reasonable, we have discussed with the management of the Company and reviewed the sales plan of the property development projects of the Disposal Group and the breakdown and calculations of the Annual Caps, which is summarized as follows:

	For the period from the date of Completion to 31 December 2022	For the financial year ending 31 December 2023	2024
	HK$'million	*HK$'million*	*HK$'million*
Sales amount			
– the Haimen Property – Project A	–	2,646	1,120
– the Haimen Property – Project B	–	579	1,646
– the Haimen Property – Project C	–	–	896
– the Haimen Property – Project D	–	–	255
– the Nanjing Property	66	128	18
	66	3,353	3,935
Maximum amount receivable	3.3	167.6	196.7

The Haimen Project is currently a clear construction site. Subject to the availability of financing and working capital, it is expected that construction work will commence in late 2022 and will be completed by 2029 in phases. According to the sales plan of the Haimen Property, no projects from the Haimen Property will be sold in 2022 while two and four projects from the Haimen Property will be sold in 2023 and 2024 respectively, which will generate a sales amount of approximately HK$3,225 million and HK$3,917 million for the financial year ending 31 December 2023 and 2024 respectively. Project A will be sold between 2023 and 2024, of which 70% will be sold in 2023 and the remaining 30% will be sold in 2024. Project B will be sold during the period from 2023 to 2025, of which 22% and 62% will be sold in 2023 and 2024 respectively. Project C will be sold during the period from 2024 to 2027, of which 12% will be sold in 2024. All the properties of Project D will be sold in 2024. We were given to understand that the sales plan of the Disposal Group was arrived at after taking into account the development status of the projects. We noted that the estimated sales amount is generally commensurate with the progress of the expected sale.

We noted from the sales plan of the Haimen Property that the sales proceed was estimated with reference to the saleable area and the average unit selling price for each project. The average unit selling price was estimated with reference to the prevailing market price of properties in the Haimen District and having considered the specific conditions of each project.

According to the information released on the website of 南通市海門區住房保障和房產信息平台 (Housing Security and Real Estate Information Platform of Nantong City, Haimen*), the weighted average residential selling price per sq. m. in Haimen District was approximately RMB17,626 for 2020, RMB20,089 for 2021 and RMB20,972 for the period from January 2022 to May 2022. We noted that the average unit selling price of the Haimen Property was estimated to be lower than the weighted average market price for 2021 and the period from January 2022 to May 2022. Management of the Company explained that the Haimen Property is located in the new development area of the Haimen District and the properties planned to be sold in 2023 and 2024 are the first batch of properties to be sold under the Haimen Property. Therefore, the Company intends to set the selling price of the Haimen Property at a rate slightly lower than the market price of properties in the Haimen District as a whole.

With reference to the sales plan of the Nanjing Property, the unsold units of the Nanjing Property mainly consist of offices, shops, storage rooms and car parking spaces with an estimated market value of approximately HK$913 million, some of which are under mortgage or seizure. The Disposal Group expected that approximately 7%, 14% and 2% of the unsold units of the Nanjing Property will be sold in 2022, 2023 and 2024 respectively, having taken into account the possible release of mortgage or seizure. The unit selling price of the unsold units was determined with reference to the market value of the units adopted in preparing the Valuation Report. We have test-checked the unit selling price of the unsold units to the market value used in the Valuation Report and noted that the sample unit selling price of the unsold units is the same as the market value used in the Valuation Report.

According to the Framework Agreement, a maximum rate of 5% of the sales proceeds will be receivable by the Remaining Group as a service fee for the property development projects. With the adoption of 5% of the sales proceeds, the Annual Caps in respect of the property development projects for the financial year ending 31 December 2022, 2023 and 2024 amounted to approximately HK$3.3 million, HK$167.6 million and HK$196.7 million respectively.

Based on the above, we are of the view that the sales proceeds used in calculating the Annual Caps in respect of the property development projects and, the Annual Caps in respect of the property development projects are fair and reasonable so far as the Independent Shareholders are concerned.

The annual caps for commercial investment properties were projected based on the expected operating income from Nanjing Himalayas Center, which is a completed shopping mall newly opened in October 2021. For the three months ended 31 December 2021, the total operating income (mainly rental and property management fee income) of Nanjing Himalayas Center was approximately HK$9.0 million. As occupancy rate increases and taking into account the expected increase in mall activities due to the containment of COVID-19 in the PRC in the second half of 2022, the Company expected that the total operating income of Nanjing Himalayas Center would increase to approximately HK$20.8 million for the period from the date of Completion (assuming Completion would take place in September 2022) to 31 December 2022. With the recovery of the economic activities in the PRC, it is estimated that the total operating income of Nanjing Himalayas Center would further increase to approximately HK$80.5 million and HK$90.5 million for the two years ending 31 December 2023 and 2024 respectively. Based on the above and the service fee rate of 10%, the service fee receivable for the commercial investment properties was projected to be approximately HK$2.1 million, HK$8.1 million and HK$9.1 million for the period from the date of Completion to 31 December 2022 and the two years ending 31 December 2023 and 2024, respectively.

We have also conducted a research on the buffer for annual caps for transactions regarding the property management services of the REIT Comparables and noted that a buffer in a range of 0% to 25% was normally adopted by the REIT Comparables for their budget of annual caps. Given that the buffer rate of 10% under the proposed Annual Caps falls within the range of the REIT Comparables, we are of the opinion that the contingency buffer of 10% proposed by the Company is reasonable.

Having considered the above factors, we are of the view that the Annual Caps proposed by the Directors are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons stated above, we consider that (i) the terms of the Agreement (including the provision of Financial Assistance) are fair and reasonable so far as the Independent Shareholders are concerned, the transactions contemplated under the Agreement (including the provision of Financial Assistance) are on normal commercial terms and in the interests of the Company and its Shareholders as a whole although the Disposal and the provision of Financial Assistance are not conducted in the ordinary and usual course of business of the Company; and (ii) the terms of the Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Continuing Connected Transactions (including the Annual Caps) are on normal commercial terms and conducted in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favor of the resolution to be proposed at the upcoming SGM to approve the Agreement and the transactions contemplated thereunder (including the Framework Agreement (including the Annual Caps) and the provision of Financial Assistance).

Yours faithfully,
For and on behalf of
Crescendo Capital Limited

Amilia Tsang	**Helen Fan**
Managing Director	*Director*

Notes:

1. *Ms. Amilia Tsang is a licensed person under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activity and has over 18 years of experience in corporate finance.*

2. *Ms. Helen Fan is a licensed person under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activity and has over 14 years of experience in corporate finance.*

1. SUMMARY OF THE FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the three years ended 31 December 2019 ("**FY2019**"), 2020 ("**FY2020**") and 2021 ("**FY2021**") have been published in the annual reports of the Company per below:

(i) the financial information of the Group for FY2019 is disclosed in the annual report of the Company for FY2019 published on 23 April 2020, from pages 102 to 215;

(ii) the financial information of the Group for FY2020 is disclosed in the annual report of the Company for FY2020 published on 14 May 2021, from pages 104 to 215; and

(iii) the financial information of the Group for FY2021 is disclosed in the annual report of the Company for FY2021 published on 29 April 2022, from pages 55 to 169.

All of these financial statements have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.zendaiproperty.com).

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 May 2022, being the latest practicable date for the purpose of ascertaining the indebtedness and contingent liabilities of the Group prior to the printing of this circular, the Group had total indebtedness of approximately HK$11,295,200,000 as summarised below:

Borrowings

The Group had total outstanding borrowings of approximately HK$6,846,687,000, further details are set out below:

(i) bank borrowings with total amount of approximately HK$1,802,651,000, which were secured by properties under development, completed properties held-for-sale, property, plant and equipment, investment properties, equity interests of certain subsidiaries or guarantees; and

(ii) other borrowings with total amount of approximately HK$5,044,036,000, of which approximately HK$569,940,000 were unsecured, and approximately HK$4,474,096,000 were secured by properties under development, completed properties held-for-sale, property, plant and equipment, investment properties. equity interests of certain subsidiaries or guarantees.

Lease liabilities

The Group had total outstanding lease liabilities of approximately HK$84,550,000, of which approximately HK$30,682,000 were due within one year and approximately HK$53,868,000 were due after one year.

Other commitments

The Group had commitments for property development and acquisition of subsidiaries contracted for but not provided of approximately HK$2,380,619,000 and HK$1,685,355,000 respectively.

Contingent liabilities

Guarantees

The Group had provided guarantees in favour of banks for mortgage loans granted to purchasers of the Group's properties. No provision for the financial guarantee contracts has been made as the credit risk is low and the fair value of the financial guarantee contracts is insignificant. The Group had contingent liabilities of approximately HK$256,604,000 in respect of these guarantees.

Provision for litigations, claims and compensations to customers

The Group had made provisions of approximately HK$41,385,000 in respect of litigations, claims and compensations to customers. Such provisions represent the Directors' best estimate of the consideration that would be required to settle these obligations by the Group.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables and contract liabilities, the Group did not have any other loan capital issued and outstanding or agreed to be issued, debt securities issued and outstanding, authorised or otherwise created but unissued, term loans, other borrowings or indebtedness including bank overdrafts, liabilities under acceptances, acceptance credits, debentures, mortgages, charges, lease liabilities, guarantees or other material contingent liabilities outstanding at the close of business on 31 May 2022.

3. WORKING CAPITAL

As at 31 May 2022, the Group's bank and other borrowings and lease liabilities amounted to approximately HK$6,846,687,000 and HK$84,550,000, respectively. Borrowings of HK$5,066,067,000 have been past due and HK$829,658,000 are repayable on demand or will fall due for repayment within twelve months from 31 May 2022.

Upon Completion, borrowings of approximately HK$4,560,236,000 of the Disposal Group will be derecognised since these borrowings will no longer be the indebtedness of the Group. The Group's remaining borrowings that have been past due of approximately HK$1,113,531,000 or will fall due for repayment within twelve months from 31 May 2022 of approximately HK$829,658,000 are expected to be settled, extended or revised for repayment terms and schedules, subject to the results of negotiation with the respective lenders.

In June 2022, certain subsidiaries of the Group received the Qingdao Order issued by the Lanzhou Court. The Qingdao Order arose from an event of default (the "**Default**") in relation to the inability of the Group to repay to the Financial Institution the Qingdao Loan with principal of approximately RMB596,000,000 and interests payable and surcharges of approximately RMB190,612,000 as at 31 May 2022. The Company has been in continuous negotiation process with the Financial Institution and is considering viable measures acceptable by the Group and the Financial Institution to resolve the Default.

The Directors have reviewed the Group's cash flow forecast (the "**Cash Flow Forecast"**) which cover a period of not less than twelve months from the date of this circular. The Cash Flow Forecast indicates that the Group's projected net cash inflow would be sufficient for its operating requirements and to pay its financial obligations throughout the forecast period. When preparing the Cash Flow Forecast, the management of the Group has also considered sensitivity analysis about various uncertainties that the Group may encounter during the forecast period. The Directors have also taken into consideration the possible financial impacts of the Default and the Qingdao Order in the Cash Flow Forecast.

In addition to Completion, the sufficiency of the Group's working capital for at least the next twelve months from the date of this circular is also dependent on (i) successful negotiations with the relevant lenders of borrowings, including the Financial Institution; (ii) the Group's ability to successfully and timely secure new source of financing; (iii) successful acceleration of the construction as well as pre-sale and sale of the Group's inventories of properties; and (iv) the Group's ability to generate operating cash flows other than those mentioned above, to meet its ongoing funding needs as well as successfully controlling administrative costs and capital expenditure.

Notwithstanding the above uncertainties, the Directors after due and careful enquiry, are of the opinion that, after taking into account the effect of the Disposal, the existing cash and indebtedness position and the Cash Flow Forecast, the Group will have sufficient working capital for its operating requirements and to pay its financial obligations as and when they fall due and for at least the next twelve months from the date of this circular.

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

4. MATERIAL ADVERSE CHANGE

(i) In March 2022, the Group received an enforcement order from the Lanzhou Court in relation to the repayment of multiple installment loans owed to the Financial Institution, details of which are disclosed in the section headed "Litigation" in Appendix VI to this circular and the Company's announcement dated 8 March 2022.

(ii) In June 2022, the Group received the Qingdao Order from the Lanzhou Court in relation to the repayment of the Qingdao Loan owed to the Financial Institution, details of which are disclosed in the section headed "Litigation" in Appendix VI to this circular and the Company's announcement dated 21 June 2022.

(iii) Due to the serious impact of COVID-19 pandemic and the lockdown policies in Shanghai in the second quarter of 2022, the Group's shopping mall, namely Shanghai Zendai Thumb Plaza, had been out of business and rental collection from tenants has been severely affected. The Group is currently in the course of negotiating with the relevant tenants for recovery of the past due rentals.

Save as disclosed above, the Directors confirm that there had been no material adverse change in the financial or trading position of the Group since 31 December 2021 (being the date to which the latest published audited financial statements of the Group were made up) up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in property development, property investment and provision of property management and hotel operations in the PRC. The Group currently has commercial property and residential projects in various cities in the PRC and majority of which are located in Shanghai and Nanjing.

Upon Completion, the Remaining Group will continue to engage in property development and property investment in the PRC. It holds a substantial portfolio of assets which includes Shanghai Zendai Thumb Plaza and Grand Mercure Shanghai Century Park Qingdao Zendai Thumb Plaza as well as Himalayas Qingdao Hotel, and various commercial and residential projects radiating nationwide, with total carrying value of approximately HK$4,377.0 million as at 31 December 2021. It also holds investment in Shanghai Himalayas Center. It will continue to engage in the provision of property management services and hotel operations in the PRC. Details of the properties held by the Remaining Group are set out in the paragraph headed "BUSINESSES OF THE REMAINING GROUP" in the letter from the Board in this circular.

The Disposal is expected to enhance the liquidity and financial position of the Group, while the Framework Agreement will enable the Group to secure income from the outgoing property projects by acting as the property development and management agent, which is consistent with the Group's strategy to expand its asset-light property business in the PRC.

Going forward, the Group will continue to adhere to its development strategy to extensively develop the first and second tier cities while gradually stripping off its business from the third and fourth tier cities by focusing on key development areas in first and second tier cities such as Shanghai. With the solid domestic presence in Shanghai built over the years, the Group will continue to explore opportunities of new development projects across the country within the core strategic areas.

The following is the text of a report received from PKF Hong Kong Limited, Certified Public Accountants, Hong Kong, regarding the historical financial information of the Disposal Group for the purpose of inclusion in this circular.

PKF

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

REPORT ON REVIEW OF HISTORICAL FINANCIAL INFORMATION OF MYWAY DEVELOPMENTS LIMITED

To the Board of Directors of Shanghai Zendai Property Limited

Introduction

We have reviewed the historical financial information set out on pages II-3 to II-14, which comprises the unaudited combined balance sheets of Myway Developments Limited (the **Disposal Target**") and its subsidiaries (collectively referred to as the "**Disposal Group**") as at 31 December 2019, 2020 and 2021, and the unaudited combined income statements and statements of comprehensive income, unaudited combined statements of changes in equity and unaudited combined cash flow statements of the Disposal Group for the three years ended 31 December 2019, 2020 and 2021 (the "**Relevant Periods**") and explanatory notes (the "**Historical Financial Information**") which have been prepared on the basis set out in note 2 to the Historical Financial Information and in accordance with the accounting policies adopted by the Company as shown in its annual report for the year ended 31 December 2021 and Rule 14.68(2)(a)(i)(A) of the Listing Rules.

The directors of the Company are responsible for the presentation and preparation of the Historical Financial Information of the Disposal Group in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information and paragraph 14.68(2)(a)(i)(A) of the Listing Rule. The directors are also responsible for such internal control as management determines is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error. The Historical Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard ("**HKAS**") 1 "**Presentation of Financial Statements**" or an interim financial report as defined in HKAS 34 "**Interim Financial Reporting**" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibility is to express a conclusion on this Historical Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of 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 and with reference to Practice Note 750 "**Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal**" issued by the HKICPA. A review of the Historical Financial Information 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Historical Financial Information of the Disposal Group for the Relevant Periods is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Note 2 to the Historical Financial Information.

PKF Hong Kong Limited
Certified Public Accountants

Hong Kong

30 June 2022

COMBINED INCOME STATEMENTS AND STATEMENTS OF COMPREHENSIVE INCOME

		Unaudited		
		Year ended 31 December		
		2021	2020	2019
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*3*	299,149	4,065,129	766,092
Cost of sales		(662,431)	(3,660,279)	(753,437)
Gross (loss)/profit		(363,282)	404,850	12,655
Other income and gains/(losses) – net	*4*	36,605	78,352	(7,131)
Net impairment losses on financial assets		(15,349)	–	(79,401)
Selling and marketing expenses		(18,153)	(62,751)	(72,020)
Administrative expenses		(118,787)	(69,822)	(82,915)
Change in fair value of investment properties		(136,446)	49,830	–
Finance costs	*5*	(798,176)	(667,365)	(734,126)
Loss before income tax		(1,413,588)	(266,906)	(962,938)
Income tax credit/(expense)	*6*	37,597	(323,003)	14,823
Loss for the year		(1,375,991)	(589,909)	(948,115)
Loss for the year attributable to:				
– Owners of the Disposal Target		(1,312,760)	(560,316)	(930,284)
– Non-controlling interests		(63,231)	(29,593)	(17,831)
		(1,375,991)	(589,909)	(948,115)
Other comprehensive (loss)/income				
Item that may be reclassified to profit or loss:				
Currency translation differences		(120,062)	(59,671)	6,113
Total comprehensive loss for the year		(1,496,053)	(649,580)	(942,002)
Total comprehensive loss attributable to:				
– Owner of the Disposal Target		(1,438,939)	(648,738)	(917,179)
– Non-controlling interests		(57,114)	(842)	(24,823)
Total comprehensive loss for the year		(1,496,053)	(649,580)	(942,002)

COMBINED BALANCE SHEETS

		Unaudited		
		As at 31 December		
		2021	2020	2019
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Non-current assets				
Property, plant and equipment		34,037	34,791	36,435
Investment properties		2,064,273	2,139,971	–
Pledged bank deposits		–	21,426	305,032
Total non-current assets		2,098,310	2,196,188	341,467
Current assets				
Properties under development and completed properties held-for-sale	*7*	5,216,970	5,687,115	9,901,008
Inventories		754	732	689
Contract assets		–	7,357	18,242
Trade, other receivables and prepayments	*8*	124,910	185,151	266,390
Deposits for properties under development	*8*	–	1,337	841
Financial assets at fair value through profit or loss ("**FVPL**")		12,554	14,853	13,982
Amount due from the Remaining Group		4,478,551	4,137,806	5,071,925
Tax prepayments		228,301	249,684	260,535
Pledged bank deposits		–	21	895,094
Cash and cash equivalents		96,191	64,153	324,998
Total current assets		10,158,231	10,348,209	16,753,705
Asset held for sale		3,547	–	–
Total assets		12,260,088	12,544,397	17,095,172
EQUITY				
Equity attributable to owner of the Disposal Target				
Paid-in capital		1	1	1
Reserves		(61,975)	64,204	321,539
Accumulated losses		(4,361,621)	(3,048,861)	(3,488,545)
		(4,423,595)	(2,984,656)	(2,167,005)
Non-controlling interests		367,678	424,792	256,721
Total deficit		(4,055,917)	(2,559,864)	(1,910,284)

		Unaudited		
		As at 31 December		
		2021	**2020**	**2019**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
LIABILITIES				
Non-current liabilities				
Borrowings		292,992	1,654,434	1,458,892
Deferred income tax liabilities		254,687	286,378	359,450
Other payables	*9*	–	–	3,525
Total non-current liabilities		547,679	1,940,812	1,821,867
Current liabilities				
Trade and other payables	*9*	3,617,170	2,879,405	1,977,491
Contract liabilities		2,122,330	2,156,470	4,884,051
Amounts due to Remaining Group		5,284,109	4,849,002	6,068,722
Lease liabilities		680	3,231	142
Borrowings		4,124,257	2,645,729	4,033,188
Tax payables		619,780	629,612	219,995
Total current liabilities		15,768,326	13,163,449	17,183,589
Total liabilities		16,316,005	15,104,261	19,005,456
Total deficit and liabilities		12,260,088	12,544,397	17,095,172

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Unaudited					
	Attributable to owners of the Disposal Target					
	Paid-in capital	**Reserves**	**Accumulated losses**	**Deficit attributable to owner of the Disposal Target**	**Non-controlling interests**	**Total deficit**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2019	1	308,434	(1,558,216)	(1,249,826)	281,544	(968,282)
Loss for the year	–	–	(930,284)	(930,284)	(17,831)	(948,115)
Currency translation differences	–	13,105	–	13,105	(6,992)	6,113
Total comprehensive income/(loss) for the year	–	13,105	(930,284)	(917,179)	(24,823)	(942,002)
Balance at 31 December 2019	1	321,539	(2,488,545)	(2,167,005)	256,721	(1,910,284)
Balance at 1 January 2020	1	321,539	(2,488,545)	(2,167,005)	256,721	(1,910,284)
Loss for the year	–	–	(560,316)	(560,316)	(29,593)	(589,909)
Currency translation differences	–	(88,422)	–	(88,422)	28,751	(59,671)
Total comprehensive loss for the year	–	(88,422)	(560,316)	(648,738)	(842)	(649,580)
Transactions with non-controlling interests	–	(168,913)	–	(168,913)	168,913	–
Balance at 31 December 2020	1	64,204	(3,048,861)	(2,984,656)	424,792	(2,559,864)
Balance at 1 January 2021	1	64,204	(3,048,861)	(2,984,656)	424,792	(2,559,864)
Loss for the year	–	–	(1,312,760)	(1,312,760)	(63,231)	(1,375,991)
Currency translation differences	–	(126,179)	–	(126,179)	6,117	(120,062)
Total comprehensive loss for the year	–	(126,179)	(1,312,760)	(1,438,939)	(57,114)	(1,496,053)
Balance at 31 December 2021	1	(61,975)	(4,361,621)	(4,423,595)	367,678	(4,055,917)

COMBINED CASH FLOW STATEMENTS

	Unaudited		
	Year ended 31 December		
	2021	2020	2019
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from operating activities			
Net cash inflow/(outflow) from operations	237,896	(80,339)	710,346
Interest received	550	2,245	2,562
Interest paid	(220,801)	(202,441)	(688,686)
Income tax paid	(1,813)	(12,889)	(202,770)
Net cash inflow/(outflow) from operating activities	15,832	(293,424)	(178,548)
Cash flows from investing activities			
Purchases of property, plant and equipment	(5,997)	(1,843)	(79)
Acquisition of financial assets at FVPL	(557)	–	(5,416)
Proceeds from disposal of financial assets at FVPL	3,250	–	–
Proceeds from disposal of a subsidiary	–	39,357	–
Net cash (outflow)/inflow from investing activities	(3,304)	37,514	(5,495)
Cash flows from financing activities			
Principal elements of lease payments	(2,606)	(912)	(2,064)
(Repayment of)/proceeds from borrowings	(9,006)	(1,451,595)	342,782
Net cash (outflow)/inflow from financing activities	(11,612)	(1,452,507)	340,718
Net increase/(decrease) in cash and cash equivalents	916	(1,708,417)	156,675
Cash and cash equivalents at the beginning of the year	85,600	1,525,124	1,429,990
Effect of foreign exchange rate changes	9,675	268,893	(61,541)
Cash and cash equivalents at the end of the year	96,191	85,600	1,525,124

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Shanghai Zendai Property Limited (the "**Company**") is a public limited company incorporated in Bermuda. Its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). Its registered office is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and its principal place of business is at Unit 6508, 65/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. The Company and all of its subsidiaries are referred hereafter as the "**Group**".

On 7 June 2022, the Company entered into a conditional sale and purchase agreement with Power Rider Enterprises Corp., (the "**Purchaser**") in relation to the sale and purchase of Company's entire equity interest in Myway Developments Limited (the "**Disposal Target**") and its subsidiaries (the "**Disposal Group**").

Yantai Zendai Thumb Property Co., Ltd (煙台証大大拇指置業有限公司) ("**Yantai Zendai**"), was owned as to 70% by Haimen Zendai Binjiang Real Estate Co., Ltd. (海門証大濱江置業有限公司) ("**Haimen Zendai**"), a 90.91% directly owned subsidiary held by the Disposal Target prior to a reorganisation in 2020 (the "**Yantai Reorganisation**").

In addition, Haimen Zendai Binjiang Property Management Co., Ltd. (海門証大濱江物業管理有限公司) ("**Haimen Zendai Property Management**") was a wholly owned subsidiary of Haimen Zendai before a reorganisation on 30 December 2021 (the "**Haimen Reorganisation**"). After the Haimen Reorganisation, Haimen Zendai Property Management was transferred to Shanghai Zendai Property Management Co., Ltd. (上海証大物業管理有限公司) ("**Shanghai Zendai Property Management**") and became a wholly owned subsidiary of the Company.

Yantai Zendai and Haimen Zendai Property Management are collectively referred to as the "**Excluded Companies**".

The Disposal Target is a limited liability company incorporated in the British Virgin Islands in 2003. The Disposal Group is principally engaged in property development and investment in Haimen and Nanjing, Jiangsu Province, the PRC.

The unaudited financial information has been prepared to present the combined financial information of the Disposal Group (the "**Historical Financial Information**") solely for the purpose of inclusion in this circular in connection with the proposed disposal of the Disposal Target (the "**Disposal**") by the Company.

Items included in the Historical Financial Information of the Disposal Target and its subsidiaries are measured using the currency of the primary economic environment in which the entities operate (the "**functional currency**"), which is Renminbi. The Historical Financial Information is presented in Hong Kong dollar ("**HK$**"), which is consistent with the Group's presentation currency and all values are rounded to the nearest thousands (HK$'000) except when otherwise indicated. The Historical Financial Information is unaudited, unless otherwise stated.

2. BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information include the unaudited financial information of the Disposal Group on a combined basis.

The Historical Financial Information of the Disposal Group has been prepared under the historical cost convention, except for investment properties and financial assets at FVPL that are measured at fair values, at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Taking into consideration of the Purchaser's internal financial resources available, the Purchaser will actively provide assistance to the Disposal Group to meet all of their liabilities and obligations as and when they fall due in order to ensure the Disposal Group to continue their businesses for the next twelve months from the completion date ("**Completion Date**") of the Disposal, if the Disposal is completed.

Consequently, the Historical Financial Information for the three years ended 31 December 2019, 2020 and 2021 (the "**Relevant Periods**") of the Disposal Group have been prepared on a going concern basis.

For the purpose of preparing and presenting the financial information for the Relevant Periods, the Disposal Group has consistently adopted the same accounting policies as set out in the annual report of the Company for the year ended 31 December 2021, except for Hong Kong Financial Reporting Standard ("**HKFRS**") 16 "**Leases**" which was applicable to the Disposal Group and was mandatorily adopted for the financial year beginning on 1 January 2019.

The unaudited financial information of the Excluded Companies has not been incorporated in the Historical Financial Information for the purpose of reflecting the unaudited financial information of the Disposal Group that is relevant to the Disposal. Accordingly, the Excluded Companies have been deemed as if they were disposed on 1 January 2019.

The summarised unaudited financial information of the Excluded Companies for each of the years ended 31 December 2019, 2020 and 2021 before intra-group eliminations is as follow:

Yantai Zendai

	Unaudited		
	Year ended 31 December		
	2021	**2020**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	–	–	–
Loss for the year	(1,543)	(3,903)	(4,172)

	Unaudited		
	As at 31 December		
	2021	**2020**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	52	51	48
Current assets	175,722	170,149	158,359
Current liabilities	(8,342)	(5,982)	(15,367)
Non-current liabilities	–	–	–

Haimen Zendai Property Management

	Unaudited		
	Year ended 31 December		
	2021	**2020**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	5,012	7,633	7,578
Loss for the year	(4,051)	(2,024)	(1,646)

	Unaudited		
	As at 31 December		
	2021	2020	2019
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	120	80	48
Current assets	569	1,658	158,359
Current liabilities	(54,727)	(50,253)	(15,367)
Non-current liabilities	–	–	–

The Historical Financial Information has been prepared in accordance with paragraph 14.68(2)(a)(i)(A) of the Listing Rule and solely for the purpose of inclusion in this circular in connection with the Disposal. It does not contain sufficient information to constitute a complete set of financial statements as defined in HKAS 1 "**Presentation of Financial Statements**" or an interim financial report as defined in HKAS 34 "**Interim Financial Reporting**" issued by the HKICPA. It should be read in connection with the annual report of the Company for the Relevant Periods.

3. REVENUE

	Unaudited		
	Year ended 31 December		
	2021	2020	2019
	HK$'000	*HK$'000*	*HK$'000*
Sales of properties	293,795	4,065,056	766,092
Properties rental income	5,354	73	–
	299,149	4,065,129	766,092

For the years ended 31 December 2021, 2020 and 2019, revenue from sales of properties of HK$293,795,000, HK$4,065,056,000 and HK$766,092,000, respectively, are recognised at a point in time. Properties rental income for the years ended 31 December 2021 and 2020 are recognised over time.

4. OTHER INCOME AND GAINS/(LOSSES) – NET

	Unaudited		
	Year ended 31 December		
	2021	2020	2019
	HK$'000	*HK$'000*	*HK$'000*
Bank interest income	550	2,245	2,562
Government grants	5	384	–
Sales of scrap	5,861	–	–
Net gain on disposal of a subsidiary	–	20,274	–
Gain on disposal of property, plant and equipment	–	152	–
Exchange gain/(loss), net	29,073	53,588	(11,524)
Others	1,116	1,709	1,831
	36,605	78,352	(7,131)

5. FINANCE COSTS

	Unaudited		
	Year ended 31 December		
	2021	2020	2019
	HK$'000	*HK$'000*	*HK$'000*
Interest expenses:			
Bank borrowings	24,358	165,076	254,923
Other borrowings	773,697	597,006	609,453
Interest and finance charges paid/payable for lease liabilities	121	273	419
	798,176	762,355	864,795
Less: amounts capitalised in properties under development	–	(94,990)	(130,669)
Finance costs – net	798,176	667,365	734,126

6. INCOME TAX (CREDIT)/EXPENSE

No provision for Hong Kong Profits Tax has been made as the Disposal Group has no assessable profits in Hong Kong for the years ended 31 December 2019, 2020 and 2021.

The PRC subsidiaries of the Disposal Group are subject to PRC Enterprise Income Tax at 25% for the years ended 31 December 2019, 2020 and 2021.

In accordance with the Land Appreciation Tax Law of the PRC, Land Appreciation Tax is levied at the properties developed by the Disposal Group for sale in the PRC. Land Appreciation Tax is charged on the appreciated amount at progressive rates ranged from 30% to 60%.

	Unaudited		
	Year ended 31 December		
	2021	**2020**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
Current income tax:			
PRC Enterprise Income Tax ("**EIT**")	–	170,726	–
PRC Land Appreciation Tax ("**LAT**")	1,831	242,467	5,596
	1,831	413,193	5,596
Deferred income tax credit	(39,428)	(90,190)	(20,419)
Income tax (credit)/expense	(37,597)	323,003	(14,823)

7. PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD-FOR-SALE

	Unaudited		
	As at 31 December		
	2021	**2020**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
Properties under development	4,562,887	4,799,628	9,121,497
Completed properties held-for-sale	654,083	887,487	779,511
	5,216,970	5,687,115	9,901,008

8. TRADE, OTHER RECEIVABLES AND PREPAYMENTS

The Disposal Group generally grants no credit period to its customers on sales of properties, except for certain significant transactions where credit terms or settlement schedules are negotiated on an individual basis.

	Unaudited		
	As at 31 December		
	2021	**2020**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	–	545	2,152
Deposits for properties under development	–	1,337	841
Prepayments for turnover tax and others	92,519	87,606	165,462
Other receivables	32,391	97,000	98,776
	124,910	186,488	267,231

9. TRADE AND OTHER PAYABLES

	Unaudited		
	As at 31 December		
	2021	**2020**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables *(note)*	1,919,568	1,940,075	1,539,117
Deposits from third parties	855	370	–
Accrued taxes other than income tax and LAT	45,539	123,489	71,711
Wages, salaries and other employee benefits	2,314	3,863	8,125
Other payables	1,648,894	811,608	362,063
	3,617,170	2,879,405	1,981,016

Trade payables mainly represent accrued construction costs payable to contractors. The amounts will be paid upon the completion of cost verification process between the contractors and the Disposal Group.

The following is the text of a report received from PKF Hong Kong Limited, Certified Public Accountants, Hong Kong, regarding the unaudited pro forma financial information of the Remaining Group for the purpose of inclusion in this circular.

PKF

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

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

To the Directors of Shanghai Zendai Property Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shanghai Zendai Property Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") excluding Myway Developments Limited (the "**Disposal Target**") and its subsidiaries (collectively the "**Disposal Group**") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated balance sheet as at 31 December 2021, the unaudited pro forma consolidated income statement and statement of comprehensive income for the year ended 31 December 2021, the unaudited pro forma consolidated cash flow statement for the year ended 31 December 2021, and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages III-5 to III-14 to the circular issued by the Company dated 30 June 2022, in connection with the proposed disposal of the Disposal Target (the "**Disposal**") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on page III-5.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Disposal on the Group's financial position as at 31 December 2021 and the Group's financial performance and cash flows for the year ended 31 December 2021 as if the Disposal had taken place at 31 December 2021 and 1 January 2021, 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 annual report of the Company for the year ended 31 December 2021, on which an audit report has been published.

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 7 "**Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars**" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

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

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

Reporting Accountant's Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "**Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus**" issued by the HKICPA. This standard requires that the reporting accountant plans and performs 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 unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Disposal at 31 December 2021 and 1 January 2021 would have been as presented.

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

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

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

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

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

Opinion

In our opinion:

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

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

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

PKF Hong Kong Limited
Certified Public Accountants

Hong Kong

30 June 2022

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is an illustrative unaudited pro forma consolidated balance sheet, unaudited pro forma consolidated income statement and statement of comprehensive income and unaudited pro forma consolidated cash flow statement of the Group excluding the Disposal Group upon the completion of the Disposal (the "**Remaining Group**") (the "**Unaudited Pro Forma Financial Information**"), which have been prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below, for the purpose of illustrating the effect of the Disposal as if it had taken place on 31 December 2021 for the unaudited pro forma consolidated balance sheet and 1 January 2021 for the unaudited pro forma consolidated income statement and statement of comprehensive income and the unaudited pro forma consolidated cash flow statement.

The unaudited pro forma consolidated balance sheet of the Remaining Group is prepared based on the audited consolidated balance sheet of the Group as at 31 December 2021 as extracted from the published Annual Report 2021 after making pro forma adjustments relating to the Disposal that are factually supportable and directly attributable to the Disposal as set out below.

The unaudited pro forma consolidated income statement and statement of comprehensive income and the unaudited pro forma consolidated cash flow statement of the Remaining Group are prepared based on the audited consolidated income statement and statement of comprehensive income and the audited consolidated cash flow statement of the Group for the year ended 31 December 2021 as extracted from the published Annual Report 2021 after making pro forma adjustments relating to the Disposal that are factually supportable and directly attributable to the Disposal as set out below.

The Unaudited Pro Forma Financial Information has been prepared by the directors in accordance with paragraph 4.29 of Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group as at 31 December 2021 or at any future date, or the financial performance and cash flows of the Remaining Group for the year ended 31 December 2021 or for any future period.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published Annual Report 2021 and other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

	Consolidated balance sheet of the Group as at 31 December 2021	Pro forma adjustments			Unaudited pro forma consolidated balance sheet of the Remaining Group as at 31 December 2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2(a))*	*(Note 2(b))*	*(Note 2(c))*	
ASSETS					
Non-current assets					
Property, plant and equipment	754,109	(34,037)			720,072
Investment properties	5,380,718	(2,064,273)			3,316,445
Financial assets at fair value through other comprehensive income ("**FVOCI**")	24,331			512,177	536,508
Properties under development	812,246				812,246
Pledged bank deposits	12,231				12,231
Total non-current assets	6,983,635				5,397,502
Current assets					
Properties under development and completed properties held-for-sale	5,465,290	(5,216,970)			248,320
Inventories	2,365	(754)			1,611
Trade, other receivables and prepayments	283,874	(124,910)			158,964
Deposits for properties under development	4,952				4,952
Amounts due from the Disposal Group	–		5,284,109		5,284,109
Financial assets at fair value through profit or loss ("**FVPL**")	21,572	(12,554)			9,018
Tax prepayments	235,813	(228,301)			7,512
Pledged bank deposits	221,148				221,148
Cash and cash equivalents	315,349	(96,191)		270,791	489,949
Total current assets	6,550,363				6,425,583
Asset classified as held-for-sale	3,547	(3,547)			–
Total assets	13,537,545				11,823,085

	Consolidated balance sheet of the Group as at 31 December 2021	Pro forma adjustments			Unaudited pro forma consolidated balance sheet of the Remaining Group as at 31 December 2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2(a))*	*(Note 2(b))*	*(Note 2(c))*	
EQUITY					
Equity attributable to owners of the Company					
Share capital	297,587				297,587
Reserves	2,315,814			174,606	2,490,420
(Accumulated losses)/retained profits	(4,632,089)			4,664,279	32,190
	(2,018,668)				2,820,197
Non-controlling interests	226,352				226,352
Total (deficit)/equity	(1,792,336)				3,046,549
LIABILITIES					
Non-current liabilities					
Borrowings	648,789	(292,992)			355,797
Lease liabilities	67,053				67,053
Deferred income tax liabilities	592,818	(254,687)			338,131
Total non-current liabilities	1,308,660				760,981
Current liabilities					
Trade and other payables	4,671,068	(3,617,170)			1,053,898
Contract liabilities	2,138,909	(2,122,330)			16,579
Amounts due to minority owners of subsidiaries	122,770				122,770
Amounts due to the Disposal Group	–		4,478,551		4,478,551
Borrowings	6,327,694	(4,124,257)			2,203,437
Lease liabilities	31,492	(680)			30,812
Tax payables	729,288	(619,780)			109,508
Total current liabilities	14,021,221				8,015,555
Total liabilities	15,329,881				8,776,536
Total equity and liabilities	13,537,545				11,823,085

UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

	Consolidated income statement and statement of comprehensive income of the Group for the year ended 31 December 2021				Unaudited pro forma consolidated income statement and statement of comprehensive income of the Remaining Group for the year ended 31 December 2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 3(a))*	*(Note 3(b))*	*(Note 3(c))*	
Revenue	740,993	(299,149)			441,844
Cost of sales	(930,256)	662,431			(267,825)
Gross (loss)/profit	(189,263)				174,019
Other income, gains and expenses	73,255	(36,605)	3,196,803		3,233,453
Net impairment losses on financial assets	(158,448)	15,349			(143,099)
Impairment of property, plant and equipment	(259,157)				(259,157)
Selling and marketing expenses	(73,229)	18,153			(55,076)
Administrative expenses	(300,861)	118,787			(182,074)
Change in fair value of investment properties	(253,778)	136,446			(117,332)
Finance costs – net	(1,001,523)	798,176			(203,347)
(Loss)/profit before income tax	(2,163,004)				2,447,387
Income tax credit	81,076	(37,597)			43,479
(Loss)/profit for the year	(2,081,928)				2,490,866
(Loss)/profit for the year attributable to:					
– Owners of the Company	(2,070,423)	1,312,760	3,196,803		2,439,140
– Non-controlling interests	(11,505)	63,231			51,726
	(2,081,928)				2,490,866
Other comprehensive (loss)/income:					
Item that may be reclassified to profit or loss:					
Exchange differences arising on translation of foreign operations	(18,489)	120,062	48,427		150,000
Item that will not be reclassified to profit or loss:					
Changes in fair value of financial assets at FVOCI, net of tax	3,294			89,891	93,185
Other comprehensive (loss)/income for the year, net of tax	(15,195)				243,185
Total comprehensive (loss)/income for the year	(2,097,123)				2,734,051
Total comprehensive (loss)/income attributable to:					
– Owners of the Company	(2,089,950)	1,438,939	3,245,230	89,891	2,684,110
– Non-controlling interests	(7,173)	57,114			49,941
Total comprehensive (loss)/income for the year	(2,097,123)				2,734,051

UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT

	Consolidated cash flow statement of the Group for the year ended 31 December 2021			Unaudited pro forma consolidated cash flow statement of the Remaining Group for the year ended 31 December 2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 3(a))*	*(Note 3(b))*	
Cash flows from operating activities				
Cash generated from/(used in) operations	245,868	(237,896)		7,972
Interest received	4,190	(550)		3,640
Interest paid	(259,080)	220,801		(38,279)
Income taxed refunded/(paid)	12,077	1,813		13,890
Net cash inflow/(outflow) from operating activities	3,055			(12,777)
Cash flows from investing activities				
Purchase of property, plant and equipment	(15,685)	5,997		(9,688)
Additions to investment properties	(2,987)			(2,987)
Purchase of financial assets at fair value through profit or loss	(557)	557		–
Proceeds from disposal of property, plant and equipment	466			466
Proceed from disposal of investment property	102,371			102,371
Net proceed from disposal of subsidiaries	–		263,080	263,080
Net proceeds on disposal of financial assets at fair value through profit or loss	3,250	(3,250)		–
Net cash inflow from investing activities	86,858			353,242
Cash flows from financing activities				
Proceeds from borrowings	405,059			405,059
Repayment of borrowings	(667,053)	9,006		(658,047)
Decrease in pledged bank deposits	254,103			254,103
Principal elements of lease payments	(24,587)	2,606		(21,981)
Net cash outflow from financing activities	(32,478)			(20,866)
Net increase in cash and cash equivalents	57,435			319,599
Cash and cash equivalents at beginning of year	230,800	(85,600)		145,200
Effect of foreign exchange rate changes	27,114	(9,675)		17,439
Cash and cash equivalents at end of year	315,349			482,238

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

1. The amounts are extracted from the consolidated balance sheet as at 31 December 2021, the consolidated income statement and statement of comprehensive income and the consolidated cash flow statement of the Group for the year ended 31 December 2021 as set out in the published Annual Report 2021 of the Company for the year ended 31 December 2021.

2. The following pro forma adjustments have been made to the unaudited pro forma consolidated balance sheet, assuming the Disposal had taken place on 31 December 2021:

   (a) The adjustment represents the de-recognition of assets and liabilities of the Disposal Group as at 31 December 2021, assuming the Disposal had taken place on 31 December 2021. The assets and liabilities of the Disposal Group are extracted from the unaudited combined balance sheet of the Disposal Group as at 31 December 2021.

   (b) The adjustment represents the recognition of amounts due from/(to) the Disposal Group. According to terms of the agreement of the Disposal, amounts due from/(to) the Disposal Group by the Remaining Group will be retained after the Disposal.

   (c) The adjustment represents the estimated gain and estimated net cash inflow from the Disposal assuming the Disposal had taken place on 31 December 2021 and are calculated as follows:

		HK$'000
Consideration	*Note (i)*	275,128
Add: Net liabilities of the Disposal Group as at 31 December 2021	*Note (ii)*	4,055,917
Recognition of financial assets at FVOCI	*Note (iii)*	512,177
Less: Release of exchange reserve	*Note (iv)*	(174,606)
Estimated transaction costs attributable to the Disposal	*Note (v)*	(4,337)
Estimated net gain on the Disposal		4,664,279
Consideration received in cash		275,128
Estimated transaction costs attributable to the Disposal		(4,337)
Estimated net cash inflow from the Disposal		270,791

Notes:

(i) The consideration of the Disposal is RMB225 million (equivalent to approximately HK$275.1 million) as at 31 December 2021.

(ii) The amount represents the carrying amount of net liabilities of the Disposal Group as at 31 December 2021, which is extracted from the unaudited combined balance sheet of the Disposal Group as at 31 December 2021.

No pro forma adjustment has been made in respect of the de-recognition of the non-controlling interests of HK$367,378,000 of the Disposal Group as at 31 December 2021 since the non-controlling interests represent the 9.09% equity interest of Haimen Zendai Binjiang Real Estate Co., Ltd.(海門証大濱江置業有限公司)("**Haimen Zendai**") and 10% equity interest of Nanjing Thumb Commercial Development Co., Ltd.(南京証大大拇指商業發展有限公司)("**Nanjing Thumb**") which are held by Shanghai Zendai Real Estate Co., Ltd.(上海証大置業有限公司)("**Zendai Real Estate**"), an indirect wholly-owned subsidiary of the Company, and are recognised solely for the purpose of preparation of the Historical Financial Information of the Disposal Group on a combined basis. Accordingly, such non-controlling interests do not exist on the consolidated balance sheet of the Group as at 31 December 2021.

The 9.09% equity interest of Haimen Zendai and 10% equity interest of Nanjing Thumb will be recognsied as financial assets at FVOCI after the Disposal as detailed in Note 2(c)(iii).

(iii) The adjustment represents the recognition of financial assets at FVOCI, being the residual 9.09% equity interest of Haimen Zendai and 10% equity interest of Nanjing Thumb which will continue to be held by Zendai Real Estate, an indirect wholly-owned subsidiary of the Company, after the completion of the Disposal.

The fair value of financial assets at FVOCI for the purpose of preparing the Unaudited Pro Forma Financial Information is determined by the Directors based on the assumption that, except investment properties, properties under development and completed properties held-for-sale of Haimen Zendai and Nanjing Thumb that have been revalued to their fair values as at 31 December 2021, all other assets and liabilities of Haimen Zendai and Nanjing Thumb are approximate to their carrying values as at 31 December 2021.

(iv) The amount represents the release of exchange reserve of the Disposal Group as at 31 December 2021 to profit of loss as a result of the Disposal.

(v) The estimated transaction costs attributable to the Disposal represent the costs and expenses directly incurred for the Disposal, which will be borne by the Group and are assumed to be settled in cash.

(d) Apart from notes above, no other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2021 for the purpose of preparation of the unaudited pro forma consolidated balance sheet of the Remaining Group.

(e) For the purpose of presentation of the unaudited pro forma consolidated balance sheet, Renminbi is translated into Hong Kong dollars at the approximate exchange rate of RMB1 to HK$1.228 on 31 December 2021.

3. The following pro forma adjustments have been made to the unaudited pro forma consolidated income statement and statement of comprehensive income and the unaudited pro forma consolidated cash flow statement, assuming the Disposal had taken place on 1 January 2021:

(a) The adjustments represent the exclusion of the financial performance and cash flows of the Disposal Group for the year ended 31 December 2021, assuming the Disposal had taken place on 1 January 2021. The comprehensive income (including profit or loss) and cash flows of the Disposal Group are extracted from the unaudited combined income statement and statement of comprehensive income and unaudited combined cash flow statement of the Disposal Group for the year ended 31 December 2021.

(b) The adjustment represents the estimated gain and estimated net cash inflow from the Disposal assuming the Disposal had taken place on 1 January 2021 and are calculated as follows:

		HK$'000
Consideration	*Note (i)*	267,348
Add: Net liabilities of the Disposal Group as at 1 January 2021	*Note (ii)*	2,559,864
Recognition of financial assets at FVOCI	*Note (iii)*	422,286
Less: Release of exchange reserve	*Note (iv)*	(48,427)
Estimated transaction costs attributable to the Disposal	*Note (v)*	(4,268)
Estimated net gain on the Disposal		3,196,803
Consideration received in cash		267,348
Estimated transaction costs attributable to the Disposal		(4,268)
Estimated net cash inflow from the Disposal		263,080

Notes:

(i) The consideration of the Disposal is RMB225 million (equivalent to approximately HK$267.3 million) as at 1 January 2021.

(ii) The amount represents the carrying amount of net liabilities of the Disposal Group as at 1 January 2021, which is extracted from the unaudited combined balance sheet of the Disposal Group as at 1 January 2021.

No pro forma adjustment has been made in respect of the de-recognition of the non-controlling interests of HK$424,792,000 of the Disposal Group as at 1 January 2021 since the non-controlling interests represent the 9.09% equity interest of Haimen Zendai and 10% equity interest of Nanjing Thumb which are held by Zendai Real Estate, an indirect wholly-owned subsidiary of the Company, and are recognised for the purpose of preparation of the Historical Financial Information of the Disposal Group on a combined basis. Accordingly, such non-controlling interests do not exist on the consolidated balance sheet of the Group as at 1 January 2021.

The 9.09% equity interest of Haimen Zendai and 10% equity interest of Nanjing Thumb will be recognsied as financial assets at FVOCI after the Disposal as detailed in Note 3(b)(iii).

(iii) The adjustment represents the recognition of financial assets at FVOCI, being the residual 9.09% equity interest of Haimen Zendai and 10% equity interest of Nanjing Thumb which will continue to be held by Zendai Real Estate, an indirect wholly-owned subsidiary after the completion of the Disposal.

The fair value of financial assets at FVOCI for the purpose of preparing the Unaudited Pro Forma Financial Information is determined by the Directors based on the assumption that, except investment properties, properties under development and completed properties held-for-sale of Haimen Zendai and Nanjing Thumb that have been revalued to their fair values as at 1 January 2021, all other assets and liabilities of Haimen Zendai and Nanjing Thumb are approximate to their carrying values as at 1 January 2021.

(iv) The amount represents the release of exchange reserve of the Disposal Group as at 1 January 2021 to profit of loss as a result of the Disposal.

(v) The estimated transaction costs attributable to the Disposal represent the costs and expenses directly incurred for the Disposal, which will be borne by the Group and are assumed to be settled in cash.

(c) The adjustment represents the estimated fair value gain of financial assets at FVOCI (Note 3(b)(iii)) recognised in other comprehensive income under other reserve during the year ended 31 December 2021, assuming the Disposal had taken place on 1 January 2021.

(d) Apart from notes above, no other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 1 January 2021 for the purpose of preparation of the unaudited pro forma consolidated income statement and statement of comprehensive income and the unaudited pro forma consolidated cash flow statement of the Remaining Group.

(e) The above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated income statement and statement of comprehensive income and unaudited pro forma consolidated cash flow statement of the Remaining Group.

(f) For the purpose of presentation of the unaudited pro forma consolidated income statement and statement of comprehensive income and the unaudited pro forma consolidated cash flow statement, Renminbi is translated into Hong Kong dollars at the approximate exchange rate of RMB1 to HK$1.1882 on 1 January 2021.

4. Since the net liabilities value of the Disposal Group at the transaction completion date (the "**Completion**") and the net assets of the Remaining Group prior to Completion may be different from the amounts used in the Unaudited Pro Forma Financial Information of the Remaining Group, final amounts of value of net liabilities of the Disposal Group, estimated gain on the Disposal and fair value change of financial assets at FVOCI may be different from the amounts presented above.

The Remaining Group is principally engaged in property development, property investment, property management services and hotel operations in the PRC. Set out below is the management discussion and analysis of the Remaining Group for each of the financial years ended 31 December 2019 (“**FY2019**”), 2020 (“**FY2020**”) and 2021 (“**FY2021**”).

(I) FY2021

For FY2021, the Remaining Group’s consolidated turnover from continuing operations amounted to approximately HK$441.8 million (FY2020: approximately HK$533.6 million), which mainly comprised revenue from sale of properties of approximately HK$13.2 million (FY2020: approximately HK$142.8 million), revenue from hotel operation of approximately HK$93.6 million (FY2020: approximately HK$72.1 million), revenue from properties rental, management and agency services of approximately HK$ 335.0 million (FY2020: approximately HK$318.7 million). The decrease in turnover of the Remaining Group for FY2021 was mainly due to fewer properties delivered as compared to FY2020. The loss of the Remaining Group increased from approximately HK$527.2 million for FY2020 to approximately HK$614.7 million for FY2021. This was mainly attributable to an impairment of property, plant and equipment during the year.

Segment results

For sale of properties, segment turnover amounted to approximately HK$13.2 million, decreasing by approximately 91% from approximately HK$142.8 million for FY2020 and segment loss before income tax expenses amounted to approximately HK$383.1 million for FY2021, increasing by approximately 13% from approximately HK$340.1 million for FY2020. The substantial decreases in segment turnover and the increase in segment loss were due to the substantial decrease in the areas of the property to be delivered to purchasers and recognised as turnover and therefore insufficient to cover the charges and expenses.

For hotel operations, segment turnover amounted to approximately HK$93.6 million, increasing by approximately 30% from approximately HK$72.1 million for FY2020. The increase was due to the substantial increase in occupancy rate as a result of containment of COVID-19 in the PRC. Segment loss before income tax expenses amounted to approximately HK$209.5 million, increasing by approximately 580% from approximately HK$30.8 million. The substantial increases in segment loss was due to the impairment of hotel building which was classified as property, plant and equipment during the year.

For properties rental, management and agency services, segment turnover amounted to approximately HK$335.0 million, increasing slightly by approximately 5% from approximately HK$318.7 million for FY2020 and segment profit before income tax expenses amounted to approximately HK$104.6 million, increasing by approximately 18% from approximately HK$88.8 million for FY2020. The increases in both segment turnover and segment profit were due to containment of COVID-19 in the PRC which results in increase in malls activities and rental income.

Treasury policy

The Remaining Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Remaining Group's liquidity position to ensure that the liquidity structure of the Remaining Group's assets, liabilities, and other commitments can meet its funding requirements at all times. These include accelerating sales of the Remaining Group's properties with more flexible pricing, adjusting and further slowing down the construction progress as appropriate, ensuring available resources from external financing or internal funding for the development of properties for sale and settlement of liabilities, implementing cost control measures, introducing strategic partners to the Remaining Group's property development projects and obtaining financial support from the shareholder. The Remaining Group will assess the relevant future costs and benefits and pursue such options as are appropriate.

Liquidity, Financial Resources, Capital Structure and Gearing

As at 31 December 2021, the Remaining Group had a financial position with net assets value of approximately HK$2,263.6 million (31 December 2020: approximately HK$2,864.7 million). Net current liabilities amounted to approximately HK$1,860.7 million (31 December 2020: approximately HK$515.8 million) with current ratio decreasing from 0.92 times at 31 December 2020 to approximately 0.77 times at 31 December 2021. The capital structure of the Remaining Group consists of borrowings (including current and non-current borrowings), net of cash and bank balances, and equity attributable to owners of the Company. As at 31 December 2021, the Remaining Group had consolidated borrowings of approximately HK$2,559.2 million, of which HK$2,203.4 million were repayable within one year and HK$355.8 million were repayable more than one year. As at 31 December 2021, borrowings of the amount of HK$1,821 million (31 December 2020: HK$981 million) bear interest at fixed interest rates ranging from 3.85% to 14.99% per annum (31 December 2020: ranging from 4.77% to 14.99% per annum). As at 31 December 2021, the Remaining Group's cash and bank balances and pledged bank deposits were approximately HK$452.5 million (31 December 2020: HK$622.5 million).

Charges on assets

As at 31 December 2021, the Remaining Group's property, plant and equipment, investment properties, properties under development and for sales and pledged bank deposits of approximately HK$666 million, approximately HK$2,819 million, approximately HK$370 million and approximately HK$233 million respectively had been pledged to secure bank and other loans granted to the Remaining Group. The Remaining Group pledged certain percent interests in several subsidiaries to secure bank and other loans granted to the Remaining Group.

Gearing ratio

The gearing ratio of the Remaining Group increasing from 0.89 times at 31 December 2020 to 1.14 times at 31 December 2021 (basis: net debt, which is defined as total amounts of borrowings, amounts due to minority owners of subsidiaries and lease liabilities less cash and bank balances and pledged bank deposits, divided by equity attributable to owners of the Company). The increase in the gearing ratio was mainly due to decrease in shareholders' fund as a result of the loss for FY2021.

Exchange rate and interest rate risks exposure

The Remaining Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Remaining Group's cash and cash equivalents are also exposed to such foreign currency risk. Cash and cash equivalents held by the Remaining Group as at 31 December 2021 were mainly denominated in RMB and HK$. Borrowings of the Remaining Group as at 31 December 2021 were all denominated in RMB. The Remaining Group currently does not use any financial instruments to hedge against its exposure to currency risk.

The Remaining Group manages its foreign currency risk by closely monitoring the movement of the foreign exchange rate.

The Remaining Group's cash flow interest rate risk arises from long-term borrowings with prevailing market interest rates. Such risk is partly offset by cash held at prevailing market interest rates. The Remaining Group's fair value interest rate risk relates primarily to its fixed rate borrowings and payables and pledged bank deposits. The Remaining Group currently does not utilize any financial instruments to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

Contingent liabilities

The Remaining Group provided guarantees of approximately HK$63 million as at 31 December 2021 (31 December 2020: approximately HK$44 million) for customers in favour of banks in respect of the mortgage loans provided by the banks to customers for the purchase of the Remaining Group's developed properties.

As at 31 December 2021 and 2020, the Remaining Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Remaining Group's properties, net of mortgages received and included in receipts in contract liabilities. Pursuant to the terms of the guarantees, upon default in mortgage payments by the respective purchasers, the Remaining Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Remaining Group is entitled to take over the legal title and possession of the related properties. The Remaining Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then to be pledged with the banks.

Save as disclosed above, the Remaining Group did not have any material contingent liabilities outstanding.

Material acquisitions or disposals of subsidiaries and associated companies

On 2 August 2021, Haimen Zendai Creative Investment Development Co., Ltd.*(海門証大創意投資發展有限公司)("**Zendai Creative**"), an indirect wholly-owned subsidiary of the Company, received an executed version of the land resumption agreement from Nantong Haimen People's Government Haimen Subdistrict Office*(南通市海門區人民政府海門街道辦事處)(the "**Local Authority**"), pursuant to which Zendai Creative agreed to surrender the industrial lands held by it with a total area of 133,336 sq. m., at a consideration of a compensation of approximately RMB106,168,000 (equivalent to approximately HK$126,340,000 at the then conversion rate of RMB1=HK$1.19) payable by the Local Authority to Zendai Creative. Details of the transaction were set out in the announcement of the Company dated 2 August 2021.

During FY2021, save for the above, the Remaining Group did not acquire or dispose of any material subsidiary or associated company.

Employees and remuneration policies

As at 31 December 2021, the Remaining Group employed 853 employees (31 December 2020: 803 employees) in Hong Kong and the PRC. They were remunerated with basic salary and bonuses according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, training scheme, insurance and medical insurance and share option scheme.

Future plans for material investments and acquisition of capital assets

As at 31 December 2021, the Remaining Group had no future plans for any material investments or its capital assets.

(II) FY2020

For FY2020, the Remaining Group's consolidated turnover from continuing operations amounted to approximately HK$533.6 million (FY2019: approximately HK$582.5 million), which mainly comprised revenue from sale of properties of approximately HK$142.8 million (FY2019: approximately HK$80.0 million), revenue from hotel operation of approximately HK$72.1 million (FY2019: approximately HK$134.0 million), revenue from properties rental, management and agency services of approximately HK$318.7 million (FY2019: approximately HK$368.5 million). The decrease in turnover of the Remaining Group for FY2020 was due to the outbreak of COVID-19 in early 2020 in which occupancy rate of hotel decline significantly and rent concessions was provided to the tenants. The loss of the Remaining Group increased substantially from approximately HK$113.3 million for FY2019 to approximately HK$527.2 million for FY2020. This was mainly attributable to (i) substantial decline in gross profit, (ii) increase in net impairment losses on financial assets, and (iii) increase in finance cost during the year.

Segment results

For sale of properties, segment turnover amounted to approximately HK$142.8 million, increasing by approximately 79% from approximately HK$80.0 million for FY2019. The increase was due to substantial increase in the areas of the property to be delivered to purchasers. Segment loss before income tax expenses amounted to approximately HK$340.1 million for FY2020, increasing by approximately 175% from approximately HK$123.5 million for FY2019. The substantial increase in segment loss before income tax expenses in FY2020 compare to FY2019 were due to the impairment losses on amounts due from an associate which was classified as financial assets.

For hotel operations, segment turnover amounted to approximately HK$72.1 million, decreasing by approximately 46% from approximately HK$134.0 million for FY2019 and segment loss before income tax expenses amounted to approximately HK$30.8 million, increasing by approximately 104% from approximately HK$15.1 million for FY2019. The decreases in segment turnover and the substantial increase in segment loss before income tax expenses for FY2020 compare to FY2019 were due to decline of occupancy rate as a result of outbreak of COVID-19 and therefore insufficient to cover the depreciation charges and expenses.

For properties rental, management and agency services, segment turnover amounted to approximately HK$318.7 million, decreasing by approximately 14 % from approximately HK$368.5 million for FY2019 and segment profit before income tax expenses amounted to approximately HK$88.8 million, decreasing by approximately 9 % from approximately HK$97.4 million for FY2019. The decreases in both segment turnover and segment profit were due to rent concessions provided to the tenants as well as the reduction of mall activities were held during the COVID-19 pandemic.

Treasury policy

The Remaining Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Remaining Group's liquidity position to ensure that the liquidity structure of the Remaining Group's assets, liabilities, and other commitments can meet its funding requirements at all times. These include accelerating sales of the Remaining Group's properties with more flexible pricing, adjusting and further slowing down the construction progress as appropriate, ensuring available resources from external financing or internal funding for the development of properties for sale and settlement of liabilities, implementing cost control measures, introducing strategic partners to the Group's property development projects and obtaining financial support from the shareholder. The Group will assess the relevant future costs and benefits and pursue such options as are appropriate.

Liquidity, Financial Resources, Capital Structure and Gearing

As at 31 December 2020, the Remaining Group had a financial position with net assets value of approximately HK$2,864.7 million (31 December 2019: approximately HK$3,580.8 million). Net current liabilities amounted to approximately HK$515.8 million (31 December 2019: Net current assets of approximately HK$806.1 million) with current ratio decreasing from 1.12 times at 31 December 2019 to approximately 0.92 times at 31 December 2020. The capital structure of the Remaining Group consists of borrowings (including current and non-current borrowings), net of cash and bank balances, and equity attributable to owners of the Company. As at 31 December 2020, the Remaining Group had consolidated borrowings of approximately HK$2,735.8 million, of which HK$1,643.8 million were repayable within one year and HK$1,092.0 million were repayable more than one year. As at 31 December 2020, borrowings of the amount of HK$981 million (31 December 2019: HK$1,192 million) bear interest at fixed interest rates ranging from 4.77% to 14.99% per annum (31 December 2019: ranging from 4.77% to 14.99% per annum). As at 31 December 2020, the Remaining Group's cash and bank balances and pledged bank deposits were approximately HK$622.5 million (31 December 2019: HK$430.1 million).

Charges on assets

As at 31 December 2020, the Remaining Group's property, plant and equipment, investment properties, properties under development and for sales and pledged bank deposits of approximately HK$967 million, approximately HK$2,747 million, approximately HK$96 million and approximately HK$441 million respectively had been pledged to secure bank and other loans granted to the Remaining Group. The Remaining Group pledged certain percent interests in several subsidiaries to secure bank and other loans granted to the Remaining Group.

Gearing ratio

The gearing ratio of the Remaining Group increasing from 0.63 times at 31 December 2019 to 0.89 times at 31 December 2020 (basis: net debt, which is defined as total amounts of borrowings, amounts due to minority owners of subsidiaries and lease liabilities less cash and bank balances and pledged bank deposits, divided by equity attributable to owners of the Company). The increase in the gearing ratio was mainly due to decrease in shareholders' fund as a result of the loss for FY2020.

Exchange rate and interest rate risks exposure

The Remaining Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Remaining Group's cash and cash equivalents are also exposed to such foreign currency risk. Cash and cash equivalents held by the Remaining Group as at 31 December 2020 were mainly denominated in RMB and HK$. Borrowings of the Remaining Group as at 31 December 2020 were all denominated in RMB. The Remaining Group currently does not use any financial instruments to hedge against its exposure to currency risk.

The Remaining Group manages its foreign currency risk by closely monitoring the movement of the foreign exchange rate.

The Remaining Group's cash flow interest rate risk arises from long-term borrowings with prevailing market interest rates. Such risk is partly offset by cash held at prevailing market interest rates. The Remaining Group's fair value interest rate risk relates primarily to its fixed rate borrowings and payables and pledged bank deposits. The Remaining Group currently does not utilize any financial instruments to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

Contingent liabilities

The Remaining Group provided guarantees of approximately HK$44 million as at 31 December 2020 (31 December 2019: approximately HK$46 million) for customers in favour of banks in respect of the mortgage loans provided by the banks to customers for the purchase of the Remaining Group's developed properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by the respective purchasers, the Remaining Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Remaining Group is entitled to take over the legal title and possession of the related properties. The Remaining Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then to be pledged with the banks.

Save as disclosed above, the Remaining Group did not have any material contingent liabilities outstanding.

Material acquisitions or disposals of subsidiaries and associated companies

The Remaining Group intended to dispose of 70% equity interests in 煙台証大大拇指置業有限公司 (Yantai Zendai Thumb Property Co., Ltd.*) by way of public tender through the Alibaba Auction Platform (the "**Yantai Disposal**"). The minimum bid price for the Yantai Disposal was RMB33,000,000 (equivalent to approximately HK$36,130,000 at the then conversion rate of RMB1=HK$1.0948), whereas the consideration shall depend on the final bid price to be offered by the successful bidder and in any event shall be no less than the minimum bid price. On 19 August 2020, the Company was notified by the Alibaba Auction Platform that the Yantai Disposal was won by 煙台市正通置業有限公司 (Yantai Zhengtong Real Estate Co., Ltd*) ("**Zhengtong Real Estate**") at a consideration of RMB33,000,000 (equivalent to approximately HK$36,130,000 at the then conversion rate of RMB1=HK$1.0948). On 4 September 2020, the Company was notified by the third-party auction agent of Alibaba Auction Platform that the remaining balance of the consideration has not been paid by Zhengtong Real Estate as required and the tender has been terminated. Further details of the transaction are set out in the announcements of the Company dated 11 August 2020, 19 August 2020, 24 August 2020 and 7 September 2020.

Save for the above, the Remaining Group did not acquire or dispose of any material subsidiary or associated company.

Employees and remuneration policies

As at 31 December 2020, the Remaining Group employed 803 employees (31 December 2020: 809 employees) in Hong Kong and the PRC. They were remunerated with basic salary and bonuses according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, training scheme, insurance and medical insurance and share option scheme.

Future plans for material investments and acquisition of capital assets

As at 31 December 2020, the Remaining Group had no future plans for any material investments or its capital assets.

(III) FY2019

For FY2019, the Remaining Group's consolidated turnover from continuing operations amounted to approximately HK$582.5 million (FY2018: approximately HK$1,522.8 million), which mainly comprised revenue from sale of properties of approximately HK$80.0 million (FY2018: approximately HK$1,065.3 million), revenue from hotel operation of approximately HK$134.0 million (FY2018: approximately HK$159.8 million), revenue from properties rental, management and agency services of approximately HK$368.5 million (FY2018: approximately HK$327.7 million). The decrease in turnover of the Remaining Group for FY2019 was primarily due to the substantial decrease in the areas of the property delivered as compared to FY2018. The loss of the Remaining Group decreased from approximately HK$321.4 million for FY2018 to approximately HK$113.3 million for FY2019. This was mainly attributable to the increase of gross profit during the year.

Segment results

For sale of properties, segment turnover amounted to approximately HK$80.0 million, decreasing by approximately 92% from approximately HK$1,065.3 million for FY2018. The significant decrease was due to substantial decrease in the areas of the property to be delivered to purchasers. Segment loss before income tax expenses amounted to approximately HK$123.5 million for FY2019, decreasing by approximately 63% from approximately HK$334.3 million for FY2018. The substantial decrease in segment loss before income tax expenses was due to the higher gross profit margin of certain properties' project in year 2019.

For hotel operations, segment turnover amounted to approximately HK$134.0 million, decreasing by approximately 16 % from approximately HK$159.8 million for FY2019. The decrease was due to the decrease in the total number of operable hotel rooms as a result of renovation of certain hotel rooms. Segment loss before income tax expenses amounted to approximately HK$15.1 million for FY2019, decreasing by approximately 27 % from approximately HK$20.7 million for FY2018. The decrease in segment loss before income tax expenses was due to the decrease of share of results of an associate.

For properties rental, management and agency services, segment turnover amounted to approximately HK$368.5 million, increasing by approximately 13% from approximately HK$327.7 million for FY2018 and segment profit before income tax expenses amounted to approximately HK$97.4 million, increasing by approximately 26% from approximately HK$77.5 million for FY2018. The increases in both segment turnover and segment profit were due to the increase in the number of chargeable properties as a result of commencement of management of "Nanjing Himalayas Center" and the first and second phases of "Riverside Thumb Plaza" since the end of year 2018.

Treasury Policy

The Remaining Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Remaining Group's liquidity position to ensure that the liquidity structure of the Remaining Group's assets, liabilities, and other commitments can meet its funding requirements at all times. The finance department of the Remaining Group monitors rolling forecasts of the Remaining Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Remaining Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

Liquidity, Financial Resources, Capital Structure and Gearing

As at 31 December 2019, the Remaining Group had a financial position with net assets value of approximately HK$3,580.8 million (31 December 2018: approximately HK$2,864.7 million). Net current assets amounted to approximately HK$806.1 million (31 December 2018: Net current assets of approximately HK$821.6 million) with current ratio decreasing from 1.15 times at 31 December 2018 to approximately 1.12 times at 31 December 2019. The capital structure of the Remaining Group consists of borrowings (including current and non-current borrowings), net of cash and bank balances, and equity attributable to owners of the Company. As at 31 December 2019, the Remaining Group had consolidated borrowings of approximately HK$2,422.4 million, of which HK$876.1 million were repayable within one year and HK$1,546.3 million were repayable more than one year. As at 31 December 2019, borrowings of the amount of HK$1,192 million (31 December 2018: HK$485 million) bear interest at fixed interest rates ranging from 4.77% to 14.99% per annum (31 December 2018: ranging from 5.00% to 12.98% per annum). As at 31 December 2019, the Remaining Group's cash and bank balances and pledged bank deposits were approximately HK$430.1 million (31 December 2018: HK$547.7 million).

Charges on assets

As at 31 December 2019, the Remaining Group's property, plant and equipment, investment properties, properties under development and for sales and pledged bank deposits of approximately HK$952 million, approximately HK$2,122 million, approximately HK$Nil million and approximately HK$245 million respectively had been pledged to secure bank and other loans granted to the Remaining Group. The Remaining Group pledged certain percent interests in several subsidiaries to secure bank and other loans granted to the Remaining Group.

Gearing ratio

The gearing ratio of the Remaining Group increasing from 0.35 times at 31 December 2018 to 0.63 times at 31 December 2019 (basis: net debt, which is defined as total amounts of borrowings, amounts due to minority owners of subsidiaries and lease liabilities less cash and bank balances and pledged bank deposits, divided by equity attributable to owners of the Company). The increase in the gearing ratio was mainly due to decrease in shareholders' fund as a result of the continuing record of loss for FY2019.

Exchange rate and interest rate risks exposure

The Remaining Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Remaining Group's cash and cash equivalents are also exposed to such foreign currency risk. Cash and cash equivalents held by the Remaining Group as at 31 December 2019 were mainly denominated in RMB and HK$. Borrowings of the Remaining Group as at 31 December 2019 were all denominated in RMB. The Remaining Group currently does not use any financial instruments to hedge against its exposure to currency risk.

The Remaining Group manages its foreign currency risk by closely monitoring the movement of the foreign exchange rate.

The Remaining Group's cash flow interest rate risk arises from long-term borrowings with prevailing market interest rates. Such risk is partly offset by cash held at prevailing market interest rates. The Remaining Group's fair value interest rate risk relates primarily to its fixed rate borrowings and payables and pledged bank deposits. The Remaining Group currently does not utilize any financial instruments to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

Contingent liabilities

The Remaining Group provided guarantees of approximately HK$46 million as at 31 December 2019 (31 December 2018: approximately HK$157 million) for customers in favour of banks in respect of the mortgage loans provided by the banks to customers for the purchase of the Remaining Group's developed properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by the respective purchasers, the Remaining Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Remaining Group is entitled to take over the legal title and possession of the related properties. The Remaining Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then to be pledged with the banks.

Save as disclosed above, the Remaining Group did not have any material contingent liabilities outstanding.

Material acquisitions or disposals of subsidiaries and associated companies

During the year ended 31 December 2019, the Remaining Group did not acquire or dispose of any material subsidiary or associated company.

Employees and remuneration policies

As at 31 December 2019, the Remaining Group employed 809 employees (31 December 2018: 878 employees) in Hong Kong and the PRC. They were remunerated with basic salary and bonuses according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, training scheme, insurance and medical insurance and share option scheme.

Future plans for material investments and acquisition of capital assets

As at 31 December 2019, the Remaining Group had no future plans for any material investments or its capital assets.

The following is the text of a valuation report received from Jia Ce (Hong Kong) Surveyors Limited and Graval Consulting Limited in connection with their valuation of the properties for the purpose of inclusion in this circular.

J C LTD

Jia Ce (Hong Kong) Surveyors Limited
Unit 04, 7/F, Bright Way Tower,
No. 33 Mong Kok Road, Kowloon, Hong Kong

graval Consulting

Graval Consulting Limited
Suite 2401-02, 24/F,
Shui On Centre, 6-8 Harbour Road,
Wanchai, Hong Kong

30 June 2022

The Board of Directors
Shanghai Zendai Property Limited
6508, 65/F, Central Plaza,
18 Harbour Road,
Wanchai, Hong Kong

Dear Sirs and Madams,

Re: Valuation of various properties located in Jiangsu Province, the People's Republic of China (the "**Properties**")

INSTRUCTIONS

We refer to your instruction for us to value the property interests held by Shanghai Zendai Property Limited (the "**Company**") or its subsidiaries (together referred as the "**Group**") located in the People's Republic of China (the "**PRC**"). We confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Properties in existing state as at 30 April 2022 (the "**Valuation Date**") for the purpose of incorporation into the circular issued by the Company on the date hereof.

This letter which forms part of our valuation report explains the basis and methodology(ies) of valuation, clarifying assumptions, valuation considerations, title investigations and limiting conditions of this valuation.

BASIS OF VALUATION

The valuation is our opinion of the market value ("**Market Value**") which is defined by the Hong Kong Institute of Surveyors as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion".

VALUATION METHODOLOGY(IES)

In valuing Property No. 1 in Group I which is leased to independent third parties, we have adopted the income approach. Income Approach is an approach that provides an indication of value by converting future cash flows to a single current capital value.

In valuing Property Nos. 2 to 9 in Groups I to IV which are in vacant possession or undergoing development, we have adopted the market approach. Market approach provides an indication of value by comparing the asset with identical or similar assets for which price information is available.

VALUATION STANDARDS

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2020 Edition published by the Hong Kong Institute of Surveyors ("**HKIS**"), the RICS Valuation – Global Standards (effective in 2022) published by the Royal Institution of Chartered Surveyors ("**RICS**") and the International Valuation Standards (effective in 2022) published by the International Valuation Standard Council ("**IVSC**").

TITLE INVESTIGATION

We have been shown copies of various documents relating to the property interest. However, we have not examined the original documents to verify the existing title to the property interest or any amendment which does not appear on the copies handed to us. We have relied considerably on the information given by the Group's PRC legal advisers, King & Wood Mallesons, concerning the validity of the title to the property interest located in the PRC.

AREA MEASUREMENT AND INSPECTION

Our Mr. Zhang Xiao, who is graduated from Shanghai Jiao Tong University with 10-years working experience in property valuation, has conducted on-site inspections of the Properties from 1 November 2021 to 15 November 2021. In the course of our inspections, we did not note any serious structural defects. However, no structural survey has been made and we are therefore unable to report whether the Properties are free from rot infestation or any other defects. No tests were carried out on any of the services. Moreover, we have not carried out investigations on site to determine the suitability of the ground conditions and the services etc., for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

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

We have not carried out investigation to determine the suitability of the ground conditions or the services for any property developments to be erected thereon. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expense or delay will be incurred during the construction period. Moreover, it is assumed that the utilization of the land and improvements will be within the boundaries of the sites held by the owner or permitted to be occupied by the owner. In addition, we assumed that no encroachment or trespass exits, unless noted in the valuation report.

VALUATION ASSUMPTION

Our valuations have been made on the assumption that the owner sells the Properties in the market in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of the Properties.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

All consents, approvals and license from relevant government authorities for the property interest have been granted without any onerous conditions or undue time delay which might affect their values. All the required licenses, consents, or other legislative or administrative authority from any local, provincial, or national government, private entity or organization either have been or can be obtained or renewed for any use which the valuation report covers.

All applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation report. However, we have assumed that the utilization of the property interest and improvements are within the boundaries of the property interest described and that no encroachment or trespass exists, unless noted in the valuation report.

LIMITING CONDITIONS

We have relied to a considerable extent on information provided by the Group and accepted advices given to us on such matters, in particular, but not limited to tenure, planning approvals, statutory notices, easements, particulars of occupancy, size and floor areas and all other relevant matters in the identification of the Properties.

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

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assured unless otherwise stated, defined and considered in the valuation report.

As at the Valuation Date, we continue to be faced with an unprecedented set of circumstances caused by Novel Coronavirus (COVID-19) and an absence of relevant/sufficient market evidence on which to base our judgements. Our valuation of the Properties is therefore reported as being subject to "material valuation uncertainty" as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards (effective in 2022).

Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. For the avoidance of doubt this explanatory note, including the "material valuation uncertainty" declaration, does not mean that the valuation cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the Valuation Date. We do not accept responsibility or liability for any losses arising from such subsequent changes in value. Given the valuation uncertainty noted, we recommend that the user(s) of this report review this valuation periodically.

REMARKS

Unless otherwise stated, all money amounts stated are in Renminbi (RMB). The exchange rate adopted in valuing the property interest in the PRC as at the Valuation Date was HK$1: RMB0.83. There has been no significant fluctuation in the exchange rate for this currency against Hong Kong Dollars between that date and the date of this letter.

The English transliteration of the Chinese name(s) in this valuation report, where indicated by an asterisk (*), is included for information purposes only, and should not be regarded as the official English name(s) of such Chinese name(s).

We enclose herewith our valuation report.

Yours faithfully,
For and on behalf of

Jia Ce（Hong Kong）Surveyors Limited

Zhang Xiao
MRICS MCIREA
RICS Registered Valuer

Zhao Qi
MRICS MCIREA
RICS Registered Valuer

Graval Consulting Limited

Lawrence Chan Ka Wah
MRICS MHKIS RPS(GP) MCIREA MHIREA
RICS Registered Valuer
Partner

Analysed and reported by: **Graval Consulting Limited**
Cris K.L. Chan
Assistant Manager

Mr. Zhang Xiao is a member of the Royal Institution of Chartered Surveyors, RICS Registered Valuer and a member of the China Institute of Real Estate Appraisers and Agents, who has over 10 years' experience in the valuation of properties in the People's Republic of China. Mr. Zhang joined Jia Ce (Hong Kong) Surveyors Limited in 2011.

Mr. Zhao Qi is a member of the Royal Institution of Chartered Surveyors, RICS Registered Valuer and a member of the China Institute of Real Estate Appraisers and Agents, who has over 20 years' experience in the valuation of properties in the People's Republic of China.. Mr. Zhao joined Jia Ce (Hong Kong) Surveyors Limited in 2021.

Mr. Lawrence Chan Ka Wah is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, Registered Professional Surveyors in the General Practice Section, a RICS Registered Valuer and a member of the China Institute of Real Estate Appraisers and Agents, who has over 18 years' experience in the valuation of properties in Hong Kong, Macau, the PRC and the Asia-Pacific Region. Lawrence joined Graval Consulting Limited in 2020.

Mr. Cris K.L. Chan was graduated from The University of Hong Kong who has over 14 years' experience in the valuation of properties in Hong Kong, Macau, the PRC and the Asia-Pacific Region. Cris joined Graval Consulting Limited in 2020.

SUMMARY OF VALUATION

No.	Properties	Market Value in existing state as at 30 April 2022 *(RMB)*
Group I – Properties held by the Group in the PRC for investment purpose		
1.	Levels 1 to 6 and Basement Levels 1 and 2 of Nanjing Himalayas Center, Nos.1 and 2 Minzhi Road, Yuhuatai District, Nanjing City, Jiangsu Province, the PRC (中國江蘇省南京市雨花臺區民智路1及2號南京喜瑪拉雅購物中心1至6層及地下1及2層)	RMB1,694,700,000
Group II – Properties held by the Group in the PRC for sales purpose		
2.	A commercial complex located at Lot Nos. B-4-1, C-1-2 and E-1-2 of Haimen Port, Haimen District, Nantong City, Jiangsu Province, the PRC (中國江蘇省南通市海門區海門港B-4-1，C-1-2地塊及E-1-2地塊綜合商業項目)	RMB408,600,000
3.	The unsold shop unit, apartment units, office units and car parking spaces of Nanjing Himalayas Center, Nos.1 and 2 Minzhi Road, Yuhuatai District, Nanjing City, Jiangsu Province, the PRC (中國江蘇省南京市雨花臺區民智路1及2號南京喜瑪拉雅購物中心未售商舖單元，公寓，辦公室單元及停車位)	RMB694,600,000
4.	The unsold office units, storeroom and car parking spaces of Nos.7 – 13 Rehe Road, Nanjing Fengyunfu, Gulou District, Nanjing City, Jiangsu Province, the PRC (中國江蘇省南京市鼓樓區熱河路7-13號南京峰雲府未售辦公室單元，倉庫及停車位)	RMB19,900,000

No.	Properties	Market Value in existing state as at 30 April 2022 *(RMB)*
5.	The unsold shop units of No. 308 Jianning Road, the unsold office units of No. 306 Jianning Road, the unsold storerooms and car parking spaces of No.15 Rehe Road, Nanjing Yueshangju, Gulou District, Nanjing City, Jiangsu Province, the PRC (中國江蘇省南京市鼓樓區南京閱尚居建寧路308號未售商舖單元，建寧路306號未售辦公室單元及商舖單元及熱河路15號未售倉庫及停車位)	RMB68,900,000
6.	The unsold residential units of Lot Nos. D-4-1, E-1-4 and Phase 1 of Lot No. D-1-1 of Haimen Port, Haimen District, Nantong City, Jiangsu Province, the PRC (中國江蘇省南通市海門區海門港D-4-1，E-1-4地塊及D-1-1地塊1期未售住宅單元)	RMB30,500,000
	Sub-total:	RMB1,222,500,000

No.	Properties	Market Value in existing state as at 30 April 2022 *(RMB)*
Group III – Properties held by the Group in the PRC for development purpose		
7.	The construction site of Lot Nos.07-08 and 07-09 of Site 1 on the western side of Jiangbian Road, Gulou District, Nanjing City, Jiangsu Province, the PRC (中國江蘇省南京市鼓樓區江邊路以西1號地塊07-08及07-09地塊一塊工地)	RMB2,285,700,000
8.	The construction site of Lot Nos. 09-10 and 09-11 of Site 1 on the western side of Jiangbian Road, Gulou District, Nanjing City, Jiangsu Province, the PRC (中國江蘇省南京市鼓樓區江邊路以西1號地塊09-10及09-11地塊一塊工地)	RMB1,169,600,000
	Sub-total:	RMB3,455,300,000
Group IV – Properties held by the Group in the PRC for future development purpose		
9.	Lot Nos. A-1-1, A-2-2, B-1-1, B-1-2, B-1-3, B-2-1, B-2-2, B-3-1, B-3-2, B-3-3, D-1-2 and D-3-1 and Phase 2 of Lot Nos. C-1-4 and D-1-1 of Haimen Port, Haimen District, Nantong City, Jiangsu Province, the PRC (中國江蘇省南通市海門區海門港A-1-1，A-2-2，B-1-1，B-1-2，B-1-3，B-2-1，B-2-2，B-3-1，B-3-2，B-3-3，D-1-2及D-3-1地塊及C-1-4及D-1-1地塊2期部份)	RMB3,858,100,000
	Grand Total	**RMB10,230,600,000**

VALUATION REPORT

Group I – Properties held by the Group in the PRC for investment purpose

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 April 2022
1.	Levels 1 to 6 and Basement Levels 1 and 2 of Nanjing Himalayas Center, Nos.1 and 2 Minzhi Road, Yuhuatai District, Nanjing City, Jiangsu Province, the PRC (中國江蘇省南京市雨花臺區民智路1及2號南京喜瑪拉雅購物中心1至6層及地下1及2層)	Nanjing Himalayas Center (the "**Development**") comprises thirteen 16 to 27-storey commercial buildings (exclusive of a 3-storey basement), which was completed in between 2017 and 2020. The Property comprises two adjoining commercial podiums on Levels 1 to 6 and Basement Level 1 of Block A and Levels 1 to 5 and Basement Levels 1 and 2 of Block B of the Development with a total gross floor area of approximately 81,418.1 sq. m. (inclusive of basement of approximately 19,686.86 sq. m.). The land-use rights of the Property were granted for a term of 40 years commencing on 28 June 2013 and expiring on 27 June 2053 for wholesale and retail uses.	Portion of the Property was vacant and portion of the Property was tenant-occupied for retail and ancillary uses as at the Valuation Date. The particulars of the tenancies were summarized in Note 2.	RMB1,694,700,000

Notes:

1. Pursuant to 2 Real Estate Ownership Certificates, the land use rights of the Property were granted to Nanjing Thumb Commercial Development Co., Ltd.* 南京証大大拇指商業發展有限公司 ("**Nanjing Thumb**") for a term of 40 years commencing on 28 June 2013 and expiring on 27 June 2053 for wholesale and retail uses.

   Furthermore, as stipulated in the Real Estate Ownership Certificates, the ownership of the buildings of the Property with a total gross floor area of approximately 81,418.1 sq. m. were vested in Nanjing Thumb. The details are as follows:

Block	Real Estate Ownership Certificates (Document Nos.)		Approximate Total Gross Floor Area (sq. m.)
No.1 Minzhi Road	Su (2021) Ning Yu Bu Dong Chan Quan No. 0028538		43,649.32 (inclusive of basement with a total gross floor area of approximately 9,892.43 sq. m.)
No.2 Minzhi Road	Su (2021) Ning Yu Bu Dong Chan Quan No. 0017806		37,768.68(inclusive of basement with a total gross floor area of approximately 9,794.43 sq. m.)
		Total:	81,418.1(inclusive of basement with a total gross floor area of approximately 19,686.86 sq. m.)

2. According to the information provided by the Group, portion of the Property with a total gross floor area of 44,383.32 sq. m. is subject to various tenancy agreements with the latest expiry date on 15 October 2035 at a total annual rental of approximately RMB35,800,000.

3. The Property is situated at city centre of Nanjing City, buildings in the locality are mainly medium to high-rise commercial buildings, adjacent to Nanjing South Railway Station. Nanjing Lukou International Airport is about 30-minutes driving distance from the Property. Metro, railway, taxis and buses are accessible to the Property.

4. The market yield of commercial premises in the locality as at the Valuation Date is in the range of 4% to 5%.

5. According to the information provided by the Group, Nanjing Thumb is a company established in the PRC with limited liability in which Haimen Zendai Binjiang Property Management Co., Ltd.* 海門証大濱江置業有限公司 ("**Haimen Zendai**") has an indirect 90% equity interest.

6. We have been provided with a legal opinion on the Property prepared by the Company's PRC legal adviser, King & Wood Mallesons, which contains, *inter alia*, the following information:

   (a) As at the Valuation Date, the Property is subject to various registered mortgages. As advised by the Company, there is appropriate plan to discharge such encumbrances. The Property is free from any charges, orders and other legal encumbrances which may cause adverse effects to the ownership of the Property, subject to discharge of such encumbrances;

   (b) Nanjing Thumb is the sole owner of the Property and is entitled to occupy, transfer, lease, and mortgage the Property; and

   (c) The tenancy agreements stated in Note 2 are legally binding.

7. In valuing the Property, we have adopted the income approach. Income Approach is an approach that provides an indication of value by converting future cash flows to a single current capital value. The Property is valued by term and reversion model, where term value represents the present value of rental income under the existing tenancy agreements, and reversion value represents the present value of potential rental income after expiry of existing tenancy agreements, hence the sum of term value and reversion value represents the present value of all future rental income of the Property.

Group II – Properties held by the Group in the PRC for sales purpose

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 April 2022
2.	A commercial complex located at Lot Nos. B-4-1, C-1-2 and E-1-2 of Haimen Port, Haimen District, Nantong City, Jiangsu Province, the PRC （中國江蘇省南通市海門區海門港B-4-1，C-1-2地塊及E-1-2地塊綜合商業項目）	The Property comprises a shopping arcade, 2 clubhouses, a commercial podium and a hotel of a commercial/residential composite development completed in between 2009 to 2021. The Property has a total gross floor area of approximately 43,170.3 sq. m. (exclusive of basement of approximately 10,956.05 sq. m.). The land-use rights of the Property were granted for various terms with the latest expiry date on 17 March 2074 for residential, commercial and finance uses.	The Property was vacant as at the Valuation Date.	RMB408,600,000

Notes:

1. Pursuant to 4 State Owned Land Use Rights Certificates, the land use rights of the Property were granted to Haimen Zendai for various terms with the latest expiry date on 17 March 2074. The details are as follows:

Lot No.	State Owned Land Use Rights Certificates (Document Nos.)	Permitted Uses	Tenure Expiry Dates
B-4-1	Hai Guo Yong (2007) No.420526	Commercial and finance	5 December 2046
C-1-2	Hai Guo Yong (2006) No.420037	Residential	17 March 2074
E-1-2	Hai Guo Yong (2005) No.420003	Residential	17 March 2074

2. The Property is situated at Haimen Port of Nantong City, buildings in the locality are mainly medium to high-rise residential and commercial buildings. Haimen Railway Station and Shanghai Pudong International Airport are about 30-minutes and 2 hours driving distance from the Property respectively. Taxis and buses are accessible to the Property.

3. The market yield of commercial premises in the locality as at the Valuation Date is in the range of 4% to 5%.

4. According to the information provided by the Group, Haimen Zendai is a company established in the PRC with limited liability and an indirectly wholly-owned subsidiary of the Group.

5. We have been provided with a legal opinion on the Property prepared by the Company's PRC legal adviser, King & Wood Mallesons, which contains, *inter alia*, the following information:

   (a) As at the Valuation Date, the Property is subject to various registered mortgages. As advised by the Company, there is appropriate plan to discharge such encumbrances. The Property is free from any charges, orders and other legal encumbrances which may cause adverse effects to the ownership of the Property, subject to discharge of such encumbrances; and

   (b) Haimen Zendai is the sole owner of the Property and is entitled to occupy, transfer, lease, and mortgage the Property.

6. In valuing the Property, we have adopted the market approach. Market approach provides an indication of value by comparing the asset with identical or similar assets for which price information is available. In our valuation, we have taken into account proposed transactions of shop units for sale in Haimen District within 3 months from the Valuation Date. Adjustments were made to reflect difference in various aspects between the subject property and the comparables to arrive at the adopted unit rate of Level 1 of the Property. Adopted unit rates of upper floors of the Property is calculated based on the adopted unit rate of Level 1 with adjustments on floor level.

In our valuation, 3 comparables are adopted, which is exhaustive based on the selection criteria. The details are as follows:

Comparable	**1**	**2**	**3**
Property Address	A shop unit at Zhonglou New Village	A shop unit at Fangdoucheng, Dieshiqiao	A shop unit at Renmin Road Central
Floor	Levels 1 and 2	Level 1	Level 1
Proposed Transaction Date	March 2022	March 2022	February 2022
Approximate Gross Floor Area (sq. m.)	89	60	25
Proposed Transaction Price (RMB)	818,000	600,000	260,000
Unit Rate (RMB/sq. m.)	9,154	10,069	10,400
Adjustments			
Time	Similar to subject property	Similar to subject property	Similar to subject property
Location	Superior to subject property	Superior to subject property	Superior to subject property
Size	Superior to subject property	Superior to subject property	Superior to subject property
Building age	Inferior to subject property	Inferior to subject property	Inferior to subject property
Floor Level	Inferior to subject property	Similar to subject property	Similar to subject property

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 April 2022
3.	The unsold shop unit, office units and car parking spaces of Nanjing Himalayas Center, Nos.1 and 2 Minzhi Road, Yuhuatai District, Nanjing City, Jiangsu Province, the PRC (中國江蘇省南京市雨花臺區民智路1及2號南京喜瑪拉雅購物中心未售商舖單元，辦公室單元及停車位)	Nanjing Himalayas Center (the "**Development**") comprises thirteen 16 to 27-storey commercial buildings (exclusive of a 3-storey basement), which was completed in between 2017 and 2020. The Property comprises a shop unit, 29 office units, 24 storerooms and 3,507 basement car parking spaces of the Development with a total gross floor area of approximately 3,447.04 sq. m. (exclusive of the storerooms with a total gross floor area of approximately 422.23 sq. m. and the car parking spaces). The land-use rights of the Property were granted for a term of 40 years commencing on 28 June 2013 and expiring on 27 June 2053 for wholesale and retail uses.	The Property was vacant as at the Valuation Date.	RMB694,600,000

Notes:

1. Pursuant to 7 State Owned Land Use Rights Certificates (Document Nos. Ning Yu Guo Yong (2014) Nos. 04254 and 06476 to 06478, Ning Yu Guo Yong (2013) Nos. 09194 and 09195 and Ning Yu Guo Yong (2015) No.00901) and 2 Real Estate Ownership Certificates (Document Nos. Su (2019) Ning Yu Bu Dong Chan Quan Nos. 32534 and 32486), the land use rights of the Property were granted to Nanjing Thumb for a term of 40 years commencing on 28 June 2013 and expiring on 27 June 2053 for wholesale and retail uses.

2. Pursuant to 762 Real Estate Ownership Certificates, the ownership of 20 office units with a total gross floor area of approximately 1,917.29 sq. m. and 742 basement car parking spaces of the Property were vested in Nanjing Thumb.

3. According to the information provided by the Group, portion of the Development was sold. The Property comprises the unsold portion of the Development with a shop unit, 29 office units, 24 storerooms and 3,507 basement car parking spaces (inclusive the office units and car parking spaces stated in Note 2) with a total gross floor area of approximately 3,447.04 sq. m. (exclusive of the storerooms with a total gross floor area of approximately 3,447.04 sq. m. and the car parking spaces).

4. The Property is situated at city centre of Nanjing City, buildings in the locality are mainly medium to high-rise commercial buildings, adjacent to Nanjing South Railway Station. Nanjing Lukou International Airport is about 30-minutes driving distance from the Property. Metro, railway, taxis and buses are accessible to the Property.

5. The market yield of commercial premises in the locality as at the Valuation Date is in the range of 4% to 5%.

6. According to the information provided by the Group, Nanjing Thumb is a company established in the PRC with limited liability in which Haimen Zendai has an indirect 90% equity interest.

7. We have been provided with a legal opinion on the Property prepared by the Company's PRC legal adviser, King & Wood Mallesons, which contains, *inter alia*, the following information:

   (a) As at the Valuation Date, the Property is subject to various registered mortgages and freezing orders. As advised by the Company, there is appropriate plan to discharge such encumbrances. The Property is free from any charges, orders and other legal encumbrances which may cause adverse effects to the ownership of the Property, subject to discharge of such encumbrances; and

   (b) Nanjing Thumb is the sole owner of the Property and is entitled to occupy, transfer, lease, and mortgage the Property.

8. In valuing the Property, we have adopted the market approach. Market approach provides an indication of value by comparing the asset with identical or similar assets for which price information is available. In our valuation, we have taken into account proposed transactions of shop units for sale in prime commercial developments in Yuhuatai District within 3 months from the Valuation Date, office units for sale in Himalayas Center within 2 months from the Valuation Date and car parking spaces in Yuhuatai District within 6 months from the Valuation Date. Adjustments were made to reflect difference in various aspects between the subject property and the comparables to arrive at the adopted unit rates of the Property.

In our valuation, 3 comparables are adopted for each of shop units, office units and car parking spaces, which is exhaustive based on the selection criteria. The details are as follows:

Shop units

Comparable	**1**	**2**	**3**
Property Address	A shop unit at Himalayas Center	A shop unit at Galaxy Centre	A shop unit at Chengji Kongjianzhan
Floor	Level 2	Level 1	Level 1
Proposed Transaction Date	February 2022	March 2022	March 2022
Approximate Gross Floor Area (sq. m.)	84	125	120
Proposed Transaction Price (RMB)	4,500,000	4,500,000	2,860,000
Unit Rate (RMB/sq. m.)	53,286	36,000	23,833
Adjustments			
Time	Similar to subject property	Similar to subject property	Similar to subject property
Location	Similar to subject property	Inferior to subject property	Inferior to subject property
Size	Superior to subject property	Similar to subject property	Similar to subject property
Building age	Similar to subject property	Superior to subject property	Similar to subject property
Floor Level	Inferior to subject property	Similar to subject property	Similar to subject property

Office units

Comparable	**1**	**2**	**3**
Property Address	An office unit at Himalayas Center	An office unit at Himalayas Center	An office unit at Himalayas Center
Floor	Mid floor level	High floor level	Mid floor level
Proposed Transaction Date	March 2022	April 2022	March 2022
Approximate Gross Floor Area (sq. m.)	400	105	100
Proposed Transaction Price (RMB)	6,000,000	2,520,000	1,800,000
Unit Rate (RMB/sq. m.)	15,000	24,000	18,000
Adjustments			
Time	Similar to subject property	Similar to subject property	Similar to subject property
Location	Similar to subject property	Similar to subject property	Similar to subject property
Size	Inferior to subject property	Similar to subject property	Similar to subject property
Building age	Similar to subject property	Superior to subject property	Similar to subject property
Floor Level	Inferior to subject property	Similar to subject property	Inferior to subject property

Car parking spaces

Comparable	**1**	**2**	**3**
Property Address	A car parking space at Wanke Jiuduhui	A car parking space at Fenghuang Hemei	A car parking space at Phase 1 of Jindi Zizaicheng
Proposed Transaction Date	January 2022	February 2022	March 2022
Proposed Transaction Price (RMB)	200,000	235,000	160,000
Adjustments			
Time	Similar to subject property	Similar to subject property	Similar to subject property
Location	Similar to subject property	Similar to subject property	Similar to subject property
Building age	Inferior to subject property	Inferior to subject property	Similar to subject property

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 April 2022
4.	The unsold office units, storeroom and car parking spaces of Nos.7 – 13 Rehe Road, Nanjing Fengyunfu, Gulou District, Nanjing City, Jiangsu Province, the PRC (中國江蘇省南京市鼓樓區熱河路7-13號南京峰雲府未售辦公室單元，倉庫及停車位)	Nanjing Fengyunfu (the "**Development**") comprises four 32-storey commercial buildings (exclusive of a 2-storey basement), which was completed in 2017. The Property comprises 3 office units, 2 storerooms and 78 basement car parking spaces of the Development with a total gross floor area of approximately 278.83 sq. m. (exclusive of the storeroom of approximately 97.14 sq. m. and car parking spaces). The land-use rights of the Property were granted for terms of 40 years and 65 years commencing on 5 March 2014 for commercial and services apartments uses respectively.	The Property was vacant as at the Valuation Date.	RMB19,900,000

Notes:

1. Pursuant to a State Owned Land Use Rights Certificate (Document No. Ning Gu Guo Yong (2015) No. 08931) dated 28 April 2015, the land use rights of the Property were granted to Nanjing Lifang Real Estate Co., Ltd.* 南京立方置業有限公司 ("**Nanjing Lifang**") for terms of 40 years and 65 years commencing on 5 March 2014 for commercial and services apartments uses respectively.

2. Pursuant to 69 Real Estate Ownership Certificates, the ownership of 3 office units with a total gross floor area of approximately 278.83 sq. m., a storeroom with a gross floor area of approximately 97.14 sq. m. and 65 basement car parking spaces of the Property were vested in Nanjing Lifang.

3. According to the information provided by the Group, portion of the Development were sold. The Property comprises the unsold portion of the Development with a total gross floor area of approximately 278.83 sq. m. (exclusive of the storeroom of approximately 97.14 sq. m. and car parking spaces).

4. The Property is situated at Xiaguan of Nanjing City, buildings in the locality are mainly medium to high-rise residential and commercial buildings. Nanjing Railway Station and Nanjing Lukou International Airport is about 15-minutes and 1-hour driving distance from the Property respectively. Taxis and buses are accessible to the Property.

5. The market yield of commercial premises in the locality as at the Valuation Date is in the range of 4% to 5%.

6. According to the information provided by the Group, Nanjing Lifang is a company established in the PRC with limited liability and a wholly-owned subsidiary of Haimen Zendai.

7. We have been provided with a legal opinion on the Property prepared by the Company's PRC legal adviser, King & Wood Mallesons, which contains, *inter alia*, the following information:

   (a) As at the Valuation Date, the Property is subject to various registered mortgages. As advised by the Company, there is appropriate plan to discharge such encumbrances. The Property is free from any charges, orders and other legal encumbrances which may cause adverse effects to the ownership of the Property, subject to discharge of such encumbrances; and

   (b) Nanjing Lifang is the sole owner of the Property and is entitled to occupy, transfer, lease, and mortgage the Property, save and except the car parking spaces stated in Note 8(b).

8. In valuing the Property, we have adopted the market approach. Market approach provides an indication of value by comparing the asset with identical or similar assets for which price information is available. In our valuation, we have taken into account proposed transactions of Grade A office units for sale in Gulou within 2 months from the Valuation Date and car parking spaces in Gulou District within 6 months from the Valuation Date. Adjustments were made to reflect difference in various aspects between the subject property and the comparables to arrive at the adopted unit rates of the Property.

In our valuation, 3 comparables are adopted for each of office units and car parking spaces, which is exhaustive based on the selection criteria. The details are as follows:

Office units

Comparable	**1**	**2**	**3**
Property Address	An office unit at Suning Huigu	An office unit at Central Jindi Plaza	An office unit at Qingjiang Suning Plaza
Floor	High floor level	Mid floor level	High floor level
Proposed Transaction Date	April 2022	March 2022	May 2022
Approximate Gross Floor Area (sq. m.)	400	141	137
Proposed Transaction Price (RMB)	10,000,000	3,400,000	4,200,000
Unit Rate (RMB/sq. m.)	25,000	24,113	30,568
Adjustments			
Time	Similar to subject property	Similar to subject property	Similar to subject property
Location	Similar to subject property	Similar to subject property	Superior to subject property
Size	Inferior to subject property	Similar to subject property	Similar to subject property
Building age	Similar to subject property	Similar to subject property	Similar to subject property
Floor Level	Superior to subject property	Superior to subject property	Superior to subject property

Car parking spaces

Comparable	**1**	**2**	**3**
Property Address	A car parking space at Jinda Garden	A car parking space at Bincheng Shijia	A car parking space at Jinlingwan
Proposed Transaction Date	March 2022	January 2022	March 2022
Proposed Transaction Price (RMB)	120,000	196,000	260,000
Adjustments			
Time	Similar to subject property	Similar to subject property	Similar to subject property
Location	Similar to subject property	Similar to subject property	Similar to subject property
Building age	Similar to subject property	Similar to subject property	Similar to subject property

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 April 2022
5.	The unsold shop units of No. 308 Jianning Road, the unsold office units of No. 306 Jianning Road, the unsold storerooms and car parking spaces of No.15 Rehe Road, Nanjing Yueshangju, Gulou District, Nanjing City, Jiangsu Province, the PRC (中國江蘇省南京市鼓樓區南京閱尚居建寧路308號未售商舖單元，建寧路306號未售辦公室單元及熱河路15號未售倉庫及停車位)	Nanjing Yueshangju (the "**Development**") comprises four 33-storey commercial buildings (exclusive of a 2-storey basement), which was completed in 2020. The Property comprises 6 shop units, 9 office units, 2 storerooms and 260 basement car parking spaces of the Development with a total gross floor area of approximately 888.01 sq. m. (exclusive of the storerooms of approximately 53.71 sq. m. and car parking spaces). The land-use rights of the Property were granted for terms 40 years and 65 years commencing on 30 March 2015 for commercial and services apartments uses respectively.	The Property was vacant as at the Valuation Date.	RMB68,900,000

Notes:

1. Pursuant to 2 Real Estate Ownership Certificates (Document Nos. Su (2016) Ning Gu Bu Dong Chan Quan No. 0027954 and Su (2018) Ning Gu Bu Dong Chan Quan No. 0037104) dated 27 December 2016 and 30 November 2018, the land use rights of the Property were granted to Nanjing Wudaokou Real Estate Co., Ltd.* 南京五道口置業有限公司 ("**Nanjing Wudaokou**") for terms 40 years and 65 years commencing on 30 March 2015 for commercial and services apartments uses respectively.

2. Pursuant to 68 Real Estate Ownership Certificates, the ownership of 2 storerooms with a total gross floor area of approximately 53.71 sq. m., 65 basement car parking spaces and the mechanical car parking spaces of the Property were vested in Nanjing Wudaokou.

3. According to the information provided by the Group, portion of the Development were sold. The Property comprises the unsold portion of the Development with 6 shop units, 9 office units, 2 storerooms and 260 car parking spaces (inclusive the office units, storeroom and car parking spaces stated in Note 2) with a total gross floor area of approximately 888.01 sq. m. (exclusive of the storerooms of approximately 53.71 sq. m. and car parking spaces).

4. The Property is situated at Xiaguan of Nanjing City, buildings in the locality are mainly medium to high-rise residential and commercial buildings. Nanjing Railway Station and Nanjing Lukou International Airport is about 15-minutes and 1-hour driving distance from the Property respectively. Taxis and buses are accessible to the Property.

5. The market yield of commercial premises in the locality as at the Valuation Date is in the range of 4% to 5%.

6. According to the information provided by the Group, Nanjing Wudaokou is a company established in the PRC with limited liability and a wholly-owned subsidiary of Nanjing Lifang.

7. We have been provided with a legal opinion on the Property prepared by the Company's PRC legal adviser, King & Wood Mallesons, which contains, *inter alia*, the following information:

   (a) As at the Valuation Date, the Property is subject to various registered mortgages. As advised by the Company, there is appropriate plan to discharge such encumbrances. The Property is free from any charges, orders and other legal encumbrances which may cause adverse effects to the ownership of the Property, subject to discharge of such encumbrances; and

   (b) Nanjing Wudaokou is the sole owner of the Property and is entitled to occupy, transfer, lease, and mortgage the Property.

8. In valuing the Property, we have adopted the market approach. Market approach provides an indication of value by comparing the asset with identical or similar assets for which price information is available. In our valuation, we have taken into account proposed transactions of ancillary shop units for sale in residential or office developments in Gulou District within 3 months from the Valuation Date, Grade A office units for sale in Gulou within 2 months from the Valuation Date and car parking spaces in Gulou District within 6 months from the Valuation Date. Adjustments were made to reflect difference in various aspects between the subject property and the comparables to arrive at the adopted unit rates of the Property.

In our valuation, 3 comparables are adopted for each of shop units, office units and car parking spaces, which is exhaustive based on the selection criteria. The details are as follows:

Shop units

Comparable	**1**	**2**	**3**
Property Address	A shop unit at Shengshi Binjiang	A shop unit at Weitan Xincheng	A shop unit at Taoyuanli
Floor	Level 1	Levels 1 and 2	Level 1
Proposed Transaction Date	February 2022	February 2022	February 2022
Approximate Gross Floor Area (sq. m.)	65	227	68
Proposed Transaction Price (RMB)	2,200,000	7,500,000	2,700,000
Unit Rate (RMB/sq. m.)	33,815	33,040	39,706
Adjustments			
Time	Similar to subject property	Similar to subject property	Similar to subject property
Location	Inferior to subject property	Similar to subject property	Similar to subject property
Size	Superior to subject property	Inferior to subject property	Superior to subject property
Building age	Similar to subject property	Inferior to subject property	Similar to subject property
Floor Level	Similar to subject property	Inferior to subject property	Similar to subject property

Office units

Comparable	**1**	**2**	**3**
Property Address	An office unit at Suning Huigu	An office unit at Central Jindi Plaza	An office unit at Qingjiang Suning Plaza
Floor	High floor level	Mid floor level	High floor level
Proposed Transaction Date	April 2022	March 2022	May 2022
Approximate Gross Floor Area (sq. m.)	400	141	137
Proposed Transaction Price (RMB)	10,000,000	3,400,000	4,200,000
Unit Rate (RMB/sq. m.)	25,000	24,113	30,568
Adjustments			
Time	Similar to subject property	Similar to subject property	Similar to subject property
Location	Similar to subject property	Similar to subject property	Superior to subject property
Size	Inferior to subject property	Similar to subject property	Similar to subject property
Building age	Similar to subject property	Similar to subject property	Similar to subject property
Floor Level	Superior to subject property	Superior to subject property	Superior to subject property

Car parking spaces

Comparable	**1**	**2**	**3**
Property Address	A car parking space at Jinda Garden	A car parking space at Bincheng Shijia	A car parking space at Jinlingwan
Proposed Transaction Date	March 2022	January 2022	March 2022
Proposed Transaction Price (RMB)	120,000	196,000	260,000
Adjustments			
Time	Similar to subject property	Similar to subject property	Similar to subject property
Location	Similar to subject property	Similar to subject property	Similar to subject property
Building age	Similar to subject property	Similar to subject property	Similar to subject property

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 April 2022
6.	The unsold residential units of Lot Nos. D-4-1, E-1-4 and Phase 1 of Lot No. D-1-1 of Haimen Port, Haimen District, Nantong City, Jiangsu Province, the PRC （中國江蘇省南通市海門區海門港D-4-1，E-1-4地塊及D-1-1地塊1期未售住宅單元）	The Property comprises 21 residential units of a commercial/residential composite development (the "**Development**") completed in between 2009 to 2021. The Property has a total gross floor area of approximately 3,808.17 sq. m. (exclusive of basement of approximately 395.63 sq. m.). The land-use rights of the Property were granted for various terms with the latest expiry date on 5 December 2076 for residential use.	The Property was vacant as at the Valuation Date.	RMB30,500,000

Notes:

1. Pursuant to 3 State Owned Land Use Rights Certificates, the land use rights of the Property were granted to Haimen Zendai for various terms with the latest expiry date on 5 December 2076 for residential use. The details are as follows:

Lot No.	State Owned Land Use Rights Certificates (Document Nos.)	Tenure Expiry Dates
D-1-1	Hai Guo Yong (2007) No.420518	5 December 2076
D-4-1	Hai Guo Yong (2007) No.420519	5 December 2076
E-1-4	Hai Guo Yong (2005) No.420003	17 March 2074

2. According to the information provided by the Group, portion of the Development were sold. The Property comprises the unsold portion of the Development comprises 21 residential units with a total gross floor area of approximately 3,808.17 sq. m. (exclusive of basement of approximately 395.63 sq. m.).

3. The Property is situated at Haimen Port of Nantong City, buildings in the locality are mainly medium to high-rise residential and commercial buildings. Haimen Railway Station and Shanghai Pudong International Airport are about 30-minutes and 2 hours driving distance from the Property respectively. Taxis and buses are accessible to the Property.

4. The unit rate of residential premises in the locality as at the Valuation Date is in the range of RMB6,000 to 10,000 per sq. m..

5. According to the information provided by the Group, Haimen Zendai is a company established in the PRC with limited liability and an indirectly wholly-owned subsidiary of the Group.

6. We have been provided with a legal opinion on the Property prepared by the Company's PRC legal adviser, King & Wood Mallesons, which contains, *inter alia*, the following information:

   (a) As at the Valuation Date, the Property is subject to various registered freezing orders. As advised by the Company, there is appropriate plan to discharge such encumbrances. The Property is free from any charges, orders and other legal encumbrances which may cause adverse effects to the ownership of the Property, subject to discharge of such encumbrances; and

   (b) Haimen Zendai is the sole owner of the Property and is entitled to occupy, transfer, lease, and mortgage the Property.

7. In valuing the Property, we have adopted the market approach. Market approach provides an indication of value by comparing the asset with identical or similar assets for which price information is available. In our valuation, we have taken into account proposed transactions of apartment units for sale in areas outside the city centre of in Haimen District within 2 months from the Valuation Date. Adjustments were made to reflect difference in various aspects between the subject property and the comparables to arrive at the adopted unit rate of the Property.

In our valuation, 3 comparables are adopted, which is exhaustive based on the selection criteria. The details are as follows:

Comparable	**1**	**2**	**3**
Property Address	An apartment unit at Zendai Binjiang Garden	An apartment unit at Fujiang Yipin	An apartment unit at Rongheyuan
Floor	High floor level	High floor level	High floor level
Proposed Transaction Date	March 2022	April 2022	March 2022
Approximate Gross Floor Area (sq. m.)	129	133	80
Proposed Transaction Price (RMB)	1,038,000	1,360,000	500,000
Unit Rate (RMB/sq. m.)	8,047	10,226	6,250
Adjustments			
Time	Similar to subject property	Similar to subject property	Similar to subject property
Location	Similar to subject property	Superior to subject property	Inferior to subject property
Size	Superior to subject property	Superior to subject property	Superior to subject property
Building age	Similar to subject property	Similar to subject property	Similar to subject property
Floor Level	Superior to subject property	Superior to subject property	Superior to subject property

Group III – Properties held by the Group in the PRC for development purpose

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 April 2022 *RMB*
7.	The construction site of Lot Nos.07-08 and 07-09 of Site 1 on the western side of Jiangbian Road, Gulou District, Nanjing City, Jiangsu Province, the PRC (中國江蘇省南京市鼓樓區江邊路以西1號地塊07-08及07-09地塊一塊工地)	The Property comprises 2 adjoining land parcels with a total site area of approximately 15,565.94 sq. m. (exclusive of basement with a site area of approximately 17,379.89 sq. m.). The Property is proposed to develop into a commercial development with four 22 to 33-storey commercial buildings (exclusive of a 3-storey basement), with a total gross floor area of approximately 126,862.87 sq. m. (exclusive of basement of approximately 48,897.11 sq. m.). The land-use rights of the Property were granted for various terms with the latest expiry date on 22 October 2082 for residential, commercial and office uses.	The Property was under development as at the Valuation Date.	RMB2,285,700,000

Notes:

1. Pursuant to 3 Real Estate Ownership Certificates, the land use rights of the Development were granted to Nanjing Shuiqing Muhua Real Estate Co., Ltd.* 南京水清木華置業有限公司 ("**Nanjing Shuiqingmuhua**") for various terms with the latest expiry date on 22 October 2082 for residential, commercial and office uses. The details are as follows:

Lot No.	Real Estate Ownership Certificates (Document Nos.)	Approximate Site Area *(sq. m.)*	Permitted Uses	Tenure Expiry Dates	Dates of Certificates
07-08	Su (2018) Ning Gu Bu Dong Chan Quan No. 0028083	9,059.7	Commercial and office	26 June 2058	23 August 2018
07-09	Su (2018) Ning Gu Bu Dong Chan Quan No. 0033493	6,506.24	Residential Commercial and office	22 October 2082 22 October 2057	24 April 2018
Basement of 07-08 and 07-09	Su (2018) Ning Gu Bu Dong Chan Quan No. 0034493	17,379.89	Residential Commercial and office	22 October 2082 22 October 2057	26 October 2018
	Total:	15,565.94 (exclusive of basement with a site area of approximately 17,379.89 sq. m.)			

2. According to the information provided by the Group, the Property is proposed to be developed into a commercial development (the "**Proposed Development**") with six 21 to 25-storey erected over a 2-storey commercial podium (exclusive of a 3-storey basement) with a total gross floor area of approximately 126,862.87 sq. m. (exclusive of basement of approximately 48,897.11 sq. m.).

3. According to information provided by the Group, various shop units and residential units of Lot No. 07-09 with a total gross floor area of approximately 43,597.81 sq. m. were pre-sold for a total consideration of RMB1,636,439,388.

4. According to information provided by the Group, the incurred development cost and estimated total development cost (exclusive of land cost) of the Proposed Development are RMB281,095,467 and RMB715,731,219 respectively. The Proposed Development is estimated to be completed in late 2025.

5. For the indicative purpose, the market value of the Property after completion is approximately RMB3,967,740,898 by assuming the Proposed Development has been completed as at the Valuation Date.

6. The Property is situated at Xiaguan of Nanjing City, buildings in the locality are mainly medium to high-rise residential and commercial buildings. Nanjing Railway Station and Nanjing Lukou International Airport is about 15-minutes and 1-hour driving distance from the Property respectively. Taxis and buses are accessible to the Property.

7. The accommodation value of commercial and residential land parcels in the locality as at the Valuation Date is in the range of RMB5,000 to 30,000 per sq. m..

8. According to the information provided by the Group, Nanjing Shuiqingmuhua is company established in the PRC with limited liability and a wholly-owned subsidiary of Nanjing Lifang.

9. We have been provided with a legal opinion on the Property prepared by the Company's PRC legal adviser, King & Wood Mallesons, which contains, *inter alia*, the following information:

   (a) As at the Valuation Date, the Property is subject to various registered mortgages and freezing orders. As advised by the Company, there is appropriate plan to discharge such encumbrances. The Property is free from any charges, orders and other legal encumbrances which may cause adverse effects to the ownership of the Property, subject to discharge of such encumbrances;

   (b) Nanjing Shuiqingmuhua is the sole owner of the Property and is entitled to occupy, transfer, lease, and mortgage the Property; and

   (c) The following legal documents were obtained:

i.	State-owned Land Use Rights Certificate	Yes
ii.	Construction Land Planning Permit	Yes
iii.	Construction Work Planning Permit	Yes
iv.	Construction Work Commencement Permit	Yes

10. In valuing the Property, we have adopted the market approach. Market approach provides an indication of value by comparing the asset with identical or similar assets for which price information is available. In our valuation, we have taken into account transactions of new grant commercial and residential land parcels in Gulou District and neighbouring Qinhuai District within 1.5 year and 8 months from the Valuation Date respectively. Adjustments were made to reflect difference in various aspects between the subject property and the comparables to arrive at the adopted unit rates of the Property.

In our valuation, 4 comparables are adopted for each of commercial and residential land parcels, which is exhaustive based on the selection criteria. The details are as follows:

Commercial land parcel

Comparable	**1**	**2**	**3**	**4**
Property Address	A land parcel on the western side of Qinhuai River, Qinhuai District	A land parcel on the western side of Qinhuai River, Qinhuai District	A land parcel on the northern side of Beijing Road West and eastern side of Yunnan Road, Gulou District	A land parcel on the western side of Shuiji Road and the southern side of Yunshui Road, Gulou District
Transaction Date	February 2021	February 2021	July 2021	July 2021
Approximate Site Area (sq. m.)	1,557.76	3,797.26	4,491.01	14,042.52
Permitted Plot Ratio	0.8	0.5	0.95	1.5
Total Permitted Gross Floor Area (sq. m.)	1,246.21	1,898.63	4,266.46	21,063.78
Transaction Price (RMB)	16,000,000	35,000,000	24,000,000	160,000,000
Accommodation Value (RMB/sq. m.)	12,839	18,434	5,625	7,596
Adjustments				
Time	Inferior to subject property	Inferior to subject property	Inferior to subject property	Inferior to subject property
Location	Superior to subject property	Superior to subject property	Superior to subject property	Inferior to subject property
Size	Superior to subject property	Superior to subject property	Superior to subject property	Superior to subject property
Development Density	Superior to subject property	Superior to subject property	Superior to subject property	Superior to subject property

Residential land parcel

Comparable	**1**	**2**	**3**	**4**
Property Address	A land parcel on the southern side of Fangjiaying Road and the eastern side of Binjiang Road, Golou District	A land parcel on the eastern and western sides of Wubaicun Road, Golou District	A land parcel on the eastern side of Guodong Road and northern side side of Jiayuan Road, Qinhuai District	A land parcel on the northern side of Jiayuan Road and the western side of Yexiu 2nd Road, Gulou District
Transaction Date	December 2021	October 2021	December 2021	December 2021
Approximate Site Area (sq. m.)	24,403.93	47,601.85	5,246.78	8,824.48
Permitted Plot Ratio	2.2	2.75	2.5	2.5
Total Permitted Gross Floor Area (sq. m.)	53,688.65	130,905.09	13,116.95	22,061.2
Transaction Price (RMB)	1,360,000,000	3,160,000,000	375,000,000	620,000,000
Accommodation Value (RMB/sq. m.)	25,331	24,140	28,589	28,104
Adjustments				
Time	Similar to subject property	Similar to subject property	Similar to subject property	Similar to subject property
Location	Inferior to subject property	Inferior to subject property	Superior to subject property	Superior to subject property
Size	Superior to subject property	Similar to subject property	Superior to subject property	Superior to subject property
Development Density	Superior to subject property	Superior to subject property	Superior to subject property	Superior to subject property

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 April 2022 *RMB*
8.	The construction site of Lot Nos. 09-10 and 09-11 of Site 1 on the western side of Jiangbian Road, Gulou District, Nanjing City, Jiangsu Province, the PRC (中國江蘇省南京市鼓樓區江邊路以西1號地塊09-10及09-11地塊一塊工地)	The Property comprises 2 adjoining land parcels with a total site area of approximately 15,234.36 sq. m. The Property is proposed to develop into a commercial development with six 21 to 25-storey erected over a 2-storey commercial podium (exclusive of a 3-storey basement) with a total gross floor area of approximately 90,512 sq. m. (exclusive of basement of approximately 40,302.7 sq. m.). The land-use rights of the Property were granted for a term expiring on 19 October 2055 for commercial and office uses.	The Property was under development as at the Valuation Date.	RMB1,169,600,000

Notes:

1. Pursuant to a State Owned Land Use Rights Certificate (Document No. Ning Gu Guo Yong (2015) No. 24766) dated 3 November 2015, the land use rights of the Property with a site area of 15,234.36 sq. m. were granted to Nanjing Zendai Delta Co., Ltd.* 南京証大三角洲置業有限公司 ("**Nanjing Zendai Delta**") for a term expiring on 19 October 2055 for commercial and office uses.

2. Pursuant to a State Owned Construction Land Grant Contract entered into between State Owned Land Resource Bureau of Nanjing City (the "**Grantor**") and Nanjing Linjiang Laocheng Redevelopment Construction Investment Limited* 南京臨江老城改造建設投資有限公司 (the "**Grantee**") dated 30 September 2010, the land use rights of the Property together with the neighbouring land parcels with a total site area of approximately 678,974.7 sq. m. were granted from the Grantor to Grantee for terms of 40 years, 65 years and 70 years for financing, service apartments and residential uses respectively.

3. Pursuant to a Supplementary Agreement to the Land Grant Contract (Document No. Ning Guo Tu Zi Rang He (2014) Bu No.22) entered into between the Grantor, the Grantee and Zendai Delta dated 26 May 2014, the land use rights for the Property were transferred from the Grantee to Nanjing Zendai Delta.

4. Pursuant to a Supplementary Agreement to the Land Grant Contract (Document No. Ning Guo Tu Zi Rang He (2017) Bu No.3) entered into between the Grantor and Zendai Delta dated 17 January 2017, the land premium apportioned to the Property is revised to RMB633,970,000.

5. According to the information provided by the Group, the Property is proposed to be developed into a commercial development (the "**Proposed Development**") with six 21 to 25-storey erected over a 2-storey commercial podium (exclusive of a 3-storey basement) with a total gross floor area of approximately 90,512 sq. m. (exclusive of basement of approximately 46,720.1 sq. m.).

6. According to information provided by the Group, the incurred development cost and estimated total development cost (exclusive of land cost) of the Proposed Development are RMB223,647,111 and RMB910,430,000 respectively. The Proposed Development is estimated to be completed in late 2025.

7. For the indicative purpose, the market value of the Property after completion is approximately RMB1,999,600,000 by assuming the Proposed Development has been completed as at the Valuation Date.

8. The Property is situated at Xiaguan of Nanjing City, buildings in the locality are mainly medium to high-rise residential and commercial buildings. Nanjing Railway Station and Nanjing Lukou International Airport is about 15-minutes and 1-hour driving distance from the Property respectively. Taxis and buses are accessible to the Property.

9. The accommodation value of commercial land parcels in the locality as at the Valuation Date is in the range of RMB5,000 to 12,000 per sq. m..

10. According to the information provided by the Group, Nanjing Zendai Delta is a company established in the PRC with limited liability and a wholly-owned subsidiary of Nanjing Lifang.

11. We have been provided with a legal opinion on the Property prepared by the Company's PRC legal adviser, King & Wood Mallesons, which contains, *inter alia*, the following information:

(a) As at the Valuation Date, the Property is subject to various registered mortgages and freezing orders. As advised by the Company, there is appropriate plan to discharge such encumbrances. The Property is free from any charges, orders and other legal encumbrances which may cause adverse effects to the ownership of the Property, subject to discharge of such encumbrances;

(b) Nanjing Zendai Delta is the sole owner of the Property and is entitled to occupy, transfer, lease, and mortgage the Property; and

(c) The following legal documents were obtained:

i.	State-owned Land Use Rights Certificate	Yes
ii.	Construction Land Planning Permit	Yes
iii.	Construction Work Planning Permit	Yes
iv.	Construction Work Commencement Permit	Yes

12. In valuing the Property, we have adopted the market approach. Market approach provides an indication of value by comparing the asset with identical or similar assets for which price information is available. In our valuation, we have taken into account transactions of new grant commercial land parcels in Gulou District and neighbouring Qinhuai District within 1.5 year from the Valuation Date. Adjustments were made to reflect difference in various aspects between the subject property and the comparables to arrive at the adopted unit rates of the Property.

In our valuation, 4 comparables are adopted, which is exhaustive based on the selection criteria. The details are as follows:

Comparable	**1**	**2**	**3**	**4**
Property Address	A land parcel on the western side of Qinhuai River, Qinhuai District	A land parcel on the western side of Qinhuai River, Qinhuai District	A land parcel on the northern side of Beijing Road West and eastern side of Yunnan Road, Gulou District	A land parcel on the western side of Shuiji Road and the southern side of Yunshui Road, Gulou District
Transaction Date	February 2021	February 2021	July 2021	July 2021
Approximate Site Area (sq. m.)	1,557.76	3,797.26	4,491.01	14,042.52
Permitted Plot Ratio	0.8	0.5	0.95	1.5
Total Permitted Gross Floor Area (sq. m.)	1,246.21	1,898.63	4,266.46	21,063.78
Transaction Price (RMB)	16,000,000	35,000,000	24,000,000	160,000,000
Accommodation Value (RMB/sq. m.)	12,839	18,434	5,625	7,596
Adjustments				
Time	Inferior to subject property	Inferior to subject property	Inferior to subject property	Inferior to subject property
Location	Superior to subject property	Superior to subject property	Superior to subject property	Inferior to subject property
Size	Superior to subject property	Superior to subject property	Superior to subject property	Superior to subject property
Development Density	Superior to subject property	Superior to subject property	Superior to subject property	Superior to subject property

Group IV – Properties held by the Group in the PRC for future development purpose

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 April 2022 *RMB*
9.	Lot Nos. A-1-1, A-2-2, B-1-1, B-1-2, B-1-3, B-2-1, B-2-2, B-3-1, B-3-2, B-3-3, D-1-2 and D-3-1 and Phase 2 of Lot Nos. C-1-4 and D-1-1 of Haimen Port, Haimen District, Nantong City, Jiangsu Province, the PRC （中國江蘇省南通市海門區海門港A-1-1，A-2-2，B-1-1，B-1-2，B-1-3，B-2-1，B-2-2，B-3-1，B-3-2，B-3-3，D-1-2及D-3-1地塊及C-1-4及D-1-1地塊2期部份）	The Property comprises 12 adjoining land parcels with a total site area of approximately 753,515.48 sq. m. The Property is proposed to develop into a comprehensive residential development with ancillary accommodations with a total gross floor area of approximately 1,055,729.12 sq. m. (exclusive of basement of approximately 337,937.66 sq. m.). The land-use rights of the Property were granted for various terms with the latest expiry date on 5 December 2076 for commercial, finance and residential uses.	The Property was clear sites as at the Valuation Date.	RMB3,858,100,000

Notes:

1. Pursuant to 14 State Owned Land Use Rights Certificates, the land use rights of the Property with a total site area of approximately 753,515.48 sq. m. were granted to Haimen Zendai for various terms with the latest expiry date on 5 December 2076. The details are as follows:

Lot No.	State Owned Land Use Rights Certificates (Document Nos.)	Approximate Site Area *(sq. m.)*	Permitted uses	Tenure Expiry Dates
A-1-1	Hai Guo Yong (2007) No.420537	44,657	Healthcare	5 December 2056
A-2-2	Hai Guo Yong (2011) No.420123	117,868	Residential	5 December 2076
B-1-1	Hai Guo Yong (2007) No.420524	161,332	Residential	5 December 2076
B-1-2	Hai Guo Yong (2007) No.420525	4,962	Education	5 December 2056
B-1-3	Hai Guo Yong (2007) No.420529	6,890	Commercial and Finance	5 December 2046
B-2-1	Hai Guo Yong (2007) No.420534	47,511	Residential	5 December 2076
B-2-2	Hai Guo Yong (2007) No.420535	34,986	Greenery	5 December 2056
B-3-1	Hai Guo Yong (2007) No.420516	43,597	Residential	5 December 2076
B-3-2	Hai Guo Yong (2007) No.420528	2,085	Commercial and Finance	5 December 2046
B-3-3	Hai Guo Yong (2007) No.420527	2,354	Commercial and Finance	5 December 2046

Lot No.	State Owned Land Use Rights Certificates (Document Nos.)	Approximate Site Area (sq. m.)	Permitted uses	Tenure Expiry Dates
D-1-2	Hai Guo Yong (2007) No.420517	9,658	Commercial and Finance	5 December 2046
D-3-1	Hai Guo Yong (2007) No.420520	8,895	Commercial and Finance	5 December 2046
Phase 2 of C-1-4	Hai Guo Yong (2006) No.420037	183,803*	Residential	17 March 2074
Phase 2 of D-1-1	Hai Guo Yong (2007) No.420518	82,307.48*	Residential	5 December 2076
	Total	753,515.48		

* Remark: Lot Nos. C-1-4 and D-1-1 has site areas of approximately 199,651 sq. m. and 148,059 sq. m. respectively. According to information provided by the Company, Phase 1 of Lot Nos. C-1-4 and D-1-1 were developed. Phase 2 of Lot Nos. C-1-4 and D-1-1 has site areas of 183,803 sq. m. and 82,307.48 sq. m. respectively, which are not yet developed.

2. Pursuant to a State Owned Construction Land Grant Contract entered into between State Owned Land Resource Bureau of Haimen City (the "**Grantor**") and Haimen Zendai dated 28 July 2006, the land use rights of the Property together with the neighbouring land parcels with a total site area of approximately 811,536 sq. m. were granted from the Grantor to Haimen Zendai for terms of 40 years, 70 years and 50 years for finance, residential and other uses respectively.

3. According to the information provided by the Group, the Property is proposed to develop into a comprehensive residential development with ancillary accommodations with a total gross floor area of approximately 1,055,729.12 sq. m. (exclusive of basement of approximately 337,931.66 sq. m.).

4. The Property is situated at Haimen Port of Nantong City, buildings in the locality are mainly medium to high-rise residential and commercial buildings. Haimen Railway Station and Shanghai Pudong International Airport are about 30-minutes and 2 hours driving distance from the Property respectively. Taxis and buses are accessible to the Property.

5. The accommodation value of commercial and residential land parcels in the locality as at the Valuation Date is in the range of RMB1,500 to 10,500 per sq. m..

6. According to the information provided by the Group, Haimen Zendai is a company established in the PRC with limited liability and an indirectly wholly-owned subsidiary of the Group.

7. We have been provided with a legal opinion on the Property prepared by the Company's PRC legal adviser, King & Wood Mallesons, which contains, *inter alia*, the following information:

   (a) As at the Valuation Date, the Property is subject to various registered mortgages. As advised by the Company, there is appropriate plan to discharge such encumbrances. The Property is free from any charges, orders and other legal encumbrances which may cause adverse effects to the ownership of the Property, subject to discharge of such encumbrances;

   (b) Haimen Zendai is the sole owner of the Property and is entitled to occupy, transfer, lease, and mortgage the Property; and

   (c) The following legal documents were obtained:

i.	State-owned Land Use Rights Certificate	Yes
ii.	Construction Land Planning Permit	No
iii.	Construction Work Planning Permit	No
iv.	Construction Work Commencement Permit	No

8. In valuing the Property, we have adopted the market approach. Market approach provides an indication of value by comparing the asset with identical or similar assets for which price information is available. In our valuation, we have taken into account transactions of new grant commercial and residential land parcels in Haimen District within 1 years and 0.5 year from the Valuation Date respectively, as well as new grant land parcels for education and/or healthcare uses in Nantong City within 1 year from the Valuation Date. Adjustments were made to reflect difference in various aspects between the subject property and the comparables to arrive at the adopted unit rates of the Property.

In our valuation, a total of 10 comparables are adopted, which is exhaustive based on the selection criteria. The details are as follows:

Commercial land parcels

Comparable	**1**	**2**	**3**
Property Address	A land parcel on the eastern side of Tongjiang Road and the northern side of Beijing Road, Haimen District	A land parcel on the southern side of Nanjing Road and western side of Zhangjian Avenue, Haimen District	A land parcel on the northern side of Xiushan Road and western side of Yanjiang Highway, Haimen District
Transaction Date	September 2021	July 2021	May 2021
Approximate Site Area (sq. m.)	6,044	23,179	6,960
Permitted Plot Ratio	2	3.6	0.5
Total Permitted Gross Floor Area (sq. m.)	12,088	83,444.4	3,480
Transaction Price (RMB)	18,754,532	66,709,162	12,855,120
Accommodation Value (RMB/sq. m.)	1,552	799	3,694
Time	Inferior to subject property	Inferior to subject property	Inferior to subject property
Location	Superior to subject property	Superior to subject property	Similar to subject property
Size	Superior to subject property	Inferior to subject property	Superior to subject property
Development Density	Inferior to subject property	Inferior to subject property	Superior to subject property

Residential land parcels

Comparable	**1**	**2**	**3**
Property Address	A land parcel on the southern side of Xiushan Road and the eastern side of Pujiang Road, Haimen District	A land parcel on the western side of Zhangjian Avenue and the northern side of Guangzhou Road, Haimen District	A land parcel on the southern side of Development Avenue and eastern side of Huhai Road, Haimen District
Transaction Date	November 2021	November 2021	November 2021
Approximate Site Area (sq. m.)	50,399	75,192	51,137
Permitted Plot Ratio	2.4	2	2.3
Total Permitted Gross Floor Area (sq. m.)	120,957.6	150,384	117,615.1
Transaction Price (RMB)	1,266,426,072	1,236,156,480	196,417,217
Accommodation Value (RMB/sq. m.)	10,470	18,220	1,670
Time	Similar to subject property	Similar to subject property	Similar to subject property
Location	Superior to subject property	Superior to subject property	Inferior to subject property
Size	Superior to subject property	Superior to subject property	Superior to subject property
Development Density	Inferior to subject property	Inferior to subject property	Inferior to subject property

Education and/or healthcare land parcels

Comparable	**1**	**2**	**3**	**4**
Property Address	A land parcel on the eastern side of Linglonghu Road and the southern side of Linjiang Avenue, Haimen District	A land parcel at Jianghai Industrial Zone, Qidong City	A land parcel at Jianghai Industrial Zone, Qidong City	A land parcel at Wanxin Village, Chengbei Jiedao, Rugao City
Transaction Date	March 2022	August 2021	August 2021	August 2021
Approximate Site Area (sq. m.)	61,167	34,443.64	30,021.45	66,681
Permitted Plot Ratio	1.2	0.8	0.8	0.8
Total Permitted Gross Floor Area (sq. m.)	73,400.4	27,554.91	24,017.16	53,344.8
Transaction Price (RMB)	26,179,476	17,000,000	15,000,000	46,943,424
Accommodation Value (RMB/sq. m.)	357	617	625	880
Adjustments				
Time	Similar to subject property	Similar to subject property	Similar to subject property	Similar to subject property
Location	Similar to subject property	Similar to subject property	Similar to subject property	Similar to subject property
Size	Similar to subject property	Similar to subject property	Similar to subject property	Similar to subject property
Development Density	Inferior to subject property	Inferior to subject property	Inferior to subject property	Inferior to subject property

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

As at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which 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 any such Director was taken or deemed to have under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

3. COMPETING BUSINESS

As at the Latest Practicable Date, as far as the Directors are aware, none of the Directors and their respective close associates had any business which competes or may compete, either directly or indirectly, with the business of the Group.

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors had any interest, either directly or indirectly, in any asset which has been, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

5. SERVICE CONTRACTS

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

6. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors had a material interest, either directly or indirectly, in any subsisting contract or arrangement of significance to the business of the Group to which the Company, its subsidiaries, its fellow subsidiaries or its holding company was a party.

7. LITIGATION

(i) In September 2019, the Company signed a repayment agreement with a third-party company, under which the parties agreed that the Company shall return payment and related interests to the third-party company in installments in a total amount of approximately RMB165,000,000 (equivalent to approximately HK$194,700,000). As at the Latest Practicable Date, the remaining balance of RMB48,000,000 (equivalent to approximately HK$56,640,000) has not been repaid when due. The third-party company applied to the Shenzhen Court of International Arbitration for arbitration. On 17 May 2021, the arbitration court ordered the Company to return the outstanding overdue amounts, liquidated damages and arbitration fees. As at 31 December 2021, the outstanding overdue amounts, liquidated damages and arbitration fees were approximately RMB70,757,000 (equivalent to HK$83,493,260). The Company is still negotiating and communicating proactively with the third-party company on the repayment plan.

(ii) In 2018, Nanjing Lifang entered into a trust loan contract with the Financial Institution and obtained multiple installment loans. As at the Latest Practicable Date, the remaining balance of RMB180,250,000 (equivalent to approximately HK$212,695,000) has not been repaid when due. On 22 July 2021, the Group received a summons issued by the Lanzhou Court, in which the Financial Institution requested the repayment of the principal amount, interests, penalty interests and compound interests amounting to approximately RMB210,000,000 (equivalent to approximately HK$247,800,000) in total. In March 2022, the Group received an enforcement order (the "**Nanjing Order**") from the Lanzhou Court against Nanjing Lifang, Nanjing Shuiqingmuhua, Zendai Real Estate and Nanjing Thumb. Details of the Nanjing Order were disclosed in the Company's announcement dated 8 March 2022. The Company will pay close attention to the proceed of the Nanjing Order and communicate proactively to solve the above case.

(iii) On 16 March 2022, the Group received a civil judgment (the "**Judgement**") from the Yuhuatai District People's Court in Nanjing, Jiangsu Province of the PRC（中華人民共和國江蘇省南京市雨花臺區人民法院）(the "**Yuhuatai Court**"). In the Judgment, the Court made a first-instance judgment on a litigation (the "**Litigation**") between 蘇州雄騏企業管理服務有限公司 (Suzhou Xiongqi Enterprise Management Service Co., Ltd.*) ("**Xiongqi**") as the plaintiff and Nanjing Thumb, as the defendant, and ordered Nanjing Thumb to return Xiongqi RMB10 million within 15 days from the effective date of the Judgment, together with the interest accrued from 25 July 2021 to the date of actual payment on the basis of RMB10 million at the market quoted interest rate for loans published by 中國全國銀行間同業拆借中心 (National Interbank Funding Center of the PRC*), and also to bear the case acceptance fee of the Litigation. Details of the Litigation were disclosed in the Company's announcement dated 1 April 2022. In order to safeguard the best interests of the Group, Nanjing Thumb has appealed to the Yuhuatai Court in respect of the Litigation in accordance with the relevant law.

(iv) In June 2022, the Group received the Qingdao Order from the Lanzhou Court against Qingdao Thumb, Nanjing Lifang, Zendai Real Estate and Mei Yi. The Qingdao Order arose from the Qingdao Loan owed by Qingdao Thumb to the Financial Institution. As a result of the default, the Financial Institution claimed for repayment of the principal, prepayment for investment gains and liquidated damages from Qingdao Thumb and Nanjing Lifang. Subsequently, the parties reached a settlement on the claim through a statement of civil mediation issued by the Lanzhou Court on 16 December 2021, pursuant to which Qingdao Thumb and Nanjing Lifang were required to repay to the Financial Institution the loan principal of approximately RMB601 million and pay liquidated damages of approximately RMB106 million by installments. However, due to the serious impact of COVID-19 pandemic in Shanghai, Qingdao Thumb was unable to arrange payment for the Outstanding Sum on time in accordance with the statement of civil mediation. As a result, the Financial Institution obtained the Qingdao Order from the Lanzhou Court, details of which are disclosed in the Company's announcement dated 21 June 2022. The Group will continue to negotiate with the Financial Institution in order to reach a settlement.

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

8. MATERIAL CONTRACTS

(i) The Group intended to dispose of 70% equity interests in 煙台証大大拇指置業有限公司 (Yantai Zendai Thumb Property Co., Ltd.*) by way of public tender with a tender notice published on the website of the Alibaba Auction Platform on 11 August 2020. The minimum bid price for the disposal was RMB33,000,000, whereas the consideration shall depend on the final bid price to be offered by the successful bidder and in any event shall be no less than the minimum bid price. On 19 August 2020, the Company was notified by the Alibaba Auction Platform that the tender was won by 煙台市正通置業有限公司 (Yantai Zhengtong Real Estate Co., Ltd*) at a consideration of RMB33,000,000. On 4 September 2020, the Company was notified by the third-party auction agent of the Alibaba Auction Platform that the remaining balance of the consideration has not been paid by the purchaser as required and the tender has been terminated;

(ii) on 2 August 2021, 海門証大創意投資發展有限公司 (Haimen Zendai Creative Investment Development Co., Ltd.*)("**Zendai Creative**"), an indirect wholly-owned subsidiary of the Company, received an executed version of the land resumption agreement from 南通市海門區人民政府海門街道辦事處 (Nantong Haimen People's Government Haimen Subdistrict Office*) (the "**Local Authority**"), pursuant to which Zendai Creative agreed to surrender the industrial lands held by it with a total area of 133,336 sq. m., at a compensation consideration of approximately RMB106,168,000 payable by the Local Authority to Zendai Creative. Details of the transaction were set out in the announcement of the Company dated 2 August 2021;

(iii) the Agreement; and

(iv) the Framework Agreement.

Save as disclosed above, no other material contract (not being contracts in the ordinary course of business) have been entered into by members of the Group within the period from two years immediately preceding 7 June 2022 (being the date of Announcement) to the Latest Practicable Date.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given opinion or advice which are contained in this circular:

Name	Qualifications
Crescendo Capital Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Graval Consulting Limited	an independent professional valuer
Jia Ce (Hong Kong) Surveyor Limited	an independent professional valuer
PKF Hong Kong Limited	Certified Public Accountants

The above experts have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their letter and/or reference to their names in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any assets which had been, since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up, acquired, disposed of or leased to any member of the Group, or were proposed to be acquired, disposed of or leased to any member of the Group.

10. MISCELLANEOUS

(i) The secretary of the Company is Mr. Lau Yin Fung Terrence, who is a practising solicitor in Hong Kong working in the field of commercial and corporate finance.

(ii) The registered office of the Company is situated at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The principal place of business of the Company in Hong Kong is situated at Unit 6508, 65/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

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

(iv) The English texts of this circular and the accompanying proxy form shall prevail over the Chinese texts in case of inconsistency.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Company (www.zendaiproperty.com) and the Stock Exchange (www.hkexnews.hk) from the date of this circular up to and including the date of the SGM:

(i) the annual reports of the Company for the years ended 31 December 2020 and 2021;

(ii) the review report of the financial information of the Disposal Group, the text of which is set out in Appendix II to this circular;

(iii) the accountants' report from PKF Hong Kong Limited in respect of the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;

(iv) the report and valuation certificates relating to the Properties prepared by Jia Ce (Hong Kong) Surveyor Limited and Graval Consulting Limited, the texts of which are set out in Appendix V to this circular;

(v) the material contracts referred to in the paragraph headed "8. MATERIAL CONTRACTS" in this appendix;

(vi) the written consents referred to in the paragraph headed "9. EXPERTS AND CONSENTS" in this appendix; and

(vii) this circular.

SHANGHAI ZENDAI PROPERTY LIMITED
上海証大房地產有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 755)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of Shanghai Zendai Property Limited (the "**Company**") will be held at 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Thursday, 21 July 2022 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the terms and conditions of the conditional sale and purchase agreement dated 7 June 2022 (the "**Agreement**") entered into among the Company, Power Rider Enterprises Corp. (the "**Purchaser**") and Myway Developments Limited (the "**Disposal Target**") in relation to the proposed disposal of two issued ordinary shares of the Disposal Target to the Purchaser by the Company (the "**Disposal**") and the transactions contemplated under the Agreement be and are hereby approved, ratified and confirmed;

(b) the provision of financial assistance constituted by the inter-company balances (the "**Inter-company Balances**") owed by the Disposal Target and its subsidiaries (the "**Disposal Group**") to the Company and its subsidiaries but excluding the Disposal Group (the "**Remaining Group**") after completion of the Disposal in accordance with the terms and conditions of the Agreement (the "**Completion**") be and are hereby approved, ratified and confirmed;

(c) the provision of financial assistance constituted by the guarantees (the "**Remaining Group Guarantees**") provided by the Remaining Group in respect of certain borrowings of the Disposal Group after Completion be and are hereby approved, ratified and confirmed;

* *For identification purpose only*

(d) the terms and conditions of the framework agreement dated 7 June 2022 (the "**Framework Agreement**") entered into between the Company and the Purchaser in relation to the provision of property construction and management services by the Remaining Group to the Disposal Group after Completion and up to 31 December 2024 and the transactions contemplated under the Framework Agreement (including but not limited to the proposed annual caps) be and are hereby approved, ratified and confirmed;

(e) any one or more of the directors of the Company (the "**Directors**") be and are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors in their discretion may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Agreement, the Inter-company Balances, the Remaining Group Guarantees and the Framework Agreement and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents, which are not fundamentally different from those as provided under the Agreement, the Inter-company Balances, the Remaining Group Guarantees and the Framework Agreement) as are, in the opinion of the Directors, in the interest of the Company and its shareholders (the "**Shareholders**") as a whole."

By order of the Board
Huang Yuhui
Chairman of the Board

Hong Kong, 30 June 2022

Notes:

1. Any member entitled to attend and vote at the SGM convened by this notice is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.

2. In order to be valid, the proxy form together with any power of attorney or other authority under which it is signed or a certified copy of such power of attorney must be lodged with the Company's branch registrar in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event no later than 10:00 a.m. (Hong Kong time) on Tuesday, 19 July 2022 (or, if the SGM is adjourned, not less than 48 hours before the time appointed for the holding of the adjourned SGM).

3. In the case of joint holders, the vote of the senior who tenders a vote, whether present in person or by proxy, will be accepted to the exclusion of the vote(s) of other joint holder(s), and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

4. Detailed information on certain businesses to be transacted at the SGM is set out in the circular to be sent to the Shareholders.

5. For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Monday, 18 July 2022 to Thursday, 21 July 2022, both dates inclusive, during which period no transfer of shares of the Company will be effected. Shareholders who are entitled to attend and vote at the SGM are those whose names appear on the register of members of the Company on Thursday, 21 July 2022. In order to be eligible to attend and vote at the SGM, all duly completed and signed transfer forms accompanied by the relevant share certificates must be lodged with Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m., Friday, 15 July 2022 (Hong Kong time).

6. Bad weather arrangement:

   (i) if a black rainstorm warning signal or a typhoon warning signal no. 8 or above or "extreme conditions" caused by super typhoons is in force in Hong Kong at any time after 7:30 a.m. (Hong Kong time) on the date of the SGM, the SGM will be automatically adjourned to a later date. The Company will post an announcement on both websites of the Company (www.zendaiproperty.com) and the Stock Exchange (www.hkexnews.hk) to notify Shareholders of the date, time and location of the adjourned SGM. Shareholders should in any event exercise due care and caution when deciding to attend the SGM in adverse weather conditions. In the event that the SGM is adjourned because of bad weather or other reasons, the book closure period and record date for determination of entitlement to attend and vote at the adjourned SGM will remain the same as stated above; and

   (ii) the SGM will be held as scheduled when an amber or red rainstorm warning signal or typhoon warning signal no. 3 or below is in force in Hong Kong at any time on that day.

PRECAUTIONARY MEASURES FOR THE SGM

In compliance with the Government of Hong Kong directive on social distancing, personal and environmental hygiene, and the guidelines issued by the Centre for Health Protection of the Department of Health on the prevention of novel coronavirus disease (COVID-19), the Company will implement additional precautionary measures at the SGM including, without limitation:

(i) all persons have to take body temperature before entering the SGM venue. Anyone with a high body temperature or other flu-like symptoms may be requested to leave the SGM venue;

(ii) all participants will be requested to scan the "LeaveHomeSafe" venue QR code, and wear a surgical face mask before entering the SGM venue;

(iii) mandatory health declaration – all persons subject to quarantine, has any flu-like symptoms or has travelled overseas within 7 days immediately before the SGM (collectively "**Restricted Person**"), or is a close contact with Restricted Person will not be permitted to enter the SGM venue;

(iv) no distribution of corporate gift(s) and provision of refreshments; and

(v) appropriate distancing and spacing in line with the guidance from the Government of Hong Kong will be maintained and as such, the Company may limit the number of attendees at the SGM as may be necessary to avoid over-crowding.

Any person attending the SGM is reminded to observe good personal hygiene at all times and who does not comply with the aforesaid will be requested to leave the SGM venue.

In light of the continuing risks posed by the COVID-19 pandemic, the Company strongly encourages members NOT to attend the SGM in person, and advises members to appoint the chairman of the SGM as their proxy to vote according to their indicated voting instructions as an alternative to attending the SGM in person. In view of the travelling restrictions imposed by various jurisdictions including Hong Kong to prevent the spread of COVID-19, certain Director(s) may participate in the SGM through video conference or similar electronic means.

Subject to the development of COVID-19 pandemic, the Company may implement further changes and precautionary measures and may issue further announcements on such measures as appropriate.

As at the date of this notice, the executive Directors are Mr. Huang Yuhui, Mr. Wang Letian, Mr. He Haiyang, Ms. Li Zhen, the non-executive Directors are Ms. Wang Zheng, Mr. Ma Yun and Mr. Wu Junao, and the independent non-executive Directors are Dr. Guan Huanfei, Mr. Chen Shuang, Mr. Cao Hailiang, Dr. Lin Xinzhu and Mr. Wang Yuzhou.