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 advisers.

If you have sold or transferred all your shares in China South City Holdings Limited, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of China South City Holdings Limited.

華南城
China South City

China South City Holdings Limited
華南城控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 1668)

(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION – DEEMED DISPOSAL OF APPROXIMATELY 69.35% EQUITY INTEREST IN THE TARGET COMPANY; (2) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION – PUT OPTION; AND (3) NOTICE OF EGM

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

ANGLO CHINESE
CORPORATE FINANCE, LIMITED
英高

A letter from the Board is set out on pages 7 to 34 of this circular.

A notice convening the EGM to be held at Garden Room, 2/F., New World Millennium Hong Kong Hotel, 72 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Thursday, 2 February 2023 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you intend to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but 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 form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish and in such event, the form of proxy will be deemed to be revoked.

Precautionary measures for Extraordinary General Meeting

Considering the outbreak of the coronavirus ("**COVID-19**"), certain measures will be implemented at the EGM with a view to lowering the risk of infection to attendees, including but without limitation:

1. All attendees must accept compulsory temperature checks;
2. All attendees must wear the surgical face masks (please bring your own);
3. No provision of refreshments or drinks;
4. No provision of souvenirs or gifts; and
5. Any other additional precautionary measures in accordance with the prevailing requirements or guidelines of the Government and/or regulatory authorities, or as considered appropriate in light of the development of the COVID-19 pandemic.

Attendees who do not comply with the precautionary measures referred to above may be denied entry to the EGM, at the absolute discretion of the Company.

For the health and safety of Shareholders, the Company would like to encourage Shareholders to exercise their rights to vote at the EGM by appointing the Chairman of the EGM as their proxy and to return their forms of proxy by the time specified above, instead of attending the EGM in person.

In the event of any inconsistency, the English version of this circular shall prevail over the Chinese version.

17 January 2023

CONTENTS

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

"Announcement"	the announcement of the Company dated 18 December 2022 in relation to, among other things, the Subscription and the Put Option
"associates"	has the same meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"China South International"	China South International Industrial Materials City (Shenzhen) Co., Ltd. (華南國際工業原料城（深圳）有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company
"Company"	China South City Holdings Limited (華南城控股有限公司), a company incorporated in Hong Kong with limited liability and the Shares are listed on the Stock Exchange
"Completion"	completion of the Subscription in accordance with the Investment Agreement
"connected person(s)"	has the same meaning ascribed thereto under the Listing Rules
"Construction Project Management Agreement"	the agreement dated 25 February 2021 and entered into between China South International and the Target Company in relation to the provision of construction project management and consultancy services by China South International to the Target Company (as amended on 21 December 2022)
"Construction Project Management Services"	the provision of construction project management and consultancy services by China South International to the Target Company pursuant to the Construction Project Management Agreement

"Continuing Transactions"	the transactions contemplated under the Continuing Transactions Agreements, namely the provision of Construction Project Management Services, the Marketing Management and Brand Licensing Services and the Supporting Services
"Continuing Transactions Agreements"	the Construction Project Management Agreement, the Marketing Management and Brand Licensing Agreement and the Supporting Services Agreement
"Continuing Transactions Announcement"	the announcement of the Company dated 17 January 2023 in relation to the Continuing Transactions
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held at Garden Room, 2/F., New World Millennium Hong Kong Hotel, 72 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Thursday, 2 February 2023 at 10:00 a.m. to consider and, if thought fit, approve, among other matters, the Investment Agreement (including the grant and the exercise of the Put Option), the Shareholders' Agreement and the transactions contemplated thereunder
"Exercise Price"	the exercise price for the Put Option under the Investment Agreement
"Group"	the Company and its subsidiaries
"Guangdong Shenji Huayuan"	Guangdong Shenji Huayuan Equity Investment Limited Partnership* (廣東深基華園股權投資合夥企業(有限合夥)), a limited partnership established in the PRC in which Shenzhen Infrastructure Investment is a general partner and, through its direct wholly-owned subsidiary Shenzhen Shenji Pengcheng, is interested as to 100% of the equity interest as a limited partner
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Board Committee"	the independent board committee of the Company whose members comprise all independent non-executive Directors to advise the Independent Shareholders on the Investment Agreement (including the grant and the exercise of the Put Option), the Shareholders' Agreement and the transactions contemplated thereunder
"Independent Financial Adviser"	Anglo Chinese Corporate Finance, Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the Independent Financial Adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the Put Option
"Independent Shareholder(s)"	Shareholders other than SZCDG
"Independent Third Party(ies)"	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
"Investment Agreement"	the investment agreement dated 16 December 2022 and entered into among the Seller, China South International, the Subscriber and the Target Company in relation to the Subscription
"Latest Practicable Date"	13 January 2023, being the latest practicable date for ascertaining certain information included herein before the printing of this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"List of Directors Announcement"	the announcement of the Company dated 6 January 2023 in relation to the current Directors of the Company

"Marketing Management and Brand Licensing Agreement"	the agreement dated 25 February 2021 and entered into between China South International and the Target Company in relation to the provision of marketing management and consultancy services and brand licensing services by China South International to the Target Company (as amended on 21 December 2022)
"Marketing Management and Brand Licensing Services"	the provision of marketing management and consultancy services and brand licensing services by China South International to the Target Company pursuant to the Marketing Management and Brand Licensing Agreement
"Person"	includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of state (in each case whether or not being a separate legal entity)
"PRC"	the People's Republic of China
"Put Option"	the option granted by the Seller, China South International and the Target Company to the Subscriber and exercisable by the Subscriber to sell at its discretion all or part of the shares held by the Subscriber in the Target Company to the Seller and/or China South International pursuant to the terms and conditions in the Investment Agreement
"Remaining Group"	the Group excluding the Target Group
"Reporting Accountants"	Ernst & Young, acting as the Company's reporting accountants
"RMB"	Renminbi, the legal currency of the PRC
"Seller"	China South City Group Co., Ltd. (華南城集團有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company
"Share(s)"	ordinary share(s) of the Company
"Shareholder(s)"	the registered holder(s) of the Share(s)

"Shareholders' Agreement"	the shareholders' agreement dated 16 December 2022 and entered into among the Seller, China South International, the Subscriber and the Target Company, which sets out the rights and obligations of the shareholders and the governance structure of the Target Company
"Shenzhen Infrastructure Investment"	Shenzhen Infrastructure Investment Fund Management Co., Ltd.* (深圳市基礎設施投資基金管理有限責任公司), a company established in the PRC and a direct non-wholly owned subsidiary of SZCDG
"Shenzhen Shenji Pengcheng"	Shenzhen Shenji Pengcheng Investment Development Co., Ltd.* (深圳市深基鵬程投資發展有限公司), a company established in the PRC and a direct wholly-owned subsidiary of Shenzhen Infrastructure Investment
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	Shenzhen Shenji No. 1 Industrial Park Investment and Operation Co., Ltd.* (深圳市深基壹號產業園區投資運營有限公司), a company established in the PRC and a direct non-wholly owned subsidiary of Guangdong Shenji Huayuan
"Subscription"	the subscription of the Subscription Shares by the Subscriber pursuant to the Investment Agreement
"Subscription Consideration"	the aggregate subscription price payable by the Subscriber to the Target Company for the Subscription Shares
"Subscription Shares"	2,262,938,726 new shares in the Target Company, which shall be subscribed by the Subscriber, and issued by the Target Company, pursuant to the Investment Agreement
"subsidiary"	with respect to any Person, any corporation, association or other business entity which such Person, its direct or indirect holding companies, its subsidiaries or fellow subsidiaries, which individually or collectively, is or are entitled to more than 50% of its economic interests

"substantial shareholder"	has the same meaning ascribed thereto under the Listing Rules
"Supporting Services Agreement"	the agreement dated 25 February 2021 and entered into between China South International and the Target Company in relation to the provision of supporting consultancy services by China South International to the Target Company (as amended on 21 December 2022)
"Supporting Services"	the provision of supporting consultancy services by China South International to the Target Company pursuant to the Supporting Services Agreement
"SZCDG"	Shenzhen SEZ Construction and Development Group Co., Ltd. (深圳市特區建設發展集團有限公司), a company established in the PRC and a wholly-owned subsidiary of Shenzhen State-owned Assets Supervision and Administration Commission
"Target Company"	Xi'an China South City Co., Ltd. (西安華南城有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company before the Completion
"Target Group"	the Target Company, its subsidiary and branches
"%"	per cent.

For the purpose of this circular, unless otherwise indicated, the exchange rate of RMB1.00 = HK$1.172 has been used, where applicable, for purpose of illustration only and it does not constitute any representation that any amount has been, could have been or may be exchanged at that rate or at any other rate.

China South City Holdings Limited
華南城控股有限公司

(incorporated in Hong Kong with limited liability)
(Stock Code: 1668)

Co-Chairmen:
Mr. Li Wenxiong *(Non-Executive Director)*
Mr. Cheng Chung Hing *(Executive Director)*

Executive Directors:
Ms. Geng Mei *(Chief Operating Officer)*
Mr. Wan Hongtao *(Group's Vice President)*
Mr. Qin Wenzhong *(Group's Financial Controller)*
Ms. Cheng Ka Man Carman

Non-Executive Directors:
Mr. Cheng Tai Po
Ms. Shen Lifeng

Independent Non-Executive Directors:
Mr. Leung Kwan Yuen Andrew *GBM, GBS, JP*
Mr. Li Wai Keung
Mr. Hui Chiu Chung *JP*
Ms. Helen Zee

Registered Office:
Suites 3306-08, 33/F.,
Tower 5, The Gateway
15 Canton Road
Tsim Sha Tsui
Kowloon, Hong Kong

17 January 2023

To the Shareholders

Dear Sir or Madam

(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION – DEEMED DISPOSAL OF APPROXIMATELY 69.35% EQUITY INTEREST IN THE TARGET COMPANY;
(2) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION – PUT OPTION; AND
(3) NOTICE OF EGM

INTRODUCTION

Reference is made to the Announcement, the Continuing Transactions Announcement and the List of Directors Announcement regarding, among other things, the Subscription, the Put Option, the Continuing Transactions and the current Directors of the Company.

The purpose of this circular is to, among other things:

(a) provide further details of the Subscription and the Put Option;

(b) provide the letter of recommendations from the Independent Board Committee to the Independent Shareholders relating to the Subscription and the Put Option;

(c) provide the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders relating to the Subscription and the Put Option; and

(d) give you notice of the EGM to consider and, if thought fit, pass resolutions to approve, among other things, the Investment Agreement (including the grant and the exercise of the Put Option), the Shareholders' Agreement and the transactions contemplated thereunder.

(I) INVESTMENT AGREEMENT

On 16 December 2022 (after trading hours), the Seller, China South International, the Subscriber and the Target Company entered into the Investment Agreement in relation to the Subscription.

The key terms of the Investment Agreement, among others, are set out below:

Date: 16 December 2022 (after trading hours)

Parties:
(i) the Seller;

(ii) China South International;

(iii) the Subscriber; and

(iv) the Target Company.

Subject Matter

The Subscriber agreed to subscribe, and the Target Company agreed to issue, the Subscription Shares at the Subscription Consideration of RMB5,000,000,000.

Upon Completion, the Target Company will be held as to 69.35% by the Subscriber and 30.65% by the Seller, respectively. The Target Company will cease to be a subsidiary of the Company and its financial results will not be consolidated into the Group's financial statements. The Target Company will become a subsidiary of the Subscriber.

Subscription Consideration

The Subscription Consideration for the Subscription Shares is RMB5,000,000,000 and will be payable by the Subscriber to the Target Company in cash in tranches into the bank account of the Target Company in the following manner:

(1) RMB2,000,000,000 (the "**First Instalment**") to be paid within 10 business days after all the conditions precedent to Completion have been satisfied (or, where applicable, waived); and

(2) RMB3,000,000,000 to be paid within 180 calendar days after the payment of the First Instalment.

Basis of Subscription Consideration

The Subscription Consideration was determined based on arm's length negotiations among the Seller, China South International, the Subscriber and the Target Company and with reference to the pre-subscription appraised value of 100% equity interest of the Target Company of RMB2,209,516,300 (the "**Business Equity Value**") as set out in the valuation conducted by, Dacheng International Asset Land Real Estate Appraisal (Shenzhen) Co., Ltd., an independent valuer, which was based on an asset approach. For further details, please refer to the valuation report in Appendix IV to this circular (the "**Equity Valuation Report**"). Given the fact that property represents a substantial asset value of the Target Company, the Company also considered the valuation as stated in the property valuation report on the Target Company (the "**Property Valuation Report**") prepared by Dacheng International Asset Land Real Estate Appraisal (Shenzhen) Co., Ltd. As disclosed in the Property Valuation Report set out in Appendix V to the Circular, the appraised capital value of the appraisal object as at 25 November 2022 was RMB8,463,199,719, representing a decrease of RMB725,601,421.39 from the appraised value of approximately RMB9,188,801,140.39 as at 30 September 2022.

The Directors save for Mr. Li Wenxiong, Mr. Wan Hongtao and Mr. Qin Wenzhong, who are Directors nominated by SZCDG and Ms. Shen Lifeng who is also an external independent director of SZCDG, have reviewed the Equity Valuation Report and the Property Valuation Report and discussed with Dacheng International Asset Land Real Estate Appraisal (Shenzhen) Co., Ltd. the different aspects upon which the two valuation reports were prepared. Such Directors have considered the reasonableness of the key assumptions (including the general assumptions and the specific assumptions), have been advised by the senior management of the Company on the accuracy of the information provided to such valuer for inclusion in the Equity Valuation Report and have reviewed the valuation process, methods and calculations with the assistance of the senior management of the Company and such valuer. In light of the subject matter, the nature and the purpose of the two valuation reports, they are of the view that the key assumptions, methodology and sources of information adopted in the two valuation reports are reasonable and appropriate.

The Directors save for Mr. Li Wenxiong, Mr. Wan Hongtao and Mr. Qin Wenzhong, who are Directors nominated by SZCDG and Ms. Shen Lifeng who is also an external independent director of SZCDG, have also reviewed the qualifications, credentials and experiences of Dacheng International Asset Land Real Estate Appraisal (Shenzhen) Co., Ltd. and, having considered the detailed experience of the relevant appraisers in conducting valuation of similar nature, the rules and regulations applicable to such valuers and Dacheng International Asset Land Real Estate Appraisal (Shenzhen) Co., Ltd. and the comparability of Code for Real Estate Appraisal issued by the Ministry of Housing and Urban-Rural Development of the PRC (the "**MOHURD**") with the HKIS property valuation standards referred to in Rule 5.05 of the Listing Rules, are of the view that they are competent for the purpose of issuing the Equity Valuation Report and the Property Valuation Report.

The Directors save for Mr. Li Wenxiong, Mr. Wan Hongtao and Mr. Qin Wenzhong, who are Directors nominated by SZCDG and Ms. Shen Lifeng who is also an external independent director of SZCDG, are also of the view that JIN Haiyan and WANG Shengchao (being appraisers who prepared and signed the Property Valuation Report) are qualified to prepare the Property Valuation Report under Rule 5.08(2)(b) of the Listing Rules and paragraph 4.1 of Practice Note 12 to the Listing Rules for the following reasons:

(i) the Company has received confirmation that Dacheng International Asset Land Real Estate Appraisal (Shenzhen) Co., Ltd. is a member of China Institute of Real Estate Appraisers and Agents ("**CIREA**") and is therefore subject to its professional disciplines. As a CIREA member, Dacheng International Asset Land Real Estate Appraisal (Shenzhen) Co., Ltd. requires its employees (including JIN Haiyan and WANG Shengchao) to comply with the professional disciplines of CIREA when preparing any property valuation report;

(ii) JIN Haiyan and WANG Shengchao are registered with the MOHURD as certified real estate appraisers and are hence qualified to prepare and provide property valuation reports in the PRC. They are required under the MOHURD rules and regulations to comply with the professional discipline and ethics regulations of the real estate appraisal industry in the PRC (including those issued by CIREA), although membership of CIREA is not required for a certified real estate appraiser to prepare and provide property valuation reports;

(iii) under the rules and regulations mentioned in (i) and (ii) above, JIN Haiyan and WANG Shengchao have to comply with the Code for Real Estate Appraisal issued by MOHURD (the "**Code**"). The Code is the main professional discipline of CIREA. The Company has been informed by Dacheng International Asset Land Real Estate Appraisal (Shenzhen) Co., Ltd. that the Code is the highest national standard and comparable with the HKIS property valuation standards referred to in Rule 5.05 of the Listing Rules; and

(iv) the Company has received information evidencing that both JIN Haiyan and WANG Shengchao have more than 10 years of relevant experience (including experience in valuing properties in the relevant location where the properties of the Target Company are situated) as disclosed in the Property Valuation Report. It is understood from Dacheng International Asset Land Real Estate Appraisal (Shenzhen) Co., Ltd. that these appraisers have also been attending continuous training on the CIREA standards as required under the relevant regulations.

Based on the above, the Directors, including independent non-executive Directors, save for Mr. Li Wenxiong, Mr. Wan Hongtao and Mr. Qin Wenzhong, who are Directors nominated by SZCDG and Ms. Shen Lifeng who is also an external independent director of SZCDG, are of the view that the Subscription Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

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

(1) all transaction documents having been signed, including but not limited to all the registration and filling documents to be submitted to the market supervision and administration authority in respect of the Subscription, in which the Shareholders' Agreement having been signed by all shareholders of the Target Company;

(2) the Subscriber having obtained all authorisations, consents, licenses, filings, approvals or permits necessary for the implementation of the Subscription, including but not limited to the unanimous approval of all shareholders of the Subscriber, the approval at the group level, the approval of the state-owned assets supervision and administration authority and the approval of the market supervision and administration authority (if required);

(3) the intermediary agency engaged by the Subscriber having completed due diligence on the Target Company and not having identified any material risk or material adverse effect in respect of the Subscription, and the intermediary agency having provided the Subscriber with legal documents in relation to such due diligence (including but not limited to the financial, legal and evaluation aspects of the Target Company) approved by the Subscriber in writing;

(4) the Target Company, the Subscriber and the Seller having obtained their respective internal approvals in respect of the Subscription;

(5) the Independent Shareholders having approved the Subscription;

(6) the Target Company having served to the Subscriber a payment notice for the First Instalment;

(7) no material adverse change having occurred until Completion, and no event having occurred until Completion that may cause a material adverse change;

(8) the representations, warranties and undertakings of the Target Company, the Seller and China South International having continued to be true, accurate, complete and not misleading from the date of the Investment Agreement until Completion;

(9) there having been no breach from the date of the Investment Agreement until Completion by the Target Company, the Seller and China South International under the transaction documents in respect of the Subscription (including the Investment Agreement, the Shareholders' Agreement, the articles of association of the Target Company, the shareholders' resolution passed by the shareholders of the Target Company in respect of the Subscription and any ancillary documents of the foregoing documents (if any)); and

(10) there having been no litigation, bankruptcy or liquidation involving the Target Company after the date of the Investment Agreement until Completion.

None of the conditions set out in paragraphs 1 to 6 above have been satisfied as at the Latest Practicable Date; and the conditions set out in paragraphs 7 to 10 above have been and remained satisfied up to and including the Latest Practicable Date. None of the conditions set out above may be waived by any party unilaterally.

Completion

Completion shall take place on the date on which the First Instalment is paid.

(II) PUT OPTION

Pursuant to the Investment Agreement, the Seller, China South International and the Target Company granted to the Subscriber the Put Option, pursuant to which the Subscriber is entitled to sell at its discretion all or part of the shares held by it in the Target Company to the Seller and/or China South International from the date falling 54 months after Completion, where any of the following events (the "**Events**") does not occur, at the Exercise Price:

(1) within 54 months after Completion, four pieces of land numbered GW2-(16)-1, GW2-(18)-6, GW2-16-4 and GW2-16-5 having been repurchased by the government, with the repurchase amount being not less than RMB2,000,000,000; or the Target Company having developed such four pieces of land, with the net cash inflow from the development being not less than RMB2,000,000,000. The four pieces of land are comparable to a piece of land repurchased by the government from the Target Group in September 2021, which has a similar location and type of land use rights. The RMB2,000,000,000 figure aligns with the price per square metre received in the September 2021 transaction;

(2) within 54 months after Completion, certain construction projects held by the Target Company having been completed and accepted, and reached the saleable standard, with the sales proceeds from such construction projects being not less than RMB4,500,000,000. The relevant construction projects are construction projects in (i) A, B, C and D zones of 1668 New Times Square, which are commercial complexes with residential ancillaries; (ii) B, D and E zones of wholesale markets for hardware materials and machinery products; and (iii) trade centre premises, complementary with various facilities and services on site, such as banking and finance, hotels and wholesale markets for home furnishing and construction materials. Based on the construction schedule, construction progress, sales plan and historical unit prices, the figure of RMB4,500,000,000 has been agreed;

(3) within 54 months after Completion, the property development project of 1668 New Times Square held by the Target Company having achieved a net cash inflow of not less than RMB90,870,000, an after-tax profit margin of not less than 7.4%, a sales profit margin of not less than 6.9%, a dynamic payback period of not more than 54 months for all funds invested in the project and an internal rate of return of not less than 11.2%. These figures have been agreed based on the historical financial performance of the portion of 1668 New Times Square that has been completed and for which leasing or sale has started, and the overall 1668 New Times Square budgeting plan;

(4) within four calendar years after Completion (i.e., 2023, 2024, 2025 and 2026), the average net profit of the Target Company having been not less than RMB300,000,000 per annum and the average distributable cash flow of the Target Company having been not less than RMB300,000,000 per annum. Should Event (1) above occur, this Event (4) would also reasonably occur, as the repurchase amount or net cash inflow from the development will be not less than RMB2,000,000,000, and the Target Company is not expected to commence any projects or set selling and leasing prices that are expected to incur losses; and

(5) there exists no fraud, material misunderstanding or material omission in any information provided by the Target Company, the Seller or China South International to the Subscriber, which has had a material adverse impact on the operation of the Target Company.

Based on the above, the Directors, including independent non-executive Directors, save for Mr. Li Wenxiong, Mr. Wan Hongtao and Mr. Qin Wenzhong, who are Directors nominated by SZCDG and Ms. Shen Lifeng who is also an external independent director of SZCDG, are of the view that the Events are fair and reasonable given the reasonableness of each of the Events being achieved based on the current situation, historical performance and the business plan of the Target Group.

The Exercise Price shall be calculated based on the following formula and be settled in cash:

Exercise Price = A + A x B x C / 360 – D

A = Subscription Consideration actually paid by the Subscriber

B = a return rate of 6.0%

C = actual number of days from the date on which the Subscription Consideration is paid by the Subscriber to the date on which the Exercise Price is received by the Subscriber

D = dividend of the Target Company distributed to and actually received by the Subscriber (if any)

The return rate was determined based on arm's length negotiations between the Seller, China South International, the Subscriber and the Target Company with reference to: (i) the Subscriber's assessment of the expected return of its investments; (ii) the Group's weighted average financing cost of 8.4% as at 30 September 2022 (as disclosed in the interim report of the Company for the six months ended 30 September 2022); and (iii) the market practice that a return rate is applicable to investments in asset-heavy businesses. The Directors, including independent non-executive Directors, save for Mr. Li Wenxiong, Mr. Wan Hongtao and Mr. Qin Wenzhong, who are Directors nominated by SZCDG and Ms. Shen Lifeng who is also an external independent director of SZCDG, are of the view that such return rate is fair and reasonable, and in the interest of the Company and its shareholders as a whole.

For illustrative purposes, the estimated Exercise Price for the Put Option is approximately RMB6,350,000,000, assuming (i) the Put Option is exercised on the day falling five years after Completion; and (ii) no dividend of the Target Company will be distributed to and actually received by the Subscriber.

On the exercise of the Put Option by the Subscriber, the Company will make an announcement in accordance with the requirements under the Listing Rules.

(III) SHAREHOLDERS' AGREEMENT

In connection with the Investment Agreement, on 16 December 2022 (after trading hours), the Seller, China South International, the Subscriber and the Target Company entered into the Shareholders' Agreement, which sets out the rights and obligations of the shareholders and the governance structure of the Target Company.

The principal terms of the Shareholders' Agreement, among others, are set out below:

Date: 16 December 2022 (after trading hours)

Parties:

(i) the Seller;

(ii) China South International;

(iii) the Subscriber; and

(iv) the Target Company.

Governing Bodies

The board of directors of the Target Company shall consist of five directors, out of which the Seller shall be entitled to nominate two directors and the Subscriber shall be entitled to nominate three directors (including the chairperson). The chairperson shall be the legal representative of the Target Company.

Each of the Seller and the Subscriber shall be entitled to nominate one supervisor.

The Seller shall be entitled to nominate the general manager of the Target Company and the Subscriber shall be entitled to nominate the chief financial officer of the Target Company.

Security

Within the period in which the Subscriber holds shares in the Target Company, the Seller and China South International agreed to pledge the Seller's fully diluted 30.65% equity interest in the Target Company in favour of the Subscriber, to secure the performance of all obligations of the Seller, China South International and the Target Company under the transaction documents in respect of the Subscription (including the Investment Agreement, the Shareholders' Agreement, the articles of association of the Target Company, the shareholders' resolution passed by the shareholders of the Target Company in respect of the Subscription and any ancillary documents of the foregoing documents (if any)). The principal amount secured by such equity pledge shall be RMB5,000,000,000. The Target Company shall submit the registration documents to the market supervision and administration authority in respect of such equity pledge within 20 business days after Completion.

(IV) CONTINUING CONNECTED TRANSACTIONS

On 25 February 2021, China South International (a direct wholly-owned subsidiary of the Company) and the Target Company entered into:

(1) the Construction Project Management Agreement in relation to the provision of construction project management and consultancy services by China South International to the Target Company for the period from 1 January 2021 to 31 December 2023;

(2) the Marketing Management and Brand Licensing Agreement in relation to the provision of marketing management and consultancy services and brand licensing services by China South International to the Target Company for the period from 1 January 2021 to 31 December 2023; and

(3) the Supporting Services Agreement in relation to the provision of supporting consultancy services by China South International to the Target Company for the period from 1 January 2021 to 31 December 2023.

On 21 December 2022, China South International and the Target Company entered into supplemental agreements to each of the Construction Project Management Agreement, the Marketing Management and Brand Licensing Agreement and the Supporting Services Agreement, such that they will only expire after 31 December 2025.

Upon Completion, the Continuing Transactions between China South International and the Target Group will become continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Construction Project Management Agreement

The principal terms of the Construction Project Management Agreement, among others, are set out below:

Date:	25 February 2021 (as amended on 21 December 2022)
Parties:	(i) China South International; and
	(ii) the Target Company.
Remaining term (after completion of the Subscription):	For the period from the date of Completion to 31 December 2025

Subject matter: Construction project management and consultancy services, including, among others, authorisation to use the product design system and the intelligent fine decoration design and management system, construction cost management, construction quality control, construction technology management, full-cycle customer management and other supporting consultancy services related to the operation of construction projects of the Target Company.

Service fee: The service fee shall be equivalent to 2% of the construction cost incurred by the Target Company within the year, subject to an additional 6% value-added tax.

The service fee shall include but not limited to service remuneration, site visit costs, production costs, plan presentation costs, follow-up service costs, travel costs, communication costs, other costs incurred from the provision of services for the projects of the Target Company, profit, tax and other costs required to achieve the purpose of the Construction Project Management Agreement.

The service fee has been determined by the parties after arm's length negotiations with reference to (i) the historical cost incurred by China South International for providing the services; (ii) the expected extent of improvement to the Target Company's business with the services provided by China South International; (iii) the value of knowledge and technology embedded in the services provided by China South International; and (iv) the prevailing market rates for the relevant services. In particular, the rate has been compared against rates charged by real estate industry peers for similar contracts involving construction support services. 18 contracts were examined, among which the minimum rate was 0.8%, the maximum rate was 5%, and the median rate was 2%. The rate is fair and reasonable, on normal commercial terms and no less favorable to the Group than the rate offered by Independent Third Parties for similar services.

During the remaining term of the Construction Project Management Agreement, the Company will as an internal control measure, make reference to the fees and terms in relation to the provision of construction project management services of similar nature and of similar terms by Independent Third Parties on a regular basis and compare them with the fees and terms for the provision of services from China South International to the Target Company to ensure that the fees payable by the Target Company to China South International will be no less favourable to the Group than the rates offered by Independent Third Parties for the provision of services of similar nature and of similar terms, and are based on normal commercial terms and fair and reasonable.

Payment: Shortly after the end of each calendar year, China South International shall issue an invoice to the Target Company for the actual service fee incurred for that year. After the invoice has been agreed, the Target Company shall pay the relevant service fee to China South International in RMB in cash.

The Marketing Management and Brand Licensing Agreement

The principal terms of the Marketing Management and Brand Licensing Agreement, among others, are set out below:

Date: 25 February 2021 (as amended on 21 December 2022)

Parties:

(i) China South International; and

(ii) the Target Company.

Remaining term (after completion of the Subscription): For the period from the date of Completion to 31 December 2025

Subject matter:

(i) Marketing management and consultancy services including, among others, marketing and public relations management, client and partner management, marketing training, marketing planning and other consultancy services related to the operation of construction projects of the Target Company; and

(ii) Brand licensing services, including the grant of (a) the right to use the trademarks registered by China South International for marketing purposes; (b) the right to incorporate "China South City" in the registered name of the Target Company; and (c) the right to use the achievements and recognitions of China South International for marketing and business negotiation purposes.

Service fee: The service fee shall be equivalent to 2.5% of the property sale proceeds received by the Target Company within the year, subject to an additional 6% value-added tax.

The service fee shall include but not limited to consultancy service remuneration, site visit costs, production costs, plan presentation costs, follow-up service costs, travel costs, communication costs, other costs incurred from the provision of consultancy services for the projects of the Target Company, profit, tax and other costs required to achieve the purpose of the Marketing Management and Brand Licensing Agreement.

The service fee has been determined by the parties after arm's length negotiations with reference to (i) the historical cost incurred by China South International for providing the services; (ii) the expected extent of improvement to the Target Company's business with the services provided by China South International; (iii) the value of knowledge and technology embedded in the services provided by China South International; and (iv) the prevailing market rates for the relevant services. In particular, the rate has been compared against rates charged by real estate industry peers for similar contracts involving marketing services. 20 contracts were examined, among which the minimum rate was 0.8%, the maximum rate was 5%, and the median rate was 2%. The rate is fair and reasonable, on normal commercial terms and no less favorable to the Group than the rate offered by Independent Third Parties for similar services.

During the remaining term of the Marketing Management and Brand Licensing Agreement, the Company will as an internal control measure, make reference to the fees and terms in relation to the provision of marketing management services and brand licensing services of similar nature and of similar terms by Independent Third Parties on a regular basis and compare them with the fees and terms for the provision of services from China South International to the Target Company to ensure that the fees payable by the Target Company to China South International will be no less favourable to the Group than the rates offered by Independent Third Parties for the provision of services of similar nature and of similar terms, and are based on normal commercial terms and fair and reasonable.

Payment: Shortly after the end of each calendar year, China South International shall issue an invoice to the Target Company for the actual service fee incurred for that year. After the invoice has been agreed, the Target Company shall pay the relevant service fee to China South International in RMB in cash.

The Supporting Services Agreement

The principal terms of the Supporting Services Agreement, among others, are set out below:

Date: 25 February 2021 (as amended on 21 December 2022)

Parties:
(i) China South International; and

(ii) the Target Company.

Remaining term (after completion of the Subscription): For the period from the date of Completion to 31 December 2025

Subject matter: Supporting consultancy services in relation to, among others, human resources administrative management, finance management, legal management and risk management related to the projects of the Target Company.

Service fee: The service fee shall be the aggregate of (i) direct and indirect costs actually incurred by China South International for the provision of the services (including internal costs and external disbursements) and (ii) a margin of 10.45%.

The service fee shall include but not limited to remuneration for management and consultancy services, site visit costs, production costs, plan presentation costs, follow-up service costs, travel costs, communication costs, other costs incurred from the provision of consultancy services for the projects of the Target Company, profit, tax and other costs required to achieve the purpose of the Supporting Services Agreement.

The service fee has been determined by the parties after arm's length negotiations with reference to (i) the historical cost incurred by China South International for providing the services; (ii) the expected extent of improvement to the Target Company's business with the services provided by China South International; (iii) the value of knowledge and technology embedded in the services provided by China South International; and (iv) the prevailing market rates for the comparable services. In particular, the rate has been compared against rates charged by real estate industry peers for similar contracts involving supporting services. 17 contracts were examined, among which the lower quartile rate was 9.28%, the upper quartile rate was 14.47%, and the median rate was 10.41%. The rate is fair and reasonable, on normal commercial terms and no less favorable to the Group than the rate offered by Independent Third Parties for similar services (if any).

During the remaining term of the Supporting Services Agreement, the Company will as an internal control measure, make reference to the fees and terms in relation to the provision of supporting consultancy services of similar nature and of similar terms by Independent Third Parties (if any) on a regular basis and compare them with the fees and terms for the provision of services from China South International to the Target Company to ensure that the fees payable by the Target Company to China South International will be no less favourable to the Group than the rates offered by Independent Third Parties for the provision of services of similar nature and of similar terms (if any), and are based on normal commercial terms and fair and reasonable.

Payment: Shortly after the end of each calendar year, China South International shall issue an invoice to the Target Company for the actual service fee incurred for that year. After the invoice has been agreed, the Target Company shall pay the relevant service fee to China South International in RMB in cash.

Historical transaction amounts and annual caps

The following table sets out the amounts of historical transactions for the Continuing Transactions:

	For the three months ended 31 March 2021	**For the year ended 31 March 2022**	**For the six months ended 30 September 2022**
	RMB'000	*RMB'000*	*RMB'000*
Construction Project Management Services	3,291	6,530	2,510
Marketing Management and Brand Licensing Services	4,145	11,533	6,000
Supporting Services	3,254	29,712	13,050

The following table sets out the annual caps for the Continuing Transactions:

	For the year ending 31 March 2023, 2024, 2025	**For the nine months from 1 April 2025 to 31 December 2025**
	RMB'000	*RMB'000*
Construction Project Management Services	45,864	34,398
Marketing Management and Brand Licensing Services	93,413	70,059
Supporting Services	23,100	17,325

The annual caps for the Continuing Transactions have been determined with reference to a number of factors, including, among other things:

(i) the historical transaction amounts charged by the Group for provision of Construction Project Management Services, Marketing Management and Brand Licensing Services and Supporting Services;

(ii) the number, size and type of projects which are expected to be delivered by the Target Company in the coming years;

(iii) the services (and the scope thereof) which are expected to be required by the Target Company;

(iv) potential new sales and new project expenditure of the Target Company (which both correlate to the service fees payable);

(v) the expected staff costs and administrative and daily operational costs of China South International for providing the services;

(vi) potential inflation and currency exchange fluctuation; and

(vii) a reasonable buffer for unexpected increase in service fees.

The annual caps for the Continuing Transactions are higher than the historical amounts because, among other things:

(i) the number of construction projects delivered by the Target Company within the three months ended 31 March 2021, the year ended 31 March 2022 and the six months ended 30 September 2022 were relatively low due to the pandemic and market conditions. However, it is anticipated that this number will increase in the coming years;

(ii) an increase in the number of construction projects owned and delivered by the Target Company is expected to lead to an increase in the services (and the scope thereof) required by the Target Company, and also an increase in sales and project expenditure of the Target Company (which both correlate to the service fees payable); and

(iii) it is expected that staff costs and administrative and daily operational costs of China South International for providing the services will increase in the coming years due to the increased demand in labour and the relevant support services in the sector as market conditions improve.

Given the above, the Directors, including independent non-executive Directors, save for Mr. Li Wenxiong, Mr. Wan Hongtao and Mr. Qin Wenzhong, who are Directors nominated by SZCDG and Ms. Shen Lifeng who is also an external independent director of SZCDG, are of the view that the proposed annual caps for the Continuing Transactions are fair and reasonable.

Internal control procedures for the Group's Continuing Connected Transactions

In order to ensure that the transactions contemplated under the Continuing Transactions Agreements are (i) conducted on normal commercial terms, fair and reasonable and no less favourable than those agreed with Independent Third Parties for the provision of services of similar nature and of similar terms; and (ii) comply with the annual caps and pricing policies under the Continuing Transactions Agreements, the internal control procedures shall be implemented by the Company as follows:

(a) the Company has adopted and implemented a management system on connected transactions. The Board and various other internal departments of the Company are jointly responsible for evaluating the terms of the transactions contemplated under the Continuing Transactions Agreements, in particular, the fairness of the pricing policies under each Continuing Transactions Agreement, the management of the Company also reviews the pricing policies of the Continuing Transactions Agreements annually. In addition, various other internal departments of the Company monitor the implementation of the Continuing Transactions Agreements from time to time, and the finance department is responsible for monitoring the transaction amounts of the continuing connected transactions contemplated under the Continuing Transactions Agreements to ensure that the annual caps under the Continuing Transactions Agreements are complied with;

(b) when considering the fees for construction project management services, marketing management services and supporting consultancy services to be provided to the Target Group by the Group, the Group will constantly research into prevailing market conditions and practices and make reference to the pricing and terms of, subject to availability, at least three comparable transactions (for similar services for similar property types within the similar geographical area) between the Group and Independent Third Parties, to make sure that the pricing and terms offered by Target Group after arm's length negotiations, are no less favourable than those offered by Independent Third Parties;

(c) the independent non-executive Directors and auditors of the Company will conduct annual review of the continuing connected transactions under the Continuing Transactions Agreements and provide annual confirmation to ensure that the Continuing Transactions are conducted in accordance with the terms of the Continuing Transactions Agreements (including the relevant pricing policies), on normal commercial terms and in the ordinary and usual course of business of the Group in accordance with Rules 14A.55 and 14A.56 of the Listing Rules; the audit committee of the Company will review the Company's financial controls, risk management and internal control systems; and when considering any renewal or revisions to the Continuing Transactions Agreements, the Company will then comply with the Listing Rules as applicable; and

(d) the Company has a system in place to monitor the Group's connected transactions and the renewal of continuing connected transactions, which includes maintaining and regularly updating the list of connected persons of the Company, maintaining a list of connected transactions including details in relation to their expiration dates, checking the contracting party in each transaction to confirm whether it is a connected person, monitoring the value of transactions that are identified as connected transactions (on an aggregated basis where applicable) against the thresholds for triggering disclosure and shareholders' approval requirements under the Listing Rules and ensuring that relevant business departments are regularly updated in relation to the renewal of the continuing connected transactions.

REASONS FOR AND BENEFITS

The Directors consider that the Investment Agreement, the Shareholders' Agreement and the transactions contemplated thereunder will be able to improve the liquidity of the Target Group through its receipt of the Subscription Consideration by way of cash in accordance with the payment schedule under the Investment Agreement, and provide additional working capital for the Target Group and also allow the Target Group to repay existing shareholders' loans provided by the Group to the Target Group. This will in turn provide additional working capital to the Group and reduce the gearing ratio of the Group.

In addition, the further cooperation with SZCDG will allow investors and financial institutions to see SZCDG's continuous support towards the operation and development of the Group and increase their confidence to the Group.

Also, the Directors save for Mr. Li Wenxiong, Mr. Wan Hongtao and Mr. Qin Wenzhong, who are Directors nominated by SZCDG and Ms. Shen Lifeng who is also an external independent director of SZCDG, consider that the Put Option, which is part and parcel of the Investment Agreement, will allow the Subscriber to exit from, and the Group to repurchase, the Subscription Shares (which are the subject of the Investment Agreement) on terms which are acceptable to both the Subscriber and the Group.

The Directors, including independent non-executive Directors, save for Mr. Li Wenxiong, Mr. Wan Hongtao and Mr. Qin Wenzhong, who are Directors nominated by SZCDG and Ms. Shen Lifeng who is also an external independent director of SZCDG, are of the view that the terms of the Investment Agreement (including the grant and the exercise of the Put Option), the Shareholders' Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors consider that the Continuing Transactions will be able to ensure that the Target Company achieves its sales and project targets in accordance with established targets. China South International can provide professional and standardized services for the Target Company's asset sales, engineering management services and other office functional departments, which is conductive to the Target Company's timely access to relevant services to ensure daily operation and management. This will be beneficial to both the Target Company and the Company, as the Company will retain a 30.65% equity interest in the Target Company.

The Directors, including independent non-executive Directors, save for Mr. Li Wenxiong, Mr. Wan Hongtao and Mr. Qin Wenzhong, who are Directors nominated by SZCDG and Ms. Shen Lifeng who is also an external independent director of SZCDG, are of the view that the Continuing Transactions Agreements (including the annual caps thereunder) and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole, and their terms are fair and reasonable.

FINANCIAL IMPLICATIONS AND USE OF PROCEEDS FROM THE SUBSCRIPTION

The Subscription Consideration payable by the Subscriber for the Subscription Shares is RMB5,000,000,000. RMB2,262,938,726 out of the Subscription Consideration will be injected into the registered capital of the Target Company and the premium of RMB2,737,061,274 will be accounted for as the Target Company's capital reserves.

Before the Completion, the Target Company is a wholly-owned subsidiary of the Company. Upon Completion, the registered capital of the Target Company will be increased from RMB1,000,000,000 to RMB3,262,938,726, and the Target Company will be held as to 69.35% by the Subscriber and 30.65% by the Seller, respectively. Accordingly, the Subscription by the Subscriber will result in a reduction of the Company's equity interest in the Target Company from 100% to 30.65%. The Target Company will cease to be a subsidiary of the Company and its financial results will not be consolidated into the Group's financial statements. The Target Company will become a subsidiary of the Subscriber. Assuming Completion had taken place on 31 March 2022, the total assets of the Company as at 31 March 2022 would have decreased from HK$124,387,424,000 to HK$118,355,297,000 as a result of the Subscription. The total liabilities of the Company as at 31 March 2022 would have decreased from HK$79,297,452,000 to HK$75,030,757,000, and the total equity as at 31 March 2022 would have decreased from HK$45,089,972,000 to HK$43,324,540,000 as a result of the Subscription.

Based on a preliminary assessment, it is estimated that the Group will record an unaudited gain on the Subscription of approximately HK$3,360,000, which has been arrived at by deducting the unaudited net asset value of the Target Group as at 30 September 2022 from the Business Equity Value. The actual gain or loss as a result of the Subscription to be recorded by Group is subject to a final audit to be performed by the auditors of Group.

The proceeds from the Subscription are expected to be used by the Target Company for working capital of approximately RMB1,080,000,000, repayment of the shareholders' loans provided by the Group to the Target Group of approximately RMB2,860,000,000, interest-bearing loans of approximately RMB500,000,000, and payment of construction fees of approximately RMB560,000,000. After receipt of the repayment of the shareholders' loans, the proceeds are expected to be used by the Group for repayment of its external borrowings.

IMPLICATIONS UNDER THE LISTING RULES

The Subscription

The Subscription by the Subscriber will result in a reduction of the Company's equity interest in the Target Company from 100% to approximately 30.65%, and therefore constitute a deemed disposal of the Company pursuant to Rule 14.29 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Subscription exceed 75%, the Subscription constitutes a very substantial disposal of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, SZCDG holds approximately 29.28% of the Shares in issue. Accordingly, SZCDG is a substantial shareholder and hence a connected person of the Company. The Subscriber is held as to 90% by Guangdong Shenji Huayuan, a limited partnership in which Shenzhen Infrastructure Investment is a general partner and, through its direct wholly owned subsidiary Shenzhen Shenji Pengcheng, is interested as to 100% of the equity interest as a limited partner. Shenzhen Infrastructure Investment is a direct non-wholly owned subsidiary of SZCDG. As a result, the Subscriber is also a connected person of the Company by virtue of being an associate of SZCDG. Accordingly, the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Subscription exceed 5%, the Subscription is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Put Option

As one or more of the applicable percentage ratios in respect of the grant and the exercise of the Put Option exceed 100%, the grant and the exercise of the Put Option constitutes a very substantial acquisition of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As mentioned above, the Subscriber is an associate of a connected person of the Company. Accordingly, the grant and the exercise of the Put Option constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the grant and the exercise of the Put Option exceed 5%, the grant and the exercise of the Put Option is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As (i) the Subscription and the Put Option are all transactions contemplated under the Investment Agreement; (ii) the Subscription and the Put Option are part and parcel to the same transactions which have been negotiated and agreed by the Group and the Subscriber simultaneously; and (iii) the approval of each of the Subscription and the grant and the exercise of the Put Option is interdependent on, and cannot proceed without, the approval of the other, the Company will seek Independent Shareholders' approval for each of the Subscription and the grant and the exercise of the Put Option under the same single resolution at the EGM. As a result, Independent Shareholders which exercise their rights to vote will be either voting in favour of the one single resolution which includes both of the Subscription and the grant and the exercise of the Put Option, or voting against it.

Continuing Connected Transactions

On 25 February 2021, China South International and the Target Company entered into the Continuing Transactions in relation to the provision of, among others, construction project management services, marketing management services and supporting consultancy services from China South International to the Target Company. Upon Completion, the Target Company will cease to be a subsidiary of the Company and become a subsidiary of the

Subscriber, which is an associate of a connected person of the Company. Accordingly, the Continuing Transactions between China South International and the Target Group will become continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the annual caps for the Continuing Transactions exceed 0.1% but are all below 5%, the Continuing Transactions are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Save for Mr. Li Wenxiong, Mr. Wan Hongtao and Mr. Qin Wenzhong (the Directors nominated by SZCDG) and Ms. Shen Lifeng (an external independent director of SZCDG) who have abstained from voting in the relevant board resolutions at the relevant meeting of the Board, the Directors confirm that none of the other Directors had a material interest in or were required to be abstained from voting in the board resolutions relating to the Investment Agreement (including the Put Option), the Shareholders' Agreement, the Continuing Transactions Agreements (including the annual caps thereunder) and the transactions contemplated thereunder.

INFORMATION ON THE PARTIES TO THE INVESTMENT AGREEMENT, THE SHAREHOLDERS' AGREEMENT AND THE CONTINUING TRANSACTIONS AGREEMENTS

The Group

The Group is engaged in development and operation of large-scale integrated logistics and trade centres in China. It provides professional integrated logistics and trading platforms with comprehensive value-added ancillary services and facilities, including but not limited to logistics and warehousing services, property management, outlet operations, e-commerce services, convention and exhibition services – to assist small-to-medium enterprises in modernising the way they conduct business. On property leasing and management, the Group manages residential, shopping malls, wholesale market, and conference and exhibition facilities, and is capable of managing both trade centre premises and residential properties. Additional sources of income are available from projects, including from advertising and exhibitions, temporary space leasing, and parking charges. The Group also focuses on investment, development and construction of project sites, and has developed various types of commercial complexes in a number of projects, including multi-purpose commercial properties and auxiliary facilities in Shenzhen, Nanning, Nanchang, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing. Government service centres, science and education industries, sports industries, and e-commerce industries have been introduced in certain projects. The logistics branch of the Group has subsidiaries in 16 core cities in the PRC and has built more than 1 million square metres of standardized and modernized e-commerce logistics industrial parks that are already in operation. Additionally, the Group provides comprehensive supply chain integrated logistics solutions and intelligent hardware infrastructure to realize data and internet-based management of project sites.

Capitalising on the Group's unique and flexible business model, proven operational capabilities and extensive experience in co-operating with local governments to support urbanization and industrial upgrade throughout China, the Group has developed an extensive network with eight projects in different provincial capitals and municipalities across the nation, including Shenzhen, Nanning, Nanchang, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing.

As mentioned in the Company's circular dated 25 August 2022, the Company entered into an agreement to dispose of 50% interest in Shenzhen First Asia Pacific Property Management Company Limited (the "**Property Management Company**"), a former subsidiary of the Company which is principally engaged in the provision of property management services, to SZCDG (the "**Previous Disposal**"). Prior to completion of the Previous Disposal, the Property Management Company had been providing property management services to the eight projects of the Group, namely China South City Shenzhen, China South City Nanchang, China South City Nanning, China South City Xi'an, China South City Harbin, China South City Zhengzhou, China South City Hefei and China South City Chongqing (the development and operation of which being the core business of the Group). After completion of the Previous Disposal, the projects of the Group continue to have access to such property management services from the Property Management Company pursuant to an executed framework agreement at such price which is no less favourable than fees charged by independent third parties for such services, and property management through the Property Management Company is still part of the Group's wide offering in its projects. Also, although the Property Management Company ceased to be a subsidiary of the Company, as mentioned in the circular of the Company dated 25 August 2022, it entered into the Previous Disposal because it would, among other things, potentially improve the value of the 50% equity interest retained by the Company in the Property Management Company by virtue of it being a subsidiary of SZCDG which is a state-owned enterprise, and create synergy for the Group as SZCDG intends to engage the Property Management Company for property management services for properties developed and/or held by SZCDG, which would lead to enhanced brand image, new business opportunities and also new capital which SZCDG may contribute into the Property Management Company.

On the other hand, the Subscription represents a deemed disposal by the Company of the Target Company (which will cease to be a subsidiary of the Company upon Completion). The Target Company is only involved in the Group's projects in Xi'an but is not involved in any of the Group's other seven projects across Mainland China. Please refer to the sub-section headed "**The Target Company**" below for further details on the Target Company. The Company and SZCDG agreed that SZCDG would subscribe for shares in the Target Company because: (1) the Target Company represents an attractive investment opportunity to SZCDG; and (2) an attractive subscription consideration payable by SZCDG from the perspective of the Target Company. After Completion, the Company will still be interested as to approximately 30.65% equity interest in the Target Company. It is intended that China South City Xi'an will continue to operate as it currently does. The Subscription will provide additional capital for China South City Xi'an's development and operations and, since the Target Company will no longer be wholly owned by the Group, there will be less pressure on the Group to provide any required funding. Meanwhile, the Company will be able to benefit from China South City Xi'an's increase in value (if any) as an approximately 30.65% shareholder.

After completion of the Subscription, the Group will still own and operate the remaining seven projects (being its core business) and the remaining businesses of the Group will continue to comprise, among other things, project investment and development, logistics and warehousing services, outlet operations, property leasing, and exhibition and events primarily in relation to its projects. The Company currently does not have any firm intention to further dispose of its business and/or assets to SZCDG or any other parties in the next 12 months.

Subject to improving the liquidity and/or relieving the future capital commitment of the Group (which is part of the reason for the Previous Disposal and the Subscription), the Company intends to expand and improve its core businesses (being the operation of its projects) by, among other things, (1) acquiring additional land and properties for further development, (2) upgrading the Group's existing project sites to make them become more intelligent and promoting continuous optimisation of operation means; and (3) introducing high-quality brands and improving the quality and influence of the Group's existing project sites in the process of coordinating, developing, constructing and operating key national urban areas of the Group. The Subscription will also allow the Company to further focus on its remaining seven projects and in particular China South City Shenzhen which is located in the Greater Bay Area and for part of which the Company intends to implement an urban renewal. As mentioned in the annual report of the Company for the year ended 31 March 2022, the overall layout of the Company highly adheres to major national development strategies such as the "Guangdong-Hong Kong-Macao Greater Bay Area", and under the top-level design and strategic deployment of the central government for the reform, the Company will expand and strengthen its trading and logistics industry in close compliance with the industrial policies of the central government and local governments in a bid to build a special consumption centre in the Greater Bay Area.

China South International

China South International is principally engaged in development and operation of integrated logistics and trade centres, and is a wholly-owned subsidiary of the Company.

The Seller

The Seller is principally engaged in investment holding and is a wholly-owned subsidiary of the Company.

SZCDG

Established by the Shenzhen Municipal Government in September 2011, SZCDG is a municipal state-owned enterprise set up for the purpose of accelerating the reform of investment and financing system and promoting the integration process of the Special Zone. In February 2016, the municipal government further clarified SZCDG as the municipal operating entity for infrastructure investment, construction and operation, with its principal activities including infrastructure investment, construction and operation, development, construction and operation of industrial park, strategic emerging industry investment, regional economic cooperation and PPP project implementation. Over the past decade since its establishment, SZCDG has effectively played its role of major infrastructure construction, industrial upgrading and expanding the room of development, and providing support for the industry cooperation.

During the "14th Five-Year Plan" period, SZCDG will adhere to the corporate mission of "a new integrated operator of urban development with a demonstration role around the country" and plays its role as "four cores": infrastructure investment, construction and operation, industrial park development and operation, comprehensive for marine industry development and green environmental protection industry development. SZCDG will carry out the task of regional economic collaboration, and strive to become an integrated operator of new urban development to play an exemplary role across the country, a state-owned strategic carrier to support the building of Shenzhen into a global maritime center city, and a state-owned functional carrier to help Shenzhen build a modern, international and innovative city. SZCDG is committed to becoming one of Shenzhen "100 billion backbone state-owned groups" with high quality, and helping Shenzhen to become an innovative and creative metropolitan for start-ups with global influence and a city example of a modern and strong socialist country.

Shenzhen Infrastructure Investment

Founded in July 2018, Shenzhen Infrastructure Investment is a qualified fund manager (registration number: P1069375) registered with the Asset Management Association of the PRC. Shenzhen Infrastructure Investment is co-invested by three municipal state-owned enterprises, namely, SZCDG (51%), Shenzhen Investment Holding Co., Ltd.* (深圳市投資控股有限公司) (30%) and Shenzhen Capital Group Co., Ltd.* (深圳市創新投資集團有限公司) (19%). With the dual impetus of "regional comprehensive infrastructure fund management + vertical professional infrastructure fund management", Shenzhen Infrastructure Investment strives to be the leader in the supply side structural reform of infrastructure and contributes to the market-oriented development of infrastructure investment funds in the PRC. Shenzhen Infrastructure Investment is responsible for the operation of the Shenzhen Infrastructure Investment Fund* (深圳市基礎設施投資基金), which was officially established in December 2018 with the approval of the Shenzhen Municipal Government. With the initial scale being RMB12 billion, the Shenzhen Infrastructure Investment Fund* (深圳市基礎設施投資基金) aims to further promote the supply side structural reform of infrastructure and attract public capital to participate in the infrastructure construction in Shenzhen. The ultimate beneficiary of Shenzhen Infrastructure Investment is Shenzhen State-owned Assets Supervision and Administration Commission.

The Subscriber

Founded in October 2022 by related parties of Shenzhen Infrastructure Investment, the Subscriber is a wholly-owned subsidiary of Shenzhen Infrastructure Investment and is principally engaged in investment, information consulting services and industrial park management services.

The Target Company

The Target Company is principally engaged in development and operation of integrated logistics and trade centres.

The Target Company is involved in the Group's projects in Xi'an (i.e., China South City Xi'an) but is not involved in any of the Group's other seven projects across mainland China. The development of China South City Xi'an is well underway with a gross floor area of approximately 2.41 million square metres completed, and planned construction of a gross floor area of approximately 760,000 square metres underway. The Target Company is located at the trade and logistics park in Xi'an. As a local key project, the Xi'an international trade and logistics park is an open economic pilot zone and a core area for modern service industry, aiming to become the largest international transit hub and logistics distribution centre along the silk road economic belt and an important strategic platform for the "Belt and Road" initiative. China South City Xi'an is in operation, and covers industries including hardware materials and machinery products, curtains and fabrics, textile and clothing, leather and fur, automobile and motorcycle parts, building and decoration materials, 1668 New Times Square, outlets, cross-border e-commerce, Central Asia and ASEAN product exhibition centre, etc., on its trade centre premises, of which the commercial complex, 1668 New Times Square, was included in Shaanxi Provincial Key Project in 2019 and 2020.

The net asset value of the Target Group (prepared in accordance with the Hong Kong Financial Reporting Standards) as at 30 September 2022 was approximately RMB2,206,709,000. The profit before and after taxation of the Target Group (prepared in accordance with the Hong Kong Financial Reporting Standards) for the financial years ended 31 March 2022 and 31 March 2021 are set out below:

	For the year ended 31 March 2022	**For the year ended 31 March 2021**
	RMB'000	*RMB'000*
Profit before taxation	935,068	399,309
Profit after taxation	650,040	210,609

EGM

Reference is made to the announcement of the Company dated 11 January 2023 in relation to the closure of the register of members of the Company. For the purpose of determining Shareholders who are entitled to attend and vote at the EGM to be held on Thursday, 2 February 2023, the registers of members of the Company will be closed from Monday, 30 January 2023 to Thursday, 2 February 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, Shareholders are reminded to ensure that all share transfer documents accompanied by the relevant share certificates are lodged for registration with the share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on Friday, 27 January 2023.

A notice convening the EGM to be held at Garden Room, 2/F., New World Millennium Hong Kong Hotel, 72 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Thursday, 2 February 2023 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Voting at the EGM will be taken by poll. Whether or not you intend to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but 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 form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish and in such event, the form of proxy will be deemed to be revoked.

As at the Latest Practicable Date, SZCDG holds approximately 29.28% of the Shares in issue, and hence will abstain from voting on the resolution(s) in respect of the Investment Agreement (including the grant and the exercise of the Put Option), the Shareholders' Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no other Shareholder will be required to abstain from voting on the resolution(s) in respect of the Subscription, and the grant and the exercise of the Put Option at the EGM.

An announcement on the results of the EGM will be made by the Company following the EGM in accordance with the Listing Rules.

Completion of the Subscription is subject to fulfilment (or, where applicable, waiver) of the conditions as set out in the Investment Agreement and the approval of Independent Shareholders at the EGM, and the Subscription may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares. If in doubt, Shareholders and potential investors are recommended to consult their professional adviser(s).

RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 35 to 36 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders; and (ii) the letter from the Independent Financial Adviser as set out on pages 37 to 77 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Independent Board Committee, having taken into account, among other things, the advice of the Independent Financial Adviser, is of the view that the terms of the Investment Agreement (including the Put Option) and the Shareholders' Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors, including the independent non-executive Directors, save for Mr. Li Wenxiong, Mr. Wan Hongtao and Mr. Qin Wenzhong, who are the Directors nominated by SZCDG and Ms. Shen Lifeng who is also an external independent director of SZCDG, after considering the advice from the Independent Financial Adviser, are of the view that the terms of the Investment Agreement (including the Put Option) and the Shareholders' Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole and therefore recommend you to vote in favour of all the ordinary resolutions to be proposed at the EGM.

FURTHER INFORMATION

Your attention is drawn to the information set out in the appendices to this circular and the notice of the EGM.

Yours faithfully
By order of the Board
China South City Holdings Limited
LI Wenxiong and CHENG Chung Hing
Co-Chairmen

The following is the text of a letter of advice from the Independent Board Committee setting out its recommendation to the Independent Shareholders.

China South City

China South City Holdings Limited
華南城控股有限公司
(incorporated in Hong Kong with limited liability)
(Stock Code: 1668)

17 January 2023

To the Independent Shareholders

Dear Sir or Madam

(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION – DEEMED DISPOSAL OF APPROXIMATELY 69.35% EQUITY INTEREST IN THE TARGET COMPANY; AND (2) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION – PUT OPTION

We refer to the circular dated 17 January 2023 of the Company (the "**Circular**") of which this letter forms part. Terms defined in the Circular bear the same meanings in this letter unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the Investment Agreement (including the Put Option), the Shareholders' Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and to recommend how the Independent Shareholders should vote regarding the relevant proposed resolutions at the EGM.

Anglo Chinese Corporate Finance, Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Investment Agreement (including the Put Option), the Shareholders' Agreement and the transactions contemplated thereunder. Details of the advice, together with principal factors and reasons considered in arriving at such advice are set out in the letter from the Independent Financial Adviser as set out on pages 37 to 77 of the Circular.

We wish to draw your attention to the letter from the Board set out on pages 7 to 34 of the Circular and the additional information as set out in the appendices to the Circular.

Having considered the terms of the Investment Agreement (including the Put Option) and the Shareholders' Agreement, the advice of Anglo Chinese Corporate Finance, Limited as set out in the letter from the Independent Financial Adviser and the principal factors and reasons taken into consideration by it in arriving at its advice, we consider that the terms of the Investment Agreement (including the Put Option), the Shareholders' Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and are on normal or better commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the all the ordinary resolutions to be proposed at the EGM.

Yours faithfully
For and on behalf of
INDEPENDENT BOARD COMMITTEE
Mr. Leung Kwan Yuen Andrew *GBM, GBS, JP*,
Mr. Li Wai Keung, Mr. Hui Chiu Chung *JP* and Ms. Helen Zee
Independent non-executive Directors

The following is the text of a letter of advice from the Independent Financial Adviser, Anglo Chinese Corporate Finance, Limited, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

ANGLO CHINESE
CORPORATE FINANCE, LIMITED
www.anglochinesegroup.com
40th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong
英高財務顧問有限公司

17 January 2023

The Independent Board Committee and the Independent Shareholders of
China South City Holdings Limited

Dear Sirs,

(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION – DEEMED DISPOSAL OF APPROXIMATELY 69.35% EQUITY INTEREST IN THE TARGET COMPANY; AND (2) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION – PUT OPTION

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the proposed (i) disposal of approximately 69.35% equity interest in the Target Company in accordance with the Investment Agreement; (ii) the grant of the Put Option to the Subscriber and the transactions contemplated thereunder. The terms defined in the circular of the Company dated 17 January 2023 (the "**Circular**"), of which this letter forms part, shall have the same meanings in this letter, unless the context otherwise requires.

In formulating our opinion and recommendations, we have reviewed, among other things, (i) the Investment Agreement and the Shareholders' Agreement (collectively, the "**Agreements**"); (ii) published information on the Group, including its audited annual financial statements for the latest three financial years, the last of which ended on 31 March 2022 and latest unaudited interim financial statements ended 30 September 2022; (iii) the Equity Valuation Report and the Property Valuation Report issued by Dacheng International Asset Land Real Estate Appraisal (Shenzhen) Co., Ltd., the independent valuer (the "**Valuer**"); and (iv) the information in the Circular. We consider the information we have reviewed is sufficient to reach the conclusions set out in this letter and have no reason to doubt the truth, accuracy or completeness of the information provided to us by the Company, and have been advised by the management of the Company that, to the best of their knowledge, no material information has been omitted or withheld from the information supplied to us or the information relating to the Company referred to in the Circular. We have relied on the information so provided to us and referred to in the Announcement and the Circular, and we have not verified it or conducted an independent investigation into the business and affairs of the Group.

Apart from normal professional fees for our services to the Group in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group or any of its associates. As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence. As at the Latest Practicable Date, we were engaged as independent financial adviser in respect of a connected disposal and continuing connected transactions as set out in the circular dated 25 August 2022. Save for the aforesaid engagement, there was no other service provided by us to the Company during the past two years prior to the Latest Practicable Date. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

Pursuant to the Listing Rules, the Independent Board Committee, comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on the Agreements (including the grant and the exercise of the Put Option), and the transactions contemplated thereunder. We have been appointed with the approval of the Independent Board Committee as the Independent Financial Adviser to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in the same regard and on how to vote at the EGM.

II. PRINCIPAL FACTORS AND REASONS CONSIDERED

Reference is made to the Announcement and the Circular. The following are the principal factors which we have taken into account in assessing the fairness and reasonableness of the Subscription, including the terms of the Investment Agreement, the Put Option and the Shareholders' Agreement, and in giving our advice to the Independent Board Committee and the Independent Shareholders:

1. BACKGROUND OF THE INVESTMENT AGREEMENT, THE PUT OPTION AND THE SHAREHOLDERS' AGREEMENT

The Investment Agreement

On 16 December 2022 (after trading hours), the Seller, China South International, the Subscriber and the Target Company entered into the Investment Agreement, pursuant to which the Subscriber agreed to subscribe, and the Target Company agreed to issue, the Subscription Shares at the Subscription Consideration of RMB5,000,000,000. Upon Completion, the Target Company will be held as to approximately 69.35% by the Subscriber and approximately 30.65% by the Seller respectively. Please refer to the section headed "(I) INVESTMENT AGREEMENT" set out in the letter from the Board for the details of the Investment Agreement and the Subscription contemplated thereunder.

The Subscription by the Subscriber will result in a reduction of the Company's equity interest in the Target Company from 100% to approximately 30.65%, and therefore constitute a deemed disposal of the Company pursuant to Rule 14.29 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Subscription exceed 75%, the Subscription constitutes a very substantial disposal of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, SZCDG holds approximately 29.28% of the Shares in issue. Accordingly, SZCDG is a substantial Shareholder and hence a connected person of the Company. The Subscriber is held as to 90% by Guangdong Shenji Huayuan, a limited partnership in which Shenzhen Infrastructure Investment is a general partner and, through its direct wholly owned subsidiary Shenzhen Shenji Pengcheng, is interested as to 100% of the equity interest as a limited partner. Shenzhen Infrastructure Investment is a direct non-wholly owned subsidiary of SZCDG. As a result, the Subscriber is also a connected person of the Company by virtue of being an associate of SZCDG. Accordingly, the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Subscription exceed 5%, the Subscription is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Put Option

Pursuant to the Investment Agreement, the Seller, China South International and the Target Company granted to the Subscriber the Put Option, pursuant to which the Subscriber is entitled to sell at its discretion all or part of the shares held by it in the Target Company to the Seller and, or China South International from the date falling 54 months after Completion, where any of the Events does not occur, at the Exercise Price. Please refer to the section headed "(II) PUT OPTION" set out in the letter from the Board for further details of the Put Option.

As one or more of the applicable percentage ratios in respect of the grant and the exercise of the Put Option exceed 100%, the grant and the exercise of the Put Option constitutes a very substantial acquisition of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. As discussed above, the Subscriber is an associate of a connected person of the Company. Accordingly, the grant and the exercise of the Put Option therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the grant and the exercise of the Put Option exceed 5%, the grant and the exercise of the Put Option is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

On the exercise of the Put Option by the Subscriber, the Company will make an announcement in accordance with the requirements under the Listing Rules.

The Shareholders' Agreement

In connection with the Investment Agreement, on 16 December 2022, the same date as the Investment Agreement, the Seller, China South International, the Subscriber and the Target Company entered into the Shareholders' Agreement, which sets out the rights and obligations of the shareholders and the governance structure of the Target Company.

Pursuant to the Shareholders' Agreement, the board of directors of the Target Company shall consist of five directors, out of which the Seller shall be entitled to nominate two directors and the Subscriber shall be entitled to nominate three directors (including the chairperson). Furthermore, the Seller and China South International agreed to pledge the Seller's fully diluted 30.65% equity interest in the Target Company in favour of the Subscriber, to secure the performance of all obligations of the Seller, China South International and the Target Company under the transaction documents in respect of the Subscription that the principal amount secured by such equity pledge shall be RMB5,000,000,000, which is equal to the Subscription Consideration.

Please refer to the sections "(III) SHAREHOLDERS' AGREEMENT" set out in the letter from the Board for further details of the Shareholders' Agreement.

2. INFORMATION ON THE PARTIES TO THE AGREEMENTS

(A) The Group, China South International and the Seller

The Group

The Group is principally engaged in property development, including the operation of large-scale integrated logistics and trade centres in China. It provides professional integrated logistics and trading platforms with comprehensive value-added ancillary services and facilities, including but not limited to logistics and warehousing services, property management, outlet operations, e-commerce services, convention and exhibition services. The logistics branch of the Group has subsidiaries in 16 core cities in the PRC and has built more than 1 million square metres ("**sq.m.**") of standardised and modernised e-commerce logistics industrial parks that are already in operation. Additionally, the Group provides comprehensive supply chain integrated logistics solutions and intelligent hardware infrastructure to realise data and internet-based management of project sites.

On property leasing and management, the Group manages residential, shopping malls, wholesale market, and conference and exhibition facilities, and is capable of managing both trade centre premises and residential properties. Additional sources of income are available from projects, including from advertising and exhibitions, temporary space leasing, and parking charges. The Group also focuses on investment, development and construction of project sites, and has developed various types of commercial complexes in a number of projects, including multi-purpose commercial properties and auxiliary facilities in Shenzhen, Nanning, Nanchang, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing. Government service centres, science and education industries, sports industries, and e-commerce industries have been introduced in certain projects.

Capitalising on the Group's unique and flexible business model, proven operational capabilities and extensive experience in co-operating with local governments to support urbanisation and industrial upgrade throughout China, the Group has developed an extensive network with eight projects in different provincial capitals and municipalities across the nation, including Shenzhen, Nanning, Nanchang, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing.

Business and financial performance of the Group

The tabulation below illustrates the breakdown of the Group's principal sources of revenue and profits for each of the three financial years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2021 and 2022:

Table 1 – Financial performance of the Group

	For the year ended 31 March			Six months ended 30 September	
	2020	**2021**	**2022**	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue *(Note 1)*					
Property development	7,475,735	8,543,938	7,353,478	4,483,186	1,649,530
Property investment and management	1,344,130	1,523,386	1,629,290	875,653	950,259
Others	1,067,789	1,241,980	1,328,860	807,412	659,841
Total	**9,887,654**	**11,309,304**	**10,311,628**	**6,166,251**	**3,259,630**
Gross Profit	**4,522,647**	**4,944,205**	**3,025,256**	**2,258,224**	**977,008**
Gross profit margin	*45.7%*	*43.7%*	*29.3%*	*36.6%*	*30.0%*
Other income and gains, or losses	487,217	(20,753)	1,102,162	144,029	34,410
Fair value gains on investment properties	1,677,947	1,054,256	148,244	10,041	19,644
Other general expenses *(Note 2)*	(2,217,052)	(2,575,621)	(2,645,802)	(1,000,553)	(923,996)
Profit before tax	**4,470,759**	**3,402,087**	**1,629,860**	**1,411,741**	**107,066**
Profit for the year	**2,628,148**	**2,415,129**	**759,124**	**656,346**	**256,009**
Net profit margin	*26.6%*	*21.4%*	*7.4%*	*10.6%*	*7.9%*
Profit attributable to owners of the parent	**2,633,141**	**2,415,498**	**760,200**	**656,721**	**256,821**
Earnings per share attributable to ordinary equity holders of the parent					
Basic and diluted *(HK cents)*	32.47	29.85	9.39	8.12	2.42

Sources: *Annual reports and interim report of the Company for the relevant years, or period*

Notes:

1. Based on the 2022 annual report of the Company, the Group's business can be classified into three operating segments, which are the property development segment, property investment and management segment and others segment, which principally consists of the provision of logistics and warehousing services, outlet operations, micro-credit services, e-commerce services and other services.

2. Other general expenses include selling and distribution expenses, administrative expenses, other expenses and finance costs.

– *For the six months ended 30 September 2022 compared to 2021*

The revenue decreased by approximately 47.1% from approximately HK$6,166.3 million for the six months ended 30 September 2021 to approximately HK$3,259.6 million for the six months ended 30 September 2022, mainly due to less sales and delivery of properties during the period.

The gross profit decreased by approximately 56.7% from approximately HK$2,258.2 million for the six months ended 30 September 2021 to approximately HK$977.0 million for the six months ended 30 September 2022 and gross profit margin decreased from approximately 36.6% for the six months ended 30 September 2021 to approximately 30.0% for the six months ended 30 September 2022, mainly due to the decrease in average selling price of properties sold and increase of construction cost.

The other income and gains decreased by approximately 76.1% from approximately HK$144.0 million for the six months ended 30 September 2021 to the gains of approximately HK$34.4 million for the for the six months ended 30 September 2022. Other income decreased from approximately HK$131.3 million for the six months ended 30 September 2021 to approximately HK$50.4 million for the six months ended 30 September 2022, which was mainly due to increase in interest income.

The fair value gains on investment properties increased by approximately 95.6% from approximately HK$10.0 million for the six months ended 30 September 2021 to approximately HK$19.6 million for the six months ended 30 September 2022. During the six months ended 30 September 2022, the fair value gain mainly came from logistics and warehousing assets.

Other gains, or losses turned from the gains of approximately HK$12.8 million for the six months ended 30 September 2021 to other losses of approximately HK$16.0 million for the six months ended 30 September 2022, which was mainly attributable to (i) the fair value losses on financial assets at fair value through profit or loss; and (ii) the losses on exchanges.

The finance costs decreased by approximately 10.7% from approximately HK$315.8 million for the six months ended 30 September 2021 to approximately HK$282.0 million for the six months ended 30 September 2022, which was mainly due to the decrease of borrowings and interest rate during the period.

– *For the financial year ended 31 March 2022 compared to 2021*

The revenue decreased by approximately 8.8% from approximately HK$11,309.3 million for the financial year ended 31 March 2021 to approximately HK$10,311.6 million for the financial year ended 31 March 2022, mainly due to less sales and delivery of properties during the year.

The gross profit decreased by approximately 38.8% from approximately HK$4,944.2 million for the financial year ended 31 March 2021 to approximately HK$3,025.3 million for the financial year ended 31 March 2022, and gross profit margin decreased from approximately 43.7% for the year ended 31 March 2021 to approximately 29.3% for the year ended 31 March 2022, mainly due to the decrease in average selling price of properties sold.

The other income and gains, or losses turned back from losses of approximately HK$20.8 million for the year ended 31 March 2021 to gains of approximately HK$1,102.2 million for the year ended 31 March 2022. Other income increased from approximately HK$264.0 million for the year ended 31 March 2021 to approximately HK$297.9 million for the year ended 31 March 2022, which was mainly due to increase in interest income. Other gains, or losses turned back from losses of approximately HK$284.7 million for the year ended 31 March 2021 to gains of approximately HK$804.2 million for the year ended 31 March 2022, which was mainly attributable to the gains on land resumption.

The fair value gains on investment properties decreased by approximately 85.9% from approximately HK$1,054.3 million for the year ended 31 March 2021 to approximately HK$148.2 million for the year ended 31 March 2022, which was mainly attributable to the decline in commercial properties leasing demand in the midst of the COVID-19 pandemic and depressed macro market environment, resulting in a decrease in fair value gain on investment properties. During the year ended 31 March 2022, the fair value gain mainly came from logistics and warehousing assets.

The finance costs increased by approximately 23.6% from approximately HK$638.4 million for the year ended 31 March 2021 to approximately HK$788.9 million for the year ended 31 March 2022, which was mainly due to the increase of the interest rate of the borrowings during the year ended 31 March 2022.

– *For the year ended 31 March 2021 compared to 2020*

The revenue increased by approximately 14.4% from approximately HK$9,887.7 million for the year ended 31 March 2020 to approximately HK$11,309.3 million for the year ended 31 March 2021. The increase in total revenue was mainly attributable to more sales and delivery of properties and the growth in recurring income during the year.

The gross profit increased by approximately 9.3% from approximately HK$4,522.6 million for the year ended 31 March 2020 to approximately HK$4,944.2 million for the year ended 31 March 2021. The gross margin decreased from approximately 45.7% for the year ended 31 March 2020 to approximately 43.7% for the year ended 31 March 2021, which was mainly due to the increase in cost of properties sold.

The other income and gains, or losses turned from gains of approximately HK$487.2 million for the year ended 31 March 2020 to losses of approximately HK$20.8 million for the year ended 31 March 2021. Other income decreased from approximately HK$414.0 million for the year ended 31 March 2020 to approximately HK$264.0 million for the year ended 31 March 2021, which was mainly attributable to the decrease in government grants. Other gains, or losses turned from gains of approximately HK$73.3 million for the year ended 31 March 2020, to other losses of approximately HK$284.7 million for the year ended 31 March 2021, which was mainly attributable to the fair value losses on financial assets at fair value through profit or loss and losses on disposal of subsidiaries.

The fair value gains on investment properties decreased by approximately 37.2% from approximately HK$1,677.9 million for the year ended 31 March 2020 to approximately HK$1,054.3 million for the year ended 31 March 2021, which was mainly attributable to the decline in commercial properties leasing demand in the midst of the COVID-19 pandemic and depressed macro market environment, resulting in a decrease in fair value gain on investment properties.

The finance costs increased by approximately 23.3% from approximately HK$517.6 million for the year ended 31 March 2020 to approximately HK$638.4 million for the year ended 31 March 2021, which was mainly due to the increase of the interest rate of the borrowings during the year ended 31 March 2021.

Financial position of the Group

A summary of the financial position of the Group as of 31 March 2020, 2021 and 2022 and 30 September 2022 is shown below.

Table 2 – Financial positions of the Group

		As of 31 March		As of 30 September
	2020	**2021**	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current Assets				
Property, plant and equipment and right-of-use assets	2,875,525	1,943,140	1,361,317	1,181,910
Investment properties	50,873,673	55,695,354	57,767,160	51,530,706
Properties under development	1,120,379	2,499,166	1,578,157	1,340,586
Others*(Note 1)*	4,210,573	4,191,199	4,248,329	3,566,933
Sub-total	**59,080,150**	**64,328,859**	**64,954,963**	**57,620,135**
Current Assets				
Properties held for sale	40,065,384	42,259,146	46,693,652	43,778,874
Prepayments, other receivables, and other assets	2,536,396	3,407,024	5,519,728	5,193,076
Cash and bank balances	10,303,541	9,442,782	4,681,068	4,039,928
Others*(Note 2)*	1,448,581	1,105,119	2,538,013	1,812,555
Sub-total	**54,353,902**	**56,214,071**	**59,432,461**	**54,824,433**
Total Assets	**113,434,052**	**120,542,930**	**124,387,424**	**112,444,568**
Current Liabilities				
Trade and other payables	15,589,798	11,281,121	12,049,373	12,110,735
Contract liabilities	15,578,700	16,212,034	15,543,565	11,744,082
Borrowings, notes and bonds*(Note 3)*	14,889,465	16,352,766	20,750,109	13,171,512
Others*(Note 4)*	4,241,087	3,940,282	4,662,803	4,127,197
Sub-total	**50,299,050**	**47,786,203**	**53,005,850**	**41,153,526**

	As of 31 March			As of 30 September
	2020	**2021**	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current Liabilities				
Borrowings, notes, bonds and other long-term payables*(Note 5)*	18,989,999	21,028,719	15,240,680	19,006,762
Deferred tax liabilities	9,265,483	10,431,458	11,050,922	9,869,315
Sub-total	**28,252,482**	**31,460,177**	**26,291,602**	**28,876,077**
Total Liabilities	**78,551,532**	**79,246,380**	**79,297,452**	**70,029,603**
Total Equity				
Equity attributable to owners of the parent	34,832,726	41,278,881	45,073,744	42,400,609
Non-controlling interests	49,794	17,669	16,228	14,356
	34,882,520	**41,296,550**	**45,089,972**	**42,414,965**
Cash ratio (times)*(Note 6)*	**0.20**	**0.20**	**0.09**	**0.10**
Gearing ratio (%)*(Note 7)*	**67.2**	**67.6**	**69.4**	**66.3**

Sources: *Annual reports and interim report of the Company for the relevant years, or period*

Notes:

1. Others include financial assets at fair value through profit or loss, other long-term receivables and deferred tax assets.

2. Others include properties held for finance lease, inventories and trade receivables.

3. Borrowings, notes and bonds include interest-bearing bank and other borrowings, senior notes, medium-term notes and domestic company bones.

4. Others include financial liabilities at fair value through profit or loss and tax payables.

5. Borrowings, notes, bonds and other long-term payables include interest-bearing bank and other borrowings, senior notes, medium-term notes, domestic company bonds and other long-term payables.

6. Cash ratio represents the ratio of cash and bank balances divided by current liabilities.

7. Gearing ratio represents the ratio of the net of borrowings, notes and bonds and cash and bank balances divided by total equity.

– *Total assets*

As of 30 September 2022, the Group recorded total assets of approximately HK$112,444.6 million, which primarily consisted of (i) investment properties of approximately HK$51,530.7 million (31 March 2022: approximately HK$57,767.2 million); (ii) properties held for sale of approximately HK$43,778.9 million (31 March 2022: approximately HK$46,693.7 million); (iii) prepayments, other receivables and other assets of approximately HK$5,193.1 million (31 March 2022: approximately HK$5,519.7 million); and (iv) cash and bank balances of approximately HK$4,039.9 million (31 March 2022: approximately HK$4,681.1 million). Cash and bank balances decreased from approximately HK$4,681.1 million as of 31 March 2022 to approximately HK$4,039.9 million as of 30 September 2022, which were primarily denominated in Renminbi, HK dollars and US dollars.

– *Total liabilities*

As of 30 September 2022, the Group recorded total liabilities of approximately HK$70,029.6 million, which mainly consisted of (i) contract liabilities of approximately HK$11,744.1 million (31 March 2022: approximately HK$15,543.6 million); (ii) trade and other payables of approximately HK$12,110.7 million (31 March 2022: approximately HK$12,049.4 million); (iii) borrowings and bonds of approximately HK$32,178.3 million (31 March 2022: approximately HK$35,990.8 million) (including current borrowings, notes and bonds of approximately HK$13,171.5 million (31 March 2022: approximately HK$20,750.1 million) and non-current borrowings, notes, bonds and other long-term payables of approximately HK$19,006.8 million (31 March 2022: approximately HK$15,240.7 million); and (iv) deferred tax liabilities of approximately HK$9,869.3 million (31 March 2022: approximately HK$11,050.9 million).

– *Gearing Ratio*

The Group's gearing ratio, derived by dividing net debt by total equity, decreased from approximately 69.4% as of 31 March 2022 to approximately 66.3% as of 30 September 2022, which was mainly due to the decrease of balance of borrowings, notes and bonds.

China South International

China South International is principally engaged in development and operation of integrated logistics and trade centres, and is a wholly-owned subsidiary of the Company. The Target Company is indirectly wholly-owned by China South International through the Seller.

The Seller

The Seller is principally engaged in investment holding and directly wholly-owned the Target Company. The Seller is a wholly-owned subsidiary of China South International.

(B) SZCDG, Shenzhen Infrastructure Investment and the Subscriber

SZCDG

Established by the Shenzhen Municipal Government in September 2011, SZCDG is a municipal state-owned enterprise set up for the purpose of accelerating the reform of investment and financing system and promoting the integration process of the Special Zone. In February 2016, the municipal government further clarified SZCDG as the municipal operating entity for infrastructure investment, construction and operation, with its principal activities including infrastructure investment, construction and operation, development, construction and operation of industrial park, strategic emerging industry investment, regional economic cooperation and PPP project implementation. Over the past decade since its establishment, SZCDG has effectively played its role of major infrastructure construction, industrial upgrading and expanding the room of development, and providing support for the industry cooperation.

During the "14th Five-Year Plan" period, SZCDG will adhere to the corporate mission of "a new integrated operator of urban development with a demonstration role around the country" and plays its role as "four cores": infrastructure investment, construction and operation, industrial park development and operation, comprehensive for marine industry development and green environmental protection industry development. SZCDG will carry out the task of regional economic collaboration, and strive to become an integrated operator of new urban development to play an exemplary role across the country, a state-owned strategic carrier to support the building of Shenzhen into a global maritime center city, and a state-owned functional carrier to help Shenzhen build a modern, international and innovative city. SZCDG is committed to becoming one of Shenzhen "100 billion backbone state-owned groups" with high quality, and helping Shenzhen to become an innovative and creative metropolitan for start-ups with global influence and a city example of a modern and strong socialist country.

Shenzhen Infrastructure Investment

Founded in July 2018, Shenzhen Infrastructure Investment is a qualified fund manager (registration number: P1069375) registered with the Asset Management Association of the PRC. Shenzhen Infrastructure Investment is co-invested by three municipal state-owned enterprises, namely, SZCDG (51%), Shenzhen Investment Holding Co., Ltd.* (深圳市投資控股有限公司) (30%) and Shenzhen Capital Group Co., Ltd.* (深圳市創新投資集團有限公司) (19%). With the dual impetus of "regional comprehensive infrastructure fund management + vertical professional infrastructure fund management", Shenzhen Infrastructure Investment strives to be the leader in the supply side structural reform of infrastructure and contributes to the market-oriented development of infrastructure investment funds in the PRC. Shenzhen Infrastructure Investment is responsible for the operation of the Shenzhen Infrastructure Investment Fund* (深圳市基礎設施投資基金), which was officially established in December 2018 with the approval of the Shenzhen Municipal Government. With the initial scale being RMB12 billion, the Shenzhen Infrastructure Investment Fund* (深圳市基礎設施投資基金) aims to further promote the supply side structural reform of infrastructure and attract public capital to participate in the infrastructure construction in Shenzhen. The ultimate beneficiary of Shenzhen Infrastructure Investment is Shenzhen State-owned Assets Supervision and Administration Commission.

The Subscriber

Founded in October, 2022 by related parties of Shenzhen Infrastructure Investment, the Subscriber is a wholly-owned subsidiary of Shenzhen Infrastructure Investment and is principally engaged in investment, information consulting services and industrial park management services.

(C) The Target Group

The Target Company is principally engaged in development and operation of integrated logistics and trade centres.

The Target Company is involved in the Group's projects in Xi'an (i.e., China South City Xi'an) but not involved in any of the Group's other seven projects across mainland China. The development of China South City Xi'an is well underway with a gross floor area of approximately 2.41 million sq. m. completed, and planned construction of a gross floor area of approximately 760,000 sq. m. underway. The Target Company is located at the trade and logistics park in Xi'an and engaged in developing properties, which include trade centres, logistics park commercial complex and residential ancillary, for sale or leasing. As a local key project, the Xi'an international trade and logistics park is an open economic pilot zone and a core area for modern service industry, aiming to become the largest international transit hub and logistics distribution centre along the silk road economic belt and an important strategic platform for the "Belt and Road" initiative. China South City Xi'an is in operation, and covers industries including hardware materials and machinery products, curtains and fabrics, textile and clothing, leather and fur, automobile and motorcycle parts, building and decoration materials, 1668 New Times Square, outlets, cross-border e-commerce, Central Asia and ASEAN product exhibition centre, etc., on its trade centre premises, of which the commercial complex, 1668 New Times Square, was included in Shaanxi Provincial Key Project in 2019 and 2020.

– *Financial performance of the Target Group*

The financial performance of the Target Group (prepared in accordance with the Hong Kong Financial Reporting Standards) for the financial years ended 31 March 2020, 2021 and 2022 and six months ended 30 September 2021 and 2022, are set out in the Appendix II to the Circular and summarised as below.

Table 3 – Financial performance of the Target Group

	For the year ended 31 March			Six months ended 30 September	
	2020	**2021**	**2022**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**721,129**	**1,567,359**	**1,879,650**	**1,202,604**	**414,438**
Gross profit, or loss	**58,544**	**488,320**	**402,717**	**231,799**	**(22,850)**
Gross profit margin	*8.1%*	*31.2%*	*21.4%*	*19.3%*	*N/A*
Profit before taxation	**230,766**	**399,309**	**935,068**	**833,880**	**(101,522)**
Profit, or loss after taxation	**226,906**	**210,609**	**650,040**	**605,239**	**(60,515)**

– *For the six months ended 30 September 2022 compared to 2021*

The revenue decreased by approximately 65.5% from approximately HK$1,202.6 million for the six months ended 30 September 2021 to approximately HK$414.4 million for the six months ended 30 September 2022, mainly due to the decrease in property delivered to customers and decrease in average selling prices of properties sold.

The gross profit, or loss turned from the gross profit of approximately HK$231.8 million for the financial year ended 30 September 2021 to the gross loss of approximately HK$22.9 million for the financial year ended 30 September 2022, mainly due to the decrease in average selling prices of properties sold and increase of construction costs.

The profit, or loss after taxation turned from the profit after taxation of approximately HK$605.2 million for the six months ended 30 September 2021 to the loss after taxation of approximately HK$60.5 million for the six months ended 30 September 2022, which was mainly due to the decrease in revenue as discussed above.

– *For the financial year ended 31 March 2022 compared to 2021*

The revenue increased by approximately 19.9% from approximately HK$1,567.4 million for the financial year ended 31 March 2021 to approximately HK$1,879.7 million for the financial year ended 31 March 2022, mainly due to more sales and delivery of properties the during the year.

The gross profit decreased by approximately 17.5% from approximately HK$488.3 million for the financial year ended 31 March 2021 to approximately HK$402.7 million for the financial year ended 31 March 2022, and gross profit margin decreased from approximately 31.2% for the year ended 31 March 2021 to approximately 21.4% for the year ended 31 March 2022, mainly due to the decrease in average selling price of properties sold and increase of construction cost.

The profit after taxation increased by approximately 208.6% from approximately HK$210.6 million for the year ended 31 March 2021 to approximately HK$650.0 million for the year ended 31 March 2022, which was mainly due to the sale of land use rights located in Xi'an by the local government authority in September 2021, which resulted in a gain of approximately HK$856.4 million.

– *For the financial year ended 31 March 2021 compared to 2020*

The revenue increased by approximately 117.3% from approximately HK$721.1 million for the financial year ended 31 March 2020 to approximately HK$1,567.4 million for the financial year ended 31 March 2021, mainly due to the increase in properties sold.

The gross profit increased by approximately 734.1% from approximately HK$58.5 million for the financial year ended 31 March 2020 to approximately HK$488.3 million for the financial year ended 31 March 2021, and gross profit margin increased from approximately 8.1% for the year ended 31 March 2021 to approximately 31.2% for the year ended 31 March 2021, mainly due to the increase in average selling prices of properties sold.

The profit after taxation decreased by approximately 7.2% from approximately HK$226.9 million for the year ended 31 March 2020 to approximately HK$210.6 million for the year ended 31 March 2021, which was mainly due to the increase in tax expenses.

– *Financial position of the Target Group*

The financial position of the Target Group (prepared in accordance with the Hong Kong Financial Reporting Standards) as at 31 March 2022 and 30 September 2022 are set out in the Appendix II to the Circular and summarised as shown below.

Table 4 – Financial positions of the Target Group

	31 March 2022	**30 September 2022**
	RMB'000	*RMB'000*
Non-current assets	**3,742,926**	**3,587,357**
Current assets	**4,816,397**	**4,946,340**
– Cash and bank balances	87,683	105,885
Total assets	**8,559,323**	**8,533,697**
Non-current liabilities	**624,577**	**357,861**
– Interest-bearing bank and other borrowings	365,000	100,000
Current liabilities	**4,535,058**	**5,969,127**
– Interest-bearing bank and other borrowings	154,000	405,000
Total liabilities	**5,159,635**	**6,326,988**
Net assets	**3,399,688**	**2,206,709**
Equity attributable to the owners of the Target Company	**3,399,688**	**2,206,709**
Cash ratio (times)	**0.02**	**0.02**
Gearing ratio (%)	**12.7**	**18.1**

– *Total assets*

As of 30 September 2022, the Target Group recorded total assets of approximately RMB8,533.7 million, which primarily consisted of (i) investment properties of approximately RMB3,154.0 million (31 March 2022: approximately RMB3,342.0 million); (ii) properties held for sale of approximately RMB3,829.7 million (31 March 2022: approximately RMB3,703.9 million); (iii) prepayments, other receivables and other assets of approximately RMB779.9 million (31 March 2022: approximately RMB807.1 million); and (iv) cash and bank balances of approximately RMB105.9 million (31 March 2022: approximately RMB87.7 million), which were primarily denominated in Renminbi.

– *Total liabilities*

As of 30 September 2022, the Target Group recorded total liabilities of approximately RMB6,327.0 million, which mainly consisted of (i) contract liabilities of approximately RMB1,263.4 million (31 March 2022: approximately RMB1,605.7 million); (ii) due to related companies of approximately RMB2,935.4 million (31 March 2022: approximately RMB1,041.2 million); (iii) trade and other payables of approximately RMB859.5 million (31 March 2022: RMB1,212.9 million); (iv) tax payables of approximately RMB505.8 million (31 March 2022: approximately RMB521.3 million); and (v) interest-bearing bank and other borrowings of approximately RMB505.0 million (31 March 2022: approximately RMB519.0 million), which were primarily denominated in Renminbi.

– *Gearing Ratio*

The Target Group's gearing ratio, derived by dividing net debt by total equity, decreased from approximately 12.7% as of 31 March 2022 to approximately 18.1% as of 30 September 2022, which was mainly due to the decrease in net assets resulting from the increase in the shareholders' loans.

3. REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

As stated in the section headed "REASONS FOR AND BENEFITS" set out in the letter from the Board, the Directors consider the Agreements and the transactions contemplated thereunder will be able to (i) improve the liquidity of the Target Group through its receipt of the Subscription Consideration by way of cash in accordance with the payment schedule under the Investment Agreement; and (ii) provide additional working capital for the Target Group and allow the Target Group to repay existing shareholders' loans of approximately RMB2,860,000,000 provided by the Group to the Target Group, which will in turn provide additional immediate working capital to the Group and reduce the gearing ratio of the Group.

According to the section headed "FINANCIAL IMPLICATIONS AND USE OF PROCEEDS FROM THE SUBSCRIPTION" in the letter from the Board, the proceeds from the Subscriptions are expected to be used by the Target Company for (i) working capital of approximately RMB1.08 billion; (ii) repayment of the shareholders' loans provided by the Group to the Target Group of approximately RMB2.86 billion; (iii) repayment of interest-bearing loans of approximately RMB500.0 million; and (iv) payment of construction fees of approximately RMB560.0 million.

Based on the above, we have further enquired the management of the Company as to the repayment of the shareholders' loans of RMB2.86 billion owed to China South International, a wholly-owned subsidiary of the Company. In particular, (i) the entire amount of RMB2.0 billion from the First Instalment will be used to repay the shareholders' loans owed to China South International, and (ii) the balance of RMB3.0 billion will be used to further repay the shareholders' loan of approximately RMB0.86 billion first, with the remaining to be used for the Target Group as stated above, including working capital, repayment of the bank loans and payment of construction fee. We noted that upon the repayment of shareholders' loan by the Target Group, the Group plans to repay its external borrowings incurred from business operations. As stated in "Table 2 – Financial positions of the Group" above, the borrowings, notes and bonds of the Group which are due within the next 12 months as at 30 September 2022 amounted to approximately HK$13.2 billion, which is more than three times of its cash and bank balances of approximately HK$4.0 billion as at 30 September 2022. As such, it is reasonable that the intended use of proceeds is to repay the shareholders' loan of the Target Group in order to improve liquidity of the Group. Please refer to the sub-sections headed "MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP – Borrowing and Charges on the Group's Assets" of the Appendix I to the Circular for the details of borrowings and charges on the Group's assets as at 30 September 2022.

As advised by the management of the Company, there would be no change in the principal activities of the Remaining Group, and the Remaining Group would still own the remaining seven projects (being its core business) and their respective assets following the Completion. We have then assessed the Remaining Group upon Completion and the impact of the Subscription on the Group. According to the unaudited pro forma financial information set out in the Appendix III to the Circular in relation to the Remaining Group, it is noted that for the year ended 31 March 2022, the Remaining Group's total revenue (before the exercise of Put Option) was approximately HK$8,080.6 million, which represents approximately 78.4% of the Group's revenue. The relatively large portion of net profit after tax contributed by the Target Group to the Group is due to the one-off sale of land use rights to the local government authority during the year ended 31 March 2022 as stated in the section headed "(C) The Target Group" in this letter. As at 30 September 2022, the Remaining Group's total assets, total liabilities and net assets (before the exercise of the Put Option) were approximately HK$108,738.0 million, HK$66,319.7 million and HK$42,418.3 million, which represents approximately 96.7%, 94.7% and 100.0% of the Group's total assets, total liabilities and net assets, respectively. The key assets of the Remaining Group will comprise, among other things, land, commercial and residential properties (including completed properties (held for sale, or finance lease), investment properties, properties under development and properties planned for future development). As advised by the management of the Company and as stated in the letter from the Board, the Remaining Group would continue to expand and improve its core businesses such as the trade and logistic business by, *inter alia*, acquiring additional lands and properties for further development, upgrading and optimising the existing project sites, and introducing high-quality brands and improving quality of the existing project sites, subject to market conditions, future capital commitment and its financial situations. Based on the letter from the Board, the business plan of the Group after the Subscription is to further focus on its remaining seven projects (being its core business) and in particular China South City Shenzhen which is located in the Greater Bay Area and for part of which the Company intends to implement an urban renewal. As mentioned in the 2022 annual report of the Company, the overall layout of the Company highly adheres to major national development strategies such as the "Guangdong-Hong Kong-Macao Greater Bay Area", and under the top-level design and strategic deployment of the central government for the reform, the Company will expand and strengthen its trading and logistics industry in close compliance with the industrial policies of the central government and local governments in a bid to build a special consumption centre in the Greater Bay Area. Based on the above, it is therefore reasonable to infer that the remaining assets are sufficient to sustain the business of the Group after Completion.

As stated in the section headed "5. POSSIBLE FINANCIAL EFFECTS OF THE GROUP UPON COMPLETION" in this letter, the cash ratio would have increased from approximately 0.10 times to 0.19 times after Completion as at 30 September 2022, and the gearing ratio would have decreased from approximately 66.3% to 57.8% after Completion as at 30 September 2022. Please refer to the sections headed "5. Potential financial effects of the Group upon Completion" in this letter and Appendix III to this Circular for further details of pro forma information on the Remaining Group.

In addition, the Directors consider that the further cooperation with SZCDG, i.e. the Subscription, demonstrate the continuous support from SZCDG on the Group's operation and development, which will in turn increase the confidence of investors and financial institutions to the Group. According to the 2022 annual report of the Group and the equity transfer agreement as set out in the circular of the Company dated 25 August 2022, the affiliated group of SZCDG and the Group have entered into several long-term strategic development agreements even prior to the introduction of the state-owned enterprise as a substantial Shareholder since May 2022. Moreover, SZCDG and the Group entered into an equity transfer agreement dated 15 July 2022, whereby the Group transferred 50% of the interests in a wholly-owned subsidiary principally engaged in the provision of the property management services to SZCDG. Under such cooperative relationship with SZCDG, it is reasonable to expect the Investment Agreement (including the Put Option) and Shareholder Agreement shall serve as a continuous support by SZCDG towards the operation and development of the Group by the provision of capital and cooperation through the Subscription.

Also, the Directors save for Mr. Li Wenxiong, Mr. Wan Hongtao and Mr. Qin Wenzhong, who are Directors nominated by SZCDG and Ms. Shen Lifeng who is also an external independent director of SZCDG, consider that the Put Option, which is part and parcel of the Investment Agreement, will allow the Subscriber to exit from, and the Group to repurchase, the Subscription Shares (which are the subject of the Investment Agreement) on terms which are acceptable to both the Subscriber and the Group. We have reviewed the terms of Put Option, including the Exercise Price and concur that the Put Option is generally acceptable. Please refer to the section headed "(B) PUT OPTION" set out in this letter for our analysis regarding the Put Option.

Given the above, we consider it would be reasonable to expect both the Group and the Target Group would improve their respective liquidities through the receipt of the Subscription Consideration. Also, the continuous cooperation between SZCDG and the Group should be favourable on the Group's business development and financial conditions, which may help increase the confidence of the investors and financial institutions to the Group. Moreover, the Put Option will allow the Subscriber to sell, and the Group to repurchase the Subscription Shares on acceptable terms.

Our further consideration

Property development is a heavy asset industry that has a high upfront capital requirement. In order to effectively control the degree of leverage and mitigate the liquidity risks, the Peoples' Bank of China (中國人民銀行) and the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) imposed the "Three Red Lines" (三道紅線) regulatory requirements on PRC property developers in August, 2020. If the developers fail to meet one, two, or all of the Three Red Lines, regulators would then place limits on the extent to their debt financing activities.

The PRC's property market has been under unprecedented pressure since the introduction of these regulatory requirements, as many PRC property developers found themselves in breach of at least one of the Three Red Lines. It follows that incidents of defaults have occurred given the increasing difficulty for such property companies to obtain additional financing. As advised by the management of the Company, the Group had raised fund through bonds issues and bank borrowings in the past few years, yet such funding activities would improve the Group's liquidity at the expense of its gearing, which would adversely affect the financing activities in the long run as the high degree of leverage will lead to higher borrowing rates and increased difficulties to obtain further funds. In addition, the severe downturn of the PRC property industry and several defaults of certain major PRC property developers during the years of 2021 and 2022 have made raising external capital difficult. As a result, as stated above, the Subscription will be able to allow the Target Group to repay existing shareholders' loans provided by the Group to the Target Group, which serves as a mean to raise fund for the Group. As such, the Subscription is expected to improve the liquidity and lower the gearing ratio of the Group at the same time as stated in the section headed "5. POSSIBLE FINANCIAL EFFECTS OF THE GROUP UPON COMPLETION" in this letter. It is therefore reasonable to infer that the Subscription is an alternative and a more preferred financing method by the Group to raise immediate capital for funding the Target Group and the Group during this difficult period of time.

Furthermore, the National Bureau of Statistics (國家統計局) assigned a National Property Development Market Business Index (the "**Index**") of 94.42 for November 2022, which decreased by more than 6 percentage points as compared to 100.45 for November 2021. The Index uses the data of 2012 as the base year and is calculated after taking into account multiple factors such as property development investment, capital, sales area and sales value etc., which is used as an indicator of the prospect of PRC property market. According to the National Bureau of Statistics, under normal circumstances, 100 points is the most appropriate level; 95-105 is considered a moderate level; below 95 or below is deemed pessimistic, and 105 or above is regarded optimistic. With reference to the above, the Index of 94.42 as at November 2022 demonstrates that the sentiment of PRC property market is rather weak.

The National Bureau of Statistics also disclosed a set of data, in which all key indicators, including (i) the PRC's property development investment; (ii) total property sales by transaction value; and (iii) the total property sales by floor area during the first 11 months of 2022 experienced drops. The summary is set out in the table below:

Table 5 – Key indicators of PRC property industry for the first 11 months of 2022

	Residential property *(RMB billion)*	**Office building** *(RMB billion)*	**Commercial property** *(RMB billion)*	**Total** *(RMB billion)*
Property development investment	9,401.6	482.6	984.5	12,386.3
Year-on-year change	*–9.2%*	*–11.3%*	*14.5%*	*–9.8%*
Total property sales by transaction value	10,418.8	384.3	725.7	11,864.8
Year-on-year change	*–28.4%*	*–2.7%*	*–10.1%*	*–26.6%*
	(Million sq.m.)	*(Million sq.m.)*	*(Million sq.m.)*	*(Million sq.m.)*
Total property sales by floor area	1,027.27	28.2	72.34	121.25
Year-on-year change	*–26.2%*	*–0.3%*	*–3.9%*	*–23.3%*

Source: National Bureau of Statistics

Moreover, the National Bureau of Statistics indicated that in November, 2022, among the 70 large and medium sized cities, 51 cities saw the sale prices of new properties dropped; and 62 cities saw the sale prices of second-hand properties dropped. In particular, the sale prices of new and second-hand properties in first tier and second tier cities dropped by approximately 0.2% and 0.4% respectively, compared to October, 2022. Xi'an as a second-tier city in the PRC, is therefore likely to exhibit a more difficult market condition as compared with first tier cities.

As stated in the section headed "TREND OF BUSINESS, AND FINANCIAL AND TRADING PROSPECTS OF THE GROUP" in the Appendix I to the Circular, China's real estate continued to face considerable downward pressure, with slowdown in housing sales, sluggish investment intentions by enterprises, a continuously tightening financing environment, stagnant domestic and foreign financing and significantly higher financing costs, the Group is subject to the ongoing impact of the domestic and external financing environment and the market downturn, which has increased operational difficulties and uncertainties in its future development. As a result, having considered (i) the overall regulatory environment of the property developers in the PRC is not favourable in terms of debt financing activities; (ii) the overall current market conditions of the PRC property industry are still in the downward trend; and (iii) a portion of the approximately RMB2.86 billion of the Subscription Consideration will be intended to repay the external borrowings of the Group, the Subscription is reasonable and in line with the Group's financing strategy, which targets to improve the liquidity through the receipt of Subscription Consideration by way of cash.

4. PRINCIPAL TERMS OF THE INVESTMENT AGREEMENT, THE PUT OPTION AND THE SHAREHOLDERS' AGREEMENT

Please refer to the sections headed "(I) INVESTMENT AGREEMENT", "(II) PUT OPTION" and "(III) SHAREHOLDERS' AGREEMENT" set out in the letter from the Board for details of the principal terms of the Investment Agreement, Put Option and Shareholders' Agreement, respectively.

(A) The basis of determining the Subscription Consideration and our analysis

As set out in the letter from the Board, the Subscription Consideration of RMB5,000,000,000 for the Subscription Shares, which represents approximately 69.35% shareholding in the Target Company upon Completion, was determined based on arm's length negotiations with reference to the Business Equity Value of approximately RMB2,210 million as at 30 September 2022, which is the pre-subscription appraised value of 100% equity interest of the Target Company as stated in the Equity Valuation Report issued by the Valuer. Upon Completion, the equity value of the Target Company will be increased to approximately RMB7,210 million (the "**Enlarged Equity Value**"), being the total amount of Business Equity Value and the Subscription Consideration.

The Valuer's background, qualifications, and experiences

We have interviewed with the Valuer and conducted an enquiry as to their qualifications and experiences, as well as its independence. We have performed work as required under note (1)(d) to the Listing Rule 13.80 in relation to the Valuer and its work as regards the Business Equity Value.

According to our interview and the information provided by the Valuer, we note that the Valuer is an appraisal firm established since 2013 under the Shenzhen Administration for Market Regulation (深圳市市場監督管理局) with relevant experiences in undertaking appraisals for equity transactions in the PRC. The signing and contributing appraisers of the Equity Valuation Report, Ms. Yang Jing and Mr. Jiang Jianguo, are both certified by the China Appraisal Society (中國資產評估協會). Ms. Yang Jing and Mr. Jiang Jianguo have over 20 years and over 15 years of experience, respectively, in financial and business valuation in the PRC. As such, we are of the view that Ms. Yang Jing and Mr. Jiang Jianguo are qualified, experienced, and competent in performing business valuations and providing a reliable opinion in respect of the Equity Valuation Report. Please refer to Appendix IV for the details of the professional qualifications of the appraisers above.

We have also enquired with the Valuer as to its independence and have been given to understand that the Valuer is independent from the Group, the Subscriber and their respective connected persons. The Valuer also confirmed to us that it was not aware of any relationship or interest between itself and the Group or any other parties that would reasonably be considered to affect its independence to act as an independent valuer for the Group and the Subscriber. The Valuer confirmed to us that apart from normal professional fees payable to it in connection with its engagement for the issuance of the Equity Valuation Report and Property Valuation Report, no arrangements exist whereby it will receive any fee or benefit from the Group, the Subscriber and its respective associates.

Furthermore, we note from the engagement letter entered into between China South International and the Valuer that, the scope of work was appropriate for the Valuer to form the opinion required to be given and there were no limitations on the scope of work which might adversely impact the degree of assurance given the Valuer in the Equity Valuation Report and the Property Valuation Report.

Valuation methodology

The asset-based approach was adopted in the Equity Valuation Report, which is based on the assessment of the overall asset value with the amount of investment needed to re-build an enterprise identical to the valuation target as at the appraisal date. In particular, the equity value of the valuation target is arrived at by summing up the market values of each component asset forming the enterprise and then deducting the market values of its liabilities.

We have further discussed with the Valuer on their valuation methodologies and understand that the Valuer had also considered the other generally accepted valuation approaches, namely, the income approach and the market approach in appraising the Business Equity Value. However, we have been given to understand that (i) the income approach was not adopted because the Target Company's future earnings is highly subject to the management's discretion as to whether to sell completed property projects upon completion or hold for long-term holding (such as rental income) depending on the changing economic conditions and business plan, and hence will be difficult to be estimated; and (ii) the market approach was not adopted because, while there are a number of real estate development companies in the PRC, the Valuer noted it would be difficult to find comparable companies that are similar to the Target Company in terms of asset scale and structure, business scope and profit level.

As there are sufficient statistics and data which serve as a basis and foundation for justifying the selection of the economic and technical parameters of assets involved and having reviewed each of the balance sheet items of the Target Company as at 30 September 2022, the Valuer considers, and we concur, that as the Target Company's assets and liabilities, mainly including completed property projects, properties under development, and investment properties are identifiable, it is appropriate to adopt the asset-based approach to appraise the Business Equity Value.

In order to assess the fairness and reasonableness of the valuation for Equity Valuation Report, we have reviewed the Target Group's unaudited financial accounts prepared by the PRC auditors (the "**PRC Auditors' Report**"), which was adopted for the preparation of the Business Equity Value, and further discussed with the Valuer regarding the values of the Target Group's assets and liabilities. As advised by the management of the Company, since the financial statements of the PRC Auditors' Report were prepared in accordance with PRC standards on accounting, there were discrepancies on certain financial figures with those in the financial statements prepared by the reporting accountants of the Group (the "**HK Auditors' Report**"), which was prepared in accordance with Hong Kong Accounting Standards and was set out in Appendix II to this Circular.

As advised by the Directors, the PRC Auditors' Report was prepared for the purpose of preparing the Equity Valuation Report as both Target Group and the Subscriber are based in the PRC, and certain requirements would be imposed for the Subscription and the transactions contemplated thereunder (i.e. the determination of the Subscription Consideration), including (i) valuation of the Target Group by a valuation agency with a PRC securities business license in accordance with relevant national requirements; (ii) filing of the valuation results in accordance with the state-owned assets administration requirement; and (iii) the approval of the Subscription by relevant state-owned assets supervisory authorities or through resolutions by relevant state-funded enterprise(s) in accordance with state-owned assets administration requirements. Accordingly, the basis for the valuation under the Equity Valuation Report was prepared with reference to the PRC Auditors' Report, and adopted by the Valuer, to satisfy the requirements of the relevant state-owned assets administration requirements.

The total assets of the Target Group in the PRC Auditors' Report amounted to approximately RMB9,578 million as at 30 September 2022, in which the current assets and non-current assets amounted to approximately RMB7,086 million and RMB2,492 million, respectively. The current assets mainly consisted of (i) inventories of approximately RMB5,759 million; (ii) receivables of approximately RMB812 million; (iii) prepayments of approximately RMB407 million; and (iv) cash and bank deposits for of approximately RMB106 million. The non-current assets mainly consisted of investment real estate of approximately RMB2,483 million, which represented more than 99% of the total non-current assets. Based on our discussion with the Valuer, it is given to understand, and we considered to be reasonable, that save for the projects under development, assets including completed property projects and investment properties were measured by fair value as short-term assets are liquid that can be realised within a short period of time. With regards to projects under development, the cost approach was adopted that their expected values are, the sum of land cost, construction cost invested, various taxes and expected profits.

On the other hand, the total liabilities of the Target Group amounted to approximately RMB8,434 million as at 30 September 2022, in which the current liabilities amounted to approximately RMB7,628 million that represented more than 90% of the total liabilities. The current liabilities mainly consisted of (i) receipts in advance of approximately RMB2,587 million; (ii) payables and other payables of approximately RMB3,306 million; and (iii) dividend payables of approximately RMB1,280 million. The non-current liabilities mainly consisted of (i) long-term borrowings of approximately RMB329 million; and (ii) deferred income tax liabilities of approximately RMB300.9 million. Based on our discussion with the Valuer, it is given to understand, and we considered to be reasonable, that the appraised value of the current liabilities reflects the amounts owed by the Target Group as at the date of valuation and is equivalent to its book value, and we concur as current liabilities are expected to be settled within a short period of time.

We have reviewed both the PRC Auditors' Report and HK Auditors' Report and noted that (i) the total assets of approximately RMB9,578 million of the Target Group in the PRC Auditors' Report were greater than those of approximately RMB8,534 million in the HK Auditors' Report by approximately 12.2%; and (ii) the total liabilities of approximately RMB8,434 million of the Target Group in the PRC Auditors' Report were also greater than those of approximately RMB6,327 million in the HK Auditors' Report by approximately 33.3%. As a result, the net assets of the Target Group in the PRC Auditors' Report were approximately RMB1,144 million as at 30 September 2022, which were less than those of approximately RMB2,207 million in the HK Auditors' Report as at 30 September 2022 by approximately 48.2%. Despite the discrepancies due to the adoption of different accounting standards as discussed above, we noted that the Business Equity Value of approximately RMB2,210 million as at 30 September 2022 is substantially in line with the net asset value of approximately RMB2,207 million in the HK Auditors' Report as at 30 September 2022.

As discussed above, we understood from the Valuer, that the values of the consolidated assets and liabilities of the Target Group were assessed in carrying out the valuation for the Equity Valuation Report using the asset-based approach. According to the Equity Valuation Report, the value of the Target Company's assets for various types of property assets held by the Target Company (the "**Properties**") as at 30 September 2022 as appraised by the Valuer was approximately RMB9,188.8 million, which was arrived at by adopting a combination of the market approach and cost approach (as discussed below). Please further refer to Appendix IV in the Circular for details of the Equity Valuation Report.

Based on our discussions with the management of the Company and the Valuer, we noted that the Property Valuation Report of Appendix V to the Circular was further prepared to satisfy certain requirements in accordance with the Listing Rules, which require the effective date of the valuation of properties must not be more than three months of the date of the relevant circular. Nonetheless, given the fact that property represents a substantial asset value of the Target Company, the Company also considered the valuation of Properties as stated in the Property Valuation Report. As stated in the letter from the Board, the Directors have considered the detailed experience of the relevant signing and contributing valuers in conducting property valuation of similar nature, the rules and regulations applicable to such appraisers and the Valuer and the comparability of the Code for Real Estate Appraisal issued by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) with the HKIS property valuation standards referred to in Rule 5.05 of the Listing Rules, and are of the view that such valuers are competent for the purpose of issuing the Property Valuation Report. Based on our further review of the Property Valuation Report, we noted that the same valuation approaches had been adopted in carrying out the valuation of the Properties under the Property Valuation Report as that of the Equity Valuation Report. Given the value of each Properties, as of 30 September 2022, had already been appraised as stated in the Equity Valuation Report, we therefore view that the Property Valuation Report serves as an update of the valuation of the Properties as of 25 November 2022. As disclosed in the Property Valuation Report, the appraised value of the Properties as at 25 November 2022 was RMB8,463,199,719, representing a decrease of RMB725,601,421.39 from the appraised value of approximately RMB9,188,801,140.39 as at 30 September 2022, being the appraised value of the Properties in the Equity Valuation Report as stated above.

We have discussed with the Valuer the approaches and assumptions used in arriving at the valuation of the Properties. Details for each of the property valuation approaches adopted in the Equity Valuation Report are summarised below:

Types of property interests	**Valuation approach(es) used**
Completed property projects (the "**Completed Property Projects**"), and investment properties (the "**Investment Properties**") and other real properties (the "**Other Real Properties**")	Market approach (the "**Market Approach**") by referencing market comparable transactions available and assumed sale of property interests with the benefit of vacant possession.
Property projects under development (the "**Property Projects Under Development**")	Cost approach (the "**Cost Approach**") which provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

When valuing the Completed Property Projects, Investment Properties and Other Real Properties, the Valuer had identified and analysed at least three relevant sales evidences in the locality which had similar characteristics as the properties under appraisal for each property under appraisal. The selected comparable properties were residential units, office units, commercial units and car parking spaces within the same development or building of the subject properties and other developments located in the area close to the subject properties with similar building conditions and facilities as the subject properties, which were transacted within the past two years from the date of valuation of the Properties. After appropriate adjustments and analysis were considered to the differences in location, size and other characteristics between the comparable properties and the subject properties, we understand that the Valuer had multiplied the respective assumed unit rate for different types of Completed Property Projects, Investment Properties and Other Real Properties with their respective size of area. Further, given the real estate market is a traditional industry and there exists sufficient samples of publicly available comparable sales transactions for analysis, we concur with the Valuer that these comparable sales transactions would provide good benchmarks on the valuation of the Properties. Accordingly, the aggregate appraised values of the Completed Property Projects, Investment Properties and Other Real Properties, amounted to approximately RMB768 million, approximately RMB1,991 million and approximately RMB17 million, respectively, as at 30 September 2022.

Based on our discussion with the Valuer, for the valuation of the Completed Property Projects and the Investment Properties, we understand that the Valuer had also considered the other generally accepted valuation approach, namely, the income approach. Nonetheless, given the publicly available data on comparable sales transactions used under this approach, the Valuer considered the adoption of the market approach more appropriate than the income approach as it would provide a more objective result. We also understand that the comparable sales transactions were mostly obtained from online public data, which included land sale records collected by the PRC government and sale records of residential and commercial units and car parks collected by local property agencies. As confirmed by the Valuer, these comparable sales transactions represent an exhaustive list to the best of their knowledge. Accordingly, we considered that the selection of the comparable sales transactions used in the valuation is fair and reasonable.

When valuing the Property Projects Under Development, we understand from the Valuer that the Cost Approach was used on the basis that it generally furnishes the most reliable indication of value for assets without a known secondary market and where its future economic benefits remain uncertain, namely, in this case, the relevant projects which are not yet completed nor at a stage where economic benefits can be elicited. Based on our discussions with the Valuer and review of the cost schedules, we understand the appraised value is derived by the sum of, among other things, land costs, invested construction costs, management costs, sales costs, investment interests, various relevant tax costs and expected profits. Accordingly, the aggregate appraised values of Properties Under Development amounted to approximately RMB6,414 million as at 30 September 2022.

As set out in the Property Valuation Report and advised by the Valuer, the Valuer had been provided by the client (i.e. China South International) with the copies of title documents, including the Real Estate Ownership Certificate, State-owned Construction Land Use Right Transfer Contract, Appraisal Entrustment Letter, Appraisal Asset List, Real Estate Registration Book of the Properties. On top of the review of the copies of title documents, the Valuer also carried out independent search on the ownership status of the Properties through Xi'an Real Estate Registration Center for due diligence. However, the Valuer had not verified any material encumbrances that might be attached to the Properties and had relied considerably on the legal opinion provided by China South International's PRC legal adviser, namely Shanghai AllBright Law Offices (Shenzhen) Law Firm (錦天城律師事務所), concerning the material encumbrances of the Properties.

Valuation assumptions

We have reviewed the Equity Valuation Report and understand that it was prepared based on a going concern basis to evaluate the market value, which is known as "the estimated amount for which an asset should exchange on the appraisal date between a willing buyer and a willing seller in an arm length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion." Based on our discussion with the Valuer, we have not identified any major factors which would lead us to cast doubt on the fairness and reasonableness of the valuation methodology and the principal basis and assumptions adopted in arriving at the Business Equity Value. Since no unusual matters had come to our attention that led us to believe that the Equity Valuation Report was not prepared on a reasonable basis, we believe that the valuation represents the fair value of the Business Equity Value and forms a fair and reasonable basis for our assessment on the Consideration.

Further, we note the valuation of the Properties was made on the assumption that (i) the Properties are sold in the market in their existing state without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which might serve to affect the values of the properties; (ii) no account has been taken of any option or right of pre-emption concerning or effecting sale of the properties and no forced sale situation in any manner is assumed in the valuation; and (iii) in valuing the Properties, the Valuer has relied on the advice given by the Group that the Group has valid and enforceable titles to the properties which are freely transferable, and have free and uninterrupted rights to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent or land use fees, and all requisite land premium or purchase consideration payable have been fully settled. We noted from the Valuer that these assumptions are commonly adopted in the valuation of properties. Given that we consider it objective and appropriate to appraise the Properties the same way as other similar properties on an open market, and that nothing material has come to our attention, we are of the view that these valuation assumptions are fair and reasonable.

Conclusion

Given (i) the Subscription Consideration of RMB5,000 million was determined based on arm's length negotiations with reference to the Business Equity Value and is in line with the equivalent value of 69.35% of the total amount of Business Equity Value as stated in the Equity Valuation Report; (ii) the asset-based approach was used to value the Business Equity Value of the Target Company as the major assets owned by the Target Company are real estate assets with sufficient statistics and data which serve as a basis and foundation for justifying the selection of the economic and technical parameters of units involved; (iii) the asset-based approach is a common approach in valuing the Business Equity Value; and (iv) the Valuer has sufficient experience and competency to perform the valuations of the Properties; we consider that the valuation of the Properties and the Business Equity Value and the corresponding Subscription Consideration is justifiable.

(B) Put Option

As stated in the letter from the Board and pursuant to the Investment Agreement, the Seller, China South International and the Target Company granted to the Subscriber the Put Option, pursuant to which the Subscriber is entitled to sell at its discretion all or part of the shares held by in the Target Company to the Seller and, or China South International from the date falling 54 months after Completion, where any of the Events does not occur, at Exercise Price. The major terms of the Put Option are summarised as follows:

The Events

Event 1	Within 54 months after Completion, four pieces of land numbered GW2-(16)-1, GW2-(18)-6, GW2-16-4 and GW2-16-5 (collectively, the "**Target Lands**") having been repurchased by the government, with the repurchase amount being not less than RMB2,000,000,000; or the Target Company having developed such four pieces of land, with the net cash inflow from the development being not less than RMB2,000,000,000.

Event 2	Within 54 months after Completion, certain construction projects held by the Target Company (the "**Selected Projects**") having been completed and accepted, and reached the saleable standard, with the sales proceeds from such construction projects being not less than RMB4,500,000,000. The relevant construction projects are construction projects in (i) A, B, C and D zones of 1668 New Times Square, which are commercial complexes with residential ancillaries; (ii) B, D and E zones of wholesale markets for hardware materials and machinery products (the "**Wholesale Market**"); and (iii) trade centre premises, complementary with various facilities and services on site, such as banking and finance, hotels and wholesale markets for home furnishing and construction materials (the "**Commercial Center**").
Event 3	Within 54 months after Completion, the property development project of 1668 New Times Square held by the Target Company having achieved a net cash inflow of not less than RMB90,870,000, an after-tax profit margin of not less than 7.4%, a sales profit margin of not less than 6.9%, a dynamic payback period of not more than 54 months for all funds invested in the project and an internal rate of return of not less than 11.2%.
Event 4	Within four calendar years after Completion (i.e., 2023, 2024, 2025 and 2026), the average net profit of the Target Company having been not less than RMB300,000,000 per annum and the average distributable cash flow of the Target Company having been not less than RMB300,000,000 per annum.
Event 5	There exists no fraud, material misunderstanding or material omission in any information provided by the Target Company, the Seller or China South International to the Subscriber, which has had a material adverse impact on the operation of the Target Company.

The Exercise Price

The Exercise Price shall be calculated based on the following formula and be settled in cash:

Exercise Price = A + A x B x C / 360 – D

Where:

A = Subscription Consideration actually paid by the Subscriber

B = a return rate of 6.0% (the "**Return Rate**")

C = actual number of days from the date on which the Subscription Consideration is paid by the Subscriber to the date on which the Exercise Price is received by the Subscriber

D = dividend of the Target Company distributed to and actually received by the Subscriber (if any)

Please refer to the section headed "(II) PUT OPTION" set out in the letter from the Board for further details of the Put Option.

Our analysis

As advised by the management of the Company, the terms of Put Option are commercially agreed and arrived at after arm's length negotiation among the parties to the Investment Agreement. In particular, we noted that the management of the Company has made reference to, among others, (i) the current conditions of each project in the Target Group, including the progress, development scale and type of the properties; and (ii) the historical transactions of the completed projects and prior land resumption agreement with the local government authority. Accordingly, we have reviewed the relevant details to assess the reasonableness and achievability of the Events.

– *Event 1*

As stated in the subsection headed "The Target Company – Financial performance of the Target Group" in this letter, the profit after taxation of the Target Group increased significantly by approximately 270.5% to approximately RMB603.5 million for the year ended 31 March 2022 mainly due to the repurchase of land use rights of a piece of land held by the Target Group (the "**Repurchased Land**") by the local government authority. We have therefore reviewed the relevant agreement in relation to the Repurchased Land which took place in September, 2021, and we understood from the management of the Company that the Repurchased Land is comparable to the Target Lands in terms of the location and type of land use rights as both Target Lands and the Repurchased Land are for commercial uses and located adjacent, or, diagonally to each other in the same area. Furthermore, we noted that the appraisals of Target Lands in the Valuation were also based on the price per sq.m. under the repurchase of Repurchased Land. Accordingly, it is acceptable for the Company to estimate the price per sq.m. to be obtained for the sales of the Target Lands to the local government should be similar to that of the Repurchased Land which would result in the potential value of the Target Lands to be approximately RMB2 billion and that Event 1 could reasonably occur. As further advised by the management of the Company, the Company has had discussions with the local government on the possible repurchase of the land use rights of the Target Lands. Depending on the future market conditions and the Target Group's financials, the management of the Target Company may instead develop the Target Lands if it is estimated to have better profitability than the sale of the land use rights.

– *Event 2*

With regards to Event 2, we obtained from the Company the construction schedule, construction progress and the sales plan of the Selected Projects in order to assess whether the Selected Projects could reasonably be completed and accepted within 54 months after Completion as stipulated under Event 2. We noted that (i) properties in A zone of 1668 New Times Square, Wholesale Market and Commercial Center have been completed between January, 2013 and March, 2022; (ii) properties in A, C and D zones of the 1668 New Times Square, Wholesale Market and Commercial Center Wholesale Market have been leased and, or, sold; and (iii) properties in C and D zones of 1668 New Times Squares are estimated to be completed by June, 2023, while B zone of 1668 New Times Squares are estimated to be completed by June, 2025.

To assess the reasonableness of meeting the requirement regarding sales proceeds from Selected Projects being not less than RMB4.5 billion under Event 2, we have therefore reviewed all historical unit prices of the properties sold under 1668 New Times Square, Wholesale Market and Commercial Center in 2022, which we consider as appropriate period for our reference given that the Agreements were entered in 2022 and the transactions in 2022 were sufficient to illustrate a representative average unit price. Set out below is the summary of the historical unit prices of the Comparable Properties in 2022:

Table 6 – Historical unit price of Selected Projects in 2022

Project	**Type**	**Average unit price** *(RMB per sq.m.)*
1668 New Times Squares	Residential	8,259
	Commercial	17,799
Wholesale Market	Commercial	5,723

Source: The Company

We have further enquired the management of the Company on the basis of the sales plan in relation to the sales pipeline of the Selected Projects and noted that the sales plan relies on the management's expertise in the PRC property market, which takes into account the usual historical sales and conditions of the Target Company. Since the Group has been engaged in PRC property industry for more than two decades, it is reasonable to expect the management has sufficient experience and we were not aware of any concerns to doubt the said sales plan during our review.

Based on the sales plan and the historical average unit price of the Selected Projects stated in the table 6, the estimated sales of the unsold properties under the 1668 New Times Square project would be not less than RMB4.5 billion. As such, the requirement for sales proceeds from Selected Projects reaching not less than RMB4.5 billion is acceptable. Shareholders should note that the analysis in relation to Event 2 above is for illustrative purpose, which does not purport to represent the financial performance of the Target Group within 54 months after Completion.

– *Event 3*

As stated in the analysis in relation to Event 2, a portion of the 1668 New Times Square has been completed and has been leased and, or, sold (the "**1668 Comparable Properties**"). As advised by the management of the Company, the entire 1668 New Times Square is planned as a whole, and therefore it is acceptable to consider each individual property under the 1668 New Times Square is generally comparable among themselves in terms of grade and budgeting, and thus it can be viewed uniformly. Therefore, the financial performance of the 1668 Comparable Properties could serve as a reference of that of the entire 1668 New Times Square as a whole. As such, we have reviewed the relevant financial performance of the 1668 Comparable Properties provided by the Company and noted that the after-tax profit margin and the sales profit margin were not less than 7.4% and 6.9%, respectively.

On the other hand, the other three requirements under Event 3, i.e. the net cash inflow, dynamic payback period and internal rate of return, can only be fairly assessed based on the performance of the entire 1668 New Times Square project, and thus we have reviewed the corresponding budgeting plan provided by the Company, which includes its basis and assumptions. Similar to the sales plan stated in the analysis of Event 2, the budgeting plan is based on expertise of the management of the Company in the property development sector and we are not aware of any concerns to doubt the budgeting plan during the review, and thus it is reasonable for our assessment to rely on the information therein. Shareholders should note that the information disclosed below only involves a portion of the items (i.e. the estimated budgeting of the 1668 New Times Square project) that does not represent an estimation of the financial performance of the Target Group within 54 months after Completion.

According to the budgeting plan up to June, 2027, the 1668 New times Square is expected to incur net cash inflows of not less than RMB90,870,000, which also implies the dynamic payback period to be less than 54 months after the Completion. Also, we noted that the internal rate of return is expected to be not less than 11.2%. As such, we agree with the Company that it is reasonable that the net cash inflow, payback period and internal rate of return requirements would reasonably occur.

– *Event 4*

Should Event 1 take place (i.e. the Target Company having sold the Target Lands to the local government or developed them, with the cash inflow from the sale or development being not less than RMB2 billion), it is expected that the average net profit and average distributable cash flow per year within the four calendar years after Completion required under Event 4 would also reasonably occur. Shareholders should note that the analysis below in relation to Event 4 is for illustrative purpose, which does not purport to represent the financial performance of the Target Group within 54 months after Completion. Also, the information detailed below only involves the net income from the sale of Target Lands and net receipts in advance that does not represent an estimation of the financial performance of the Target Company.

According to the information provided by the Company, we noted that (i) the required repurchase price offered by the local government authority or development under Event 1 is estimated to be not less than approximately RMB2 billion as stated above; (ii) the estimated taxation regarding the sales of land use rights is estimated to be approximately RMB375.7 million; (iii) the cost of acquisition regarding Target Lands was approximately RMB523.5 million; and (iv) the net receipts in advance as at 30 September 2022 is estimated to be approximately RMB452.8 million. Also, as advised by the management of the Company, the Target Company is not expected to commence any projects or set the selling and leasing prices that would expect to incur losses, and thus the lowest profit margin and net cash flow to be incurred by the projects of Target Company are reasonably assumed not to be lower than zero.

Based on the said information and assumptions, the sale of the land use rights regarding the Target Lands and existing net receipts in advance alone could result in (i) the aggregate net profit of approximately RMB1.6 billion, being the sum of all items stated above; and (ii) distributable cash flow of approximately RMB2.1 billion, being the aggregate net profit excluding the cost of acquisition regarding the Target Lands already paid. As a result, it is reasonable to estimate the requirements of average annual net profit and distributable cash flow of the Target Company from 2023 to 2026 being not less than RMB300 million can be satisfied.

– *The Exercise Price*

In assessing the reasonableness of the Exercise Price, we have discussed with the Company on the underlying rationale of the formula of the Exercise Price, which is to generate a return of 6.0% per annum on the Subscription Consideration. As stated in the letter from the Board, the Return Rate was determined with reference to (i) the Subscriber's assessment of the expected return of its investment, which took into account its cost of capital; (ii) the Group's weighted average financing cost; and (iii) the market practice regarding investment in asset-heavy businesses, which we understand from the Company is that the pledging of assets is commonly required in investment in asset-heavy businesses, such as property development and property investment. According to the latest interim report of the Company, such market practice is also applicable to the Company that over 98% of the interest-bearing bank and other borrowings were secured as at 30 September 2022. We noted that the weighted average financing cost of the Group was stable at the range from 8.4% to 9.0% from 31 March 2021 to 30 September 2022 according to the relevant annual report and interim report. In particular, we have further enquired the management of the Company about the annual interest rate of long-term secured borrowings with pledge of assets. The Company has provided, and we have reviewed an exhaustive list of all the secured borrowings of the Group entered in 2022 with a term of two to five years (the "**Comparable Borrowings**") up to the date of the Agreements. In particular, we noted that all Comparable Borrowings are bank borrowings and two of which are related to the construction projects of the Target Group. In view of both Comparable Borrowings and the Put Option (i) are medium term; (ii) involve security requirements; and (iii) entered in 2022, we consider the Comparable Borrowings represents representative, fair and reasonable samples for our assessment of the reasonableness of the Exercise Price. The details of the Comparable Borrowings are set out in the below tabulation:

Table 7 – Comparable Borrowings of the Group

	Term	**Principal amount** *(RMB)*	**Interest Rate**	**Security**
1.	Within 3 years	50,000,000	7.15%	Asset pledge and corporate guarantee
2.	Within 3 years	100,000,000	7.15%	Asset pledge and corporate guarantee
3.	Within 3 years	1,210,000	6.45%	Asset pledge and corporate guarantee
4.	Within 3 years	8,760,000	6.45%	Asset pledge and corporate guarantee
5.	Within 3 years	1,570,000	6.5%	Asset pledge and corporate guarantee
6.	Within 3 years	6,630,000	6.5%	Asset pledge and corporate guarantee
7.	Within 5 years	30,000,000	6.3%	Asset pledge and corporate guarantee
8.	Within 5 years	15,000,000	6.3%	Asset pledge and corporate guarantee
9.	Within 5 years	5,000,000	6.3%	Pledge of assets, receivables and shares, and corporate guarantee

Source: The Company

Based on the above, we noted that the annual interest rates ranged between 6.3% and 7.15%. Since the Return Rate is lower than both the average financing cost and the interest rates of secured long-term borrowings of the Group, we are of the view that the Return Rate on the Subscription Consideration is reasonable.

– *Analysis of the Put Option from cost of funding perspective*

Notwithstanding the achievability for the Target Company to fulfil the Events as discussed above, in the event the Target Group could not avoid or encounters uncertainties in the PRC economy, property market or other unforeseen circumstances concerning the Target Group, the Events cannot be fully fulfilled in the end and the Subscriber chooses to exercise the Put Option, the maximum amount of Exercise Price to be paid by the Group is the sum of (i) RMB5 billion, being the Subscription Consideration, and (ii) the interest rate of 6.0% per annum. The Subscription and the exercise of Put Option is in substance a secured financing for the Group with a term of 54 months at 6% annual interest rate. Based on the Comparable Borrowings as stated above, we noted that the annual interest rates ranged between 6.3% and 7.15% that are higher than the rate of 6%. As a result, we are of the view that the Put Option as a whole is acceptable from a cost of funding perspective.

Given that (i) the achievability of each of the Events is acceptable based on the current situation, historical performance and the business plan of the Target Group; (ii) the Return Rate is a commercially agreed term arrived at after arm's length negotiations between the Seller, China South International and the Subscriber; and (iii) the Return Rate is lower than the range of annual interest rates of long term borrowings with asset pledge, we consider the Put Option to be fair and acceptable.

(C) Shareholders' Agreement

As stated in the letter from the Board, the Seller, China South International, the Subscriber and the Target Company entered into the Shareholders' Agreement in connection with the Investment Agreement. The Shareholders' Agreement sets out the rights and obligations of the shareholders and the governance structure of the Target Company.

Please refer to the section headed "(III) SHAREHOLDERS' AGREEMENT" set out in the letter from the Board for further details of the Shareholders' Agreement.

Governing Bodies

We noted from the Shareholders' Agreement that the Seller and the Subscriber shall be entitled to nominate two and three (including the chairperson) of the five directors on the board of the Target Company, respectively. Given the Subscription by the Subscriber will result in a reduction of the Company's equity interest in the Target Company from 100% to 30.65%, and the Company will no longer retain control over the Target Company upon Completion, the arrangement in respect of the Target Company's board therefore largely reflects the respective percentage shareholdings that will be held by the Company and Subscriber in the Target Group upon Completion.

Security

The Seller and China South International agreed to, within the period in which the Subscriber holds shares in the Target Company, pledge the Seller's fully diluted 30.65% equity interest in the Target Company in favour of the Subscriber (the "**Share Pledge**"). Please refer to the sub-section headed "Security" set out in the letter from the Board for the details of the Share Pledge.

We understood from the management of the Company that the Share Pledge as a security to the Put Option was part and parcel of the Subscription (including the Put Option) which was arrived at after arm's length negotiation between among the parties to the Shareholders' Agreement for the Subscriber to reduce its risk exposure and to provide an adequate level of protection against the potential default by the Seller and China South International in relation to its obligation under the Put Option should it be exercised, which is the Exercise Price (i.e. the Subscription Consideration of RMB5,000,000,000 plus an annual return of 6.0% minus any dividends received). In contrast, we noted that the Seller and China South International would only have to put up the 30.65% equity interest as security which amounted to approximately RMB2,209,716,746 on a post-subscription basis implied by the valuation as provided in the Equity Valuation Report, and given that the Subscription is an alternative financing method by the Group to raise immediate capital for funding the Target Group and the Group as discussed above, we consider such Share Pledge to be generally acceptable and will not undermine the interest of the Company.

(D) Others

Although our engagement and the applicable Listing Rules do not require us to provide an opinion on the Continuing Transactions between China South International and the Target Group upon Completion according to the Chapter 14A of the Listing Rules, we recognise that such transactions will become continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Moreover, we understand that the entering into of the supplemental agreements to extend the term of each of the Construction Project Management Agreement, the Marketing Management and Brand Licensing Agreement and the Supporting Services Agreement for the years ending 31 December 2025 should be in the ordinary and usual course of the business of the Group, and therefore recommend the Shareholders to study the details of the proposed Continuing Transactions and the relevant internal control procedures to be implemented by the Group under the section headed "(IV) CONTINUING CONNECTED TRANSACTIONS" as set out in the letter from the Board.

Given that (i) the overall nomination of the management of the Target Company is generally in line with the shareholding structure of the Target Company upon Completion; and (ii) the appraised value of the Share Pledge is not greater than the potential obligation under the Put Option, we consider the Shareholders' Agreement as a whole to be acceptable.

5. POSSIBLE FINANCIAL EFFECTS OF THE REMAINING GROUP UPON COMPLETION

The following analysis is based on the audited financial statements of the Company for the financial year ended 31 March 2022 and the unaudited financial statement of the Company for the six months ended 30 September 2022, as extracted from the Company's corresponding annual report and interim report, which were prepared in accordance with Hong Kong Financial Reporting Standards and the unaudited pro forma consolidated statements of the Remaining Group as set out in Appendix III to the Circular. Such financial statements were prepared in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 issued by the Hong Kong Institute of Certified Public Accountants. Upon Completion, the Target Company will cease to be a subsidiary of the Company.

Shareholders should note that the analysis below are for illustrative purpose only and do not purport to represent the financial performance and position of the Group upon Completion.

Earnings

As set out in the Target Group's unaudited financial statements for the financial year ended 31 March 2022, the profit after tax for the Target Group was approximately RMB650.0 million, and upon Completion, the results of the Target Group will be deconsolidated from the consolidated financial statements of the Group. However, based on the pro forma, it is estimated that the Group will record an unaudited gain on the Subscription of approximately HK$3,360,000, which has been arrived at by deducting the unaudited net asset value of the Target Group as at 30 September 2022 from the Business Equity Value. The actual gain or loss as a result of the Subscription to be recorded by Group is subject to a final audit to be performed by the auditors of the Group.

Assets and liabilities

– **As at 31 March 2022**

As stated in the letter from the Board, assuming Completion had taken place on 31 March 2022, the total assets of the Group as at 31 March 2022 would have decreased from approximately HK$124,387.4 million to approximately HK$118,355.3 million as a result of the Subscription. The total liabilities of the Group as at 31 March 2022 would have decreased from approximately HK$79,297.5 million to approximately HK$75,030.8 million, and the total equity of the Group as at 31 March 2022 would have decreased from approximately HK$45,090.0 million to approximately HK$43,324.4 million as a result of the Subscription.

– **As at 30 September 2022**

According to the unaudited pro forma consolidated assets and liabilities of the Group as set out in Appendix III to the Circular, assuming Completion had taken place on 30 September 2022, the total assets of the Company as at 30 September 2022 would have decreased from approximately HK$112,444.6 million to approximately HK$108,738.0 million as a result of the Subscription. The total liabilities of the Company as at 30 September 2022 would have decreased from approximately HK$70,029.6 million to approximately HK$66,319.7 million, and the total equity as at 30 September 2022 would have increased slightly from approximately HK$42,415.0 million to approximately HK$42,418.3 million as a result of the Subscription. The net assets value attributable to the Shareholders of the Group upon Completion would have slightly increased from approximately HK$42,400.6 million to approximately HK$42,404.0 million as at 30 September 2022 that the corresponding net asset value per Share would have slightly increased from HK$3.7057 to approximately HK$3.7060 as at 30 September 2022.

On the other hand, the net assets value attributable to the Shareholders of the Group upon Completion and exercise of the Put Option would have remained unchanged, and thus the corresponding net asset value per Share would have remained unchanged.

Gearing and working capital

As set out in the section headed "WORKING CAPITAL" in Appendix I to the Circular, the Directors are of the opinion that the Group, after taking into account the Subscription, the internal resources available to the Group, external borrowings, presently available banking facilities and in the absence of unforeseen circumstances, will have sufficient working capital for its present requirements for at least the next 12 months from the date of the Circular.

According to the interim report of the Company for the six months ended 30 September 2022, the cash ratio of the Group was approximately 0.1 times respectively, being cash and bank balances of approximately HK$4,039.9 million divided by current liabilities of approximately HK$41,153.5 million as at 30 September 2022. The gearing ratio of the Group was approximately 66.3%, being net debt of approximately HK$28,120.8 million divided by total equity of approximately HK$42,415.0 million as of 30 September 2022.

According to the unaudited pro forma consolidated assets and liabilities of the Group as set out in Appendix III to this Circular, (i) an unaudited gain on the Subscription of approximately HK$3,360,000 would have incurred; (ii) the cash ratio of the Remaining Group after Completion (i.e. the deemed disposal resulted from the Subscription) as of 30 September 2022 would have increased to approximately 0.19 times, being cash and bank balances of approximately HK$7,085.2 million divided by current liabilities of approximately HK$37,839.3 million; and (iii) gearing ratio of the Remaining Group after Completion (i.e. the deemed disposal resulted from the Subscription) as of 30 September 2022 would have decreased to approximately 57.8%, being net debt of approximately HK$24,517.2 million divided by total equity of approximately HK$42,418.3 million. On the other hand, both cash ratio and gearing ratio of the Group would have remained unchanged after Completion and the exercise of the Put Option.

Based on the above, we noted that the Subscription would have positive effects on the earnings, gearing and working capital of the Group.

III. CONCLUSIONS AND RECOMMENDATIONS

Having considered the abovementioned principal factors and reasons, and in particular the following:

i. the terms of the Investment Agreement (including the grant and the exercise of the Put Option) and the Shareholders' Agreement, inter alia, the Subscription Consideration, the Events, and the exercise price of the Put Option are reasonable and agreed on commercial terms; and

ii. the Subscription can improve the liquidity of the Group upon Completion, which is in the interests of the Company and the Shareholders as a whole,

we are of the view that the Investment Agreement, the Shareholders' Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Investment Agreement (including the grant and the exercise of the Put Option), the Shareholders' Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Anglo Chinese Corporate Finance, Limited

Raymond Cheung	**Karl Chan**
Director	*Assistant Director*

1. *Mr. Raymond Cheung is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Anglo Chinese Corporate Finance, Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. He has over 11 years of experience in corporate finance.*

2. *Mr. Karl Chan is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Anglo Chinese Corporate Finance, Limited to carry out Type 6 (advising on corporate finance) and a licensed representative to carry out Type 9 (asset management) regulated activities under the SFO. He has over 7 years of experience in corporate finance.*

FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements and the unaudited interim consolidated financial statements, together with the accompanying notes to the financial statements, of the Group for each of the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinasouthcity.com).

Annual report for the year ended 31 March 2020 (pages 125 to 268):

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0731/2020073100966.pdf

Annual report for the year ended 31 March 2021 (pages 120 to 260):

https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0729/2021072900562.pdf

Annual report for the year ended 31 March 2022 (pages 165 to 324):

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0726/2022072600425.pdf

Interim report for the six months ended 30 September 2022 (pages 57 to 108):

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1223/2022122300513.pdf

Summary of financial information of the Group

The following is a summary of the consolidated results of the Group for each of the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022 as extracted from the relevant annual reports and interim report:

	For the six months ended 30 September	For the year ended 31 March		
	2022	2022	2021	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	3,259,630	10,311,628	11,309,304	9,887,654
Profit before tax	107,066	1,629,860	3,402,087	4,470,759
Income tax credit/(expenses)	148,943	(870,736)	(986,958)	(1,842,611)
Net profit for the six months/year attributable to owners of the parent	256,821	760,200	2,415,498	2,633,141
Net loss for the six months/year attributable to non-controlling interests	(812)	(1,076)	(369)	(4,993)
Total comprehensive (loss)/income attributable to owners of the parent	(4,583,182)	4,021,109	6,684,377	(758,049)
Total comprehensive (loss)/income attributable to non-controlling interests	(1,872)	(1,441)	11,729	(24,664)
Earnings per share attributable to ordinary equity holders of the parent				
Basic and diluted (HK cents)	2.42	9.39	29.85	32.47

STATEMENT OF INDEBTEDNESS

At the close of business on 30 November 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group was as follows:

Borrowings

The Group had outstanding borrowings of approximately HK$34,080 million, details of which are set out below:

	Secured	**Unsecured**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Borrowings:			
– Interest-bearing bank and other borrowings	20,001,590	371,196	20,372,786
– Notes payable	1,938,095	–	1,938,095
– Senior notes	2,029,316	9,739,507	11,768,823
	23,969,001	10,110,703	34,079,704

As at the close of business on 30 November 2022, the Group had pledged certain buildings, investment properties, properties under development, properties held for finance lease and properties held for sale and bank deposits to secure certain general banking facilities granted to the Group and part of the senior notes are secured by pledges of shares of certain subsidiaries.

At 30 November 2022, the borrowings amounting to HK$25,532,076,000 are guaranteed individually or in combination by subsidiaries within the Group. The remaining indebtedness amounting to HK$8,547,628,000 are not guaranteed.

Lease liabilities

The Group has various lease contracts for land, property and other equipment. As at 30 November 2022, the Group recognised aggregate lease liabilities of HK$29,286,000 under HKFRS 16 in respect of non-cancellable operating lease contracts.

Financial guarantees

The Group has provided guarantees with respect to banking facilities granted by certain banks in connection with mortgage loans entered into by certain purchasers of the Group's trade centers and residential properties and bank loans entered into by lessees of certain of the Group's residential and commercial properties. The guarantees granted to such purchasers of trade centers and residential properties will be released when the purchasers obtain building ownership certificates, which will then be pledged to the banks. For such leased residential and commercial properties, the guarantees will be released accordingly when the lessees repay the loan. As at the close of business on 30 November 2022, the guarantees amounted to HK$8,197 million.

Save as otherwise disclosed above, and apart from intra-group liabilities and normal trade payables, the Group did not have, at the close of business on 30 November 2022, any other debt securities issued and outstanding, or authorised or otherwise created but unissued, any other term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, any other mortgages and charges or any guarantees or any finance lease commitments or material contingent liabilities.

WORKING CAPITAL

The Directors are of the opinion that, after taking into account the Subscription, the internal resources available to the Group, external borrowings, presently available banking facilities and in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirements for the next 12 months from the date of this circular.

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

MATERIAL ACQUISITIONS OF MEMBERS OF THE GROUP

As at the Latest Practicable Date, none of the member of the Group has involved in any material acquisition since 31 March 2022, being the date to which the latest published audited accounts of the Company were made up.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position or outlook of the Group between 31 March 2022, being the date to which the latest published audited financial statements of Group were made up, and the Latest Practicable Date.

TREND OF BUSINESS, AND FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group may be exposed to the risk of negative developments in national and regional economies, property and financial markets. It may result in reductions in sales and selling prices of the properties, rental rates and occupancy rates of properties, and demand for ancillary services and facilities it provides. It may also result in recession, inflation, deflation and currency fluctuations as well as restrictions in the availability of credit, increases in financing and other operating costs. The development of the Group's projects may subject to market risks as it usually takes time to complete. Though the Group appoints quality partners for the development of its projects, it may still be subject to associated risk of the quality and safety of the products and services provided to the Group. The Group may also be subject to a number of regulatory environments in the territories in which it operates. Changes in the regulatory approach to such matters as ownership of assets and businesses, regulations related to development and operations, exchange controls, tax rules and employment legislation may impact the business of the Group. Changes in the political environment in such territories may also affect the business of the Group. The management of the Group will keep abreast of the environment and policy changes and make the necessary adjustments in response to such changes, if any. Further steps taken by the Group to manage the financial risk are set out in notes to the financial statements.

As disclosed in the annual report of the Company for the year ended 31 March 2022, the international trade landscape remains intricate and complicated and routine measures have been taken for the pandemic prevention and control, which are expected to bring continuous impact and challenges to the development of enterprises and the Company will continue to focus on real business and make every effort to promote transformation and upgrading in line with future development direction.

Looking ahead, it is expected that the COVID-19 and the PRC-U.S. trade conflict will continue to pose challenges to all industries. The Group will continue to adopt a prudent attitude and actively face challenges and monitor the business operations, control and reduce unnecessary expenses so as to save costs. Relying on the "Trade and Logistics+" model that has been adhered to for many years coupled with market procurement trade pilot, the national e-commerce demonstration base and other policy advantages, the Group will continue to improve the trade industry ecosystem and strive to create an "Integrating Industries into Projects, Building Beautiful New City Conducive to Work and Life". Since 31 March 2022, China's real estate continued to face considerable downward pressure, with significant slowdown in housing sales, sluggish investment intentions by enterprises, a continuously tightening financing environment, stagnant domestic and foreign financing and significantly higher financing costs. As a leader in integrated commercial logistics industry, the Group is also subject to the ongoing impact of the domestic and external financing environment and the market downturn, which has increased operational difficulties and uncertainties in its future development. The Company will pay close attention to the overall environment and the development direction of the industry, adjust its development strategy when appropriate, and insist on improving quality, reducing costs and enhancing efficiency, so as to achieve long-term and steady development of the Group.

The Company considers the entering into the transactions as a good opportunity to better allocate its resources for and direct its focus on core industries such as the trade and logistics business and to explore other business opportunities should such opportunities arise with the aim of improving the financial performance of the Group as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

The Group is principally engaged in the development and operation of large-scale integrated logistics and trade centres, the development of residential and commercial ancillary facilities, property management and the provision of logistics and warehousing services, outlet operations and E-commerce services. Set out below is the management discussion and analysis of the Group for the three years ended 31 March 2022 and the six months ended 30 September 2022 (the "**Reporting Period**").

Treasury Policies

The main objective of the Group's financial management is to pursue long-run sustainable growth while maintaining financial health through a strong and stable capital base.

The Group proactively adjusts its business development strategies, the pace of land acquisition and other capital expenditures in concurrence with its cash flows from operating and financing activities, in order to maintain liquidity while uphold growth momentum.

The Group actively manages its financing structure through various financing channels, from onshore and offshore bank loans to different interbank and capital market instruments, in order to achieve an optimal capital structure and maturity profile.

Liquidity and Financial Resources

The Group finances its development and operations primarily through internally generated funds, bank and other borrowings, and the issuance of different types of bonds and notes on the onshore and offshore market, which includes but is not limited to senior notes, short-term notes, medium-term notes, corporate bonds and domestic company bonds. The Group will continue to explore different financing means and to extend its financing channels.

Cash and Bank Balances

As at 31 March 2020, 31 March 2021, 31 March 2022 and 30 September 2022, the Group had HK$10,303.5 million, HK$9,442.8 million, HK$4,681.1 million and HK$4,039.9 million cash and bank balances, respectively. The Group's cash and bank balances were primarily denominated in RMB, HK dollars and US dollars.

Borrowing and Charges on the Group's Assets

As at 31 March 2020, 31 March 2021, 31 March 2022 and 30 September 2022, the total interest-bearing debts of the Group was HK$33,753.7 million, HK$37,345.4 million, HK$35,975.4 million and HK$32,160.7 million, respectively. The details of borrowings and charges on the Group's assets are set out below.

Interest-bearing bank and other borrowings

As at 31 March 2020, 31 March 2021, 31 March 2022 and 30 September 2022, the Group had aggregated interest-bearing bank and other borrowings of HK$17,121.1 million, HK$18,899.0 million, HK$21,083.6 million and HK$19,992.0 million, respectively. Out of the total interest-bearing bank and other borrowings, HK$8,200.4 million, HK$7,232.4 million, HK$8,530.8 million and HK$12,062.8 million were repayable within one year, HK$3,947.8 million, HK$4,920.6 million, HK$5,941.6 million and HK$1,780.4 million were repayable in the second year, HK$2,820.3 million, HK$2,055.6 million, HK$2,178.2 million and HK$2,402.5 million will be repayable in the third to fifth years and HK$2,152.6 million, HK$4,690.4 million, HK$4,433.0 million and HK$3,746.3 million will be repayable after five years, respectively.

As at 31 March 2020, 31 March 2021, 31 March 2022 and 30 September 2022, the Group's interest-bearing bank and other borrowings of approximately HK$16,291.8 million, HK$18,216.1 million, HK$20,600.3 million and HK$19,647.4 million, respectively, were secured by certain buildings, investment properties, properties under development, properties held for finance lease, properties held for sales and bank deposits with a total carrying value of approximately HK$32,501.5 million, HK$44,752.8 million, HK$51,955.5 million and HK$47,056.2 million, respectively.

For the years ended 31 March 2020, 31 March 2021, 31 March 2022 and six months ended 30 September 2022, all interest-bearing bank and other borrowings of the Group were denominated in HK dollars, RMB or US dollars with interest rates ranging from 3.95% to 12.35%, 3.75% to 12.00%, 3.75% to 15.00% and 2.80% to 15.00% per annum, respectively.

As at 31 March 2020, 31 March 2021, 31 March 2022 and 30 September 2022, the Group had the fixed interest rate of the aggregated interest-bearing bank and other borrowings of HK$2,940.0 million, HK$6,191.5 million, HK$9,875.5 million and HK$8,525.9 million, respectively.

Issuance of Notes

Senior Notes

In March and June 2019, the Company issued senior notes due in March 2021 with a nominal value of US$200 million (equivalents to approximately HK$1,560 million) and US$60 million (equivalents to approximately HK$468 million) respectively, in a total of US$260 million (equivalents to approximately HK$2,028 million). These notes were consolidated and formed a single series of "**2019 March Notes**" at a coupon rate of 11.875% per annum. The Company repurchased an aggregate principal amount of US$8.0 million, and US$8.5 million of the 2019 March Notes at different time and had them cancelled.

In December 2019 and January 2020, the Company issued senior notes due in February 2022 with a nominal value of US$150 million (equivalents to approximately HK$1,170 million) and US$200 million (equivalents to approximately HK$1,560 million) respectively, in a total of US$350 million (equivalents to approximately HK$2,730 million). These notes were consolidated and formed a single series of "**2019 December Notes**" at a coupon rate of 11.5% per annum.

In February 2020 and June 2020, the Company issued senior notes due in June 2022 with a nominal value of US$225 million (equivalent to approximately HK$1,755 million) and US$125 million (equivalent to approximately HK$975 million) respectively, a total of US$350 million (equivalent to approximately HK$2,730 million). These notes were consolidated and formed a single series of "**2020 February Notes**" at a coupon rate of 10.875% per annum.

During the year ended 31 March 2021, the Company issued (1) additional US$125 million 10.875% senior notes due 2022 in June 2020; (2) US$200 million 11.5% senior notes due 2021 in August 2020; (3) US$250 million 10.75% senior notes due 2023 in September 2020; (4) additional US$120 million 10.75% senior notes due 2023 in January 2021; (5) US$175 million 11.95% senior notes due 2023 in March 2021; and (6) additional US$50 million 11.95% senior notes due 2023 in March 2021.

During the year ended 31 March 2021, the Company repaid (1) 10.875% senior notes due 2020 with a principal amount of US$201.1 million upon maturity in August 2020; (2) 7.25% senior notes due 2021 with a principal amount of US$128.094 million upon maturity in January 2021; and (3) 11.875% senior notes due 2021 with a principal amount of US$243.5 million upon maturity in March 2021.

During the year ended 31 March 2021, the Company made on-market repurchase of (1) 6.75% senior notes due 2021 with a principal amount of US$8 million in June 2020; (2) 7.25% senior notes due 2022 with a principal amount of US$10 million in June 2020; (3) 7.25% senior notes due 2021 with an aggregate principal amount of US$100.906 million in May, June and September 2020; (4) 10.875% senior notes due 2020 with a principal amount of US$39.9 million in May 2020; and (5) 11.875% senior notes due 2021 with a principal amount of US$8.5 million in May 2020. The repurchased notes were cancelled accordingly.

Details of movement is set out below:

Issued Date	May and Jun 2018 10.875% senior notes due 2020	Jan 2018 7.25% senior notes due 2021	Mar and Jun 2019 11.875% senior notes due 2021	Aug 2020 11.5% senior notes due 2021	Sep and Oct 2016 6.75% senior notes due 2021	Dec 2019 and Jan 2020 11.5% senior notes due 2022	Feb and Jun 2020 10.875% senior notes due 2022	Nov 2017 7.25% senior notes due 2022	Sep 2020 and Jan 2021 10.75% senior notes due 2023	Mar 2021 11.95% senior notes due 2023
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Issued nominal value	250,000	250,000	260,000	200,000	350,000	350,000	350,000	300,000	370,000	225,000
As at 1 April 2020	241,000	229,000	252,000	–	340,700	350,000	225,000	286,500	–	–
New issuance	–	–	–	200,000	–	–	125,000	–	250,000	175,000
Additional issuance	–	–	–	–	–	–	–	–	120,000	50,000
Repayment upon maturity	(201,100)	(128,094)	(243,500)	–	–	–	–	–	–	–
Repurchase and cancellation	(39,900)	(100,906)	(8,500)	–	(8,000)	–	–	(10,000)	–	–
As at 31 March 2021	–	–	–	200,000	332,700	350,000	350,000	276,500	370,000	225,000

During the year ended 31 March 2022, the Company repaid 11.5% senior notes due 2021 with a principal amount of US$200 million upon maturity in August 2021 and 6.75% senior notes due 2021 with a principal amount of US$315.9 million upon maturity in September 2021.

During the year ended 31 March 2022, the Company made on-market repurchase of 6.75% senior notes due 2021 with a principal amount of US$16.808 million in July and August 2021, 11.5% senior notes due 2022 with a principal amount of US$2 million in July 2021 and 10.875% senior notes due 2022 with a principal amount of US$4 million in July 2021. The repurchased notes were cancelled accordingly.

Details of movement is set out below:

Issued Date	Aug 2020 11.5% senior notes due 2021	Sep and Oct 2016 6.75% senior notes due 2021	Dec 2019 and Jan 2020 11.5% senior notes due 2022	Feb and Jun 2020 10.875% senior notes due 2022	Nov 2017 7.25% senior notes due 2022	Sep 2020 and Jan 2021 10.75% senior notes due 2023	Mar 2021 11.95% senior notes due 2023
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Issued nominal value	200,000	350,000	350,000	350,000	300,000	370,000	225,000
As at 1 April 2021	200,000	332,700	350,000	350,000	276,500	370,000	225,000
Repayment upon maturity	(200,000)	(315,892)	–	–	–	–	–
Repurchase and cancellation	–	(16,808)	(2,000)	(4,000)	–	–	–
As at 31 March 2022	–	–	348,000	346,000	276,500	370,000	225,000

During the six months ended 30 September 2022, the Company has obtained the consent from the note holders that the maturity dates of 11.5% senior notes due 2022, 10.875% senior notes due 2022, 7.25% senior notes due 2022, 10.75% senior notes due 2023 and 11.95% senior notes due 2023 are extended for further twenty months and their corresponding new maturity date are 12 April 2024, 26 June 2024, 20 July 2024, 11 December 2024 and 9 October 2024 respectively. The interest rates of all these senior notes were revised to 9%.

Details of movement is set out below:

Issued Date ISIN	Dec 2019 and Jan 2020 11.5% senior notes due 2022 (9.0% senior notes due Apr 2024) XS2085883119 *US$'000*	Feb and Jun 2020 10.875% senior notes due 2022 (9.0% senior notes due Jun 2024) XS2120092882 *US$'000*	Nov 2017 7.25% senior notes due 2022 (9.0% senior notes due Jul 2024) XS1720216388 *US$'000*	Sep 2020 and Jan 2021 10.75% senior notes due 2023 (9.0% senior notes due Dec 2024) XS2227909640 *US$'000*	Mar 2021 11.95% senior notes due 2023 (9.0% senior notes due Oct 2024) XS2238030162 *US$'000*
Issued nominal value	350,000	350,000	300,000	370,000	225,000
As at 1 April 2022	348,000	346,000	276,500	370,000	225,000
Redeemed upon maturity	(17,400)	—	—	—	—
As at 30 September 2022	330,600	346,000	276,500	370,000	225,000

All of the notes above are listed and traded on the Singapore Stock Exchange.

As at 31 March 2020, 31 March 2021, 31 March 2022 and 30 September 2022, the carrying value of senior notes were HK$14,319.5 million, HK$15,947.7 million, HK$12,295.2 million and HK$12,168.7 million, respectively. The senior notes are jointly guaranteed by certain subsidiaries and part of the senior notes are secured by pledges of share of certain subsidiaries.

Medium-Term Notes

In April 2019, China South International issued the first tranche of the medium-term notes of 2019 with a total principal amount of RMB600 million with a maximum maturity period of 3 years and at an interest rate of 8.5% per annum. The amount was fully settled in April 2022.

Domestic Company Bonds

In August 2019, China South International issued the first and second tranche of the domestic company bonds of 2019 with an aggregate principal amount of RMB1.4 billion with a maximum maturity period of 3 years and at an interest rate of 8% per annum. In July 2021, the principal amount of RMB12 million of domestic company bonds were sold back to China South International and then the outstanding principal balance of RMB1.388 billion was fully settled in August 2022.

As at 31 March 2020, 31 March 2021, 31 March 2022 and 30 September 2022, the carrying values of China South International's medium-term notes were HK$707.7 million, HK$765.6 million, HK$799.4 million and nil, respectively, and domestic company bonds were HK$1,605.4 million, HK$1,733.1 million, HK$1,797.3 million and nil, respectively.

Commitments

As at 31 March 2020, 31 March 2021, 31 March 2022 and 30 September 2022, the Group had future capital expenditure contracted but not yet provided for amounting to HK$13,221.6 million, HK$15,429.1 million, HK$13,512.5 million and HK$11,521.8 million, respectively.

Foreign Exchange Risk

The Group conducts its business primarily in RMB. The income and bank deposits of the Group were substantially denominated in RMB to meet the Group's development and operation needs in the PRC. Other than the bank deposits, bank borrowings and senior notes denominated in foreign currency, the Group does not have any other material exposure to foreign exchange risk. During the years ended 31 March 2020, 31 March 2021, 31 March 2022 and the six months ended 30 September 2022, the Group entered into certain forward currency contract with bank to hedge the amount of US$300 million, US$200 million, US$70 million and nil, respectively, against the foreign exchange exposure. All forward currency contract had been settled during the Reporting Period.

The Group continues to adopt a proactive approach to closely monitor the foreign currency market and explore the domestic capital market for financing opportunities. Other hedging arrangements will be made if such need arises.

Significant Investments of the Group

The Group had no significant investments during the three years ended 31 March 2020, 31 March 2021 and 31 March 2022 and the six months ended 30 September 2022.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

Except for the disposal of 50% equity interest in Shenzhen First Asia Pacific Property Management Company Limited announced on 18 July 2022 and 28 July 2022, the Group had no material acquisitions and disposals of subsidiaries and associated companies during the Reporting Period.

Segmental Information

During the Reporting Period, international trade tensions worsened, China-US relations were tightening, and the economy faced increasingly challenging conditions. Meanwhile, with the resurgence of the epidemic domestically, first-tier cities such as Shanghai and Shenzhen also adopted different level of precautionary measures. Apart from that, the real estate sector and related industries suffered a downturn while others encountered severe operational challenges. In the first half of the previous financial year, liquidity crisis occurred consecutively across several sectors and within well-known companies due to the worsening macroeconomic situation and a difficult domestic and external capital market. In October last year, international rating agencies downgraded the credit ratings of nearly 30 listed companies in Mainland China and offshore financing channels and refinancing nearly stagnated, leaving a number of companies facing financing difficulties. In the second half of the financial year, the Russia-Ukraine conflict further disrupted the international landscape and brought more uncertainty to future developments. In the first quarter of the year 2022, China's gross domestic product (GDP) grew by 4.8% year-on-year, a significant drop in growth.

During the year ended 31 March 2022, China South City was also affected by trade tensions, of pandemic and torrential rain in CSC Zhengzhou, which contributed to instability affecting the development of the cross-border e-commerce industry impacting incubation and investment within the industry. Recurring outbreaks further raised the difficulty of operations in the e-commerce and trade industries. In projects deployed by the Group, including in Zhengzhou, Chongqing, Harbin, etc., daily planning and operational activities reduced, the number of visitors declined while logistics costs increased.

Human Resources

As at 31 March 2020, 31 March 2021, 31 March 2022 and 30 September 2022, the Group had a workforce of 4,730, 3,907, 2,816 and 2,671 employees, respectively. The Group aims to optimize the organizational structure and talent structure to further reduce operating costs, remunerations and other benefits of employees are reviewed annually in response to both market conditions and trends, and are based on qualifications, experience, responsibilities and performance. In addition to basic salaries and other staff benefits, discretionary bonuses and share options may be awarded to employees who display outstanding performance and contributions to the Group. During the Reporting Period, SZCDG has appointed two senior management to join the Group as executive Directors of the Board, and the Chairman of SZCDG also serves as Co-Chairman of the Group.

Future plans for material investments or capital assets

As at the Latest Practicable Date, the Group did not enter into any agreement in respect of any proposed acquisitions and did not have any other future plans relating to material investment or capital asset.

Gearing ratio

As at 31 March 2020, 31 March 2021, 31 March 2022 and 30 September 2022, the Group's gearing ratio (net debt divided by total equity) was 67.2%, 67.6%, 69.4% and 66.3% respectively.

Contingent liabilities

The Group has provided guarantees mainly with respect to banking facilities granted by certain banks in connection with mortgage loans made by purchasers of the Group's trade centres and residential properties, and bank loans made by lessees of the Group's residential and commercial properties. The guarantees granted to purchasers of trade centres and residential properties will be released when the purchasers obtain building ownership certificates, which will then be pledged to the banks. For leased residential and commercial properties, the guarantees will be released accordingly when the lessees repaid the loan. Further details to the above and other matters will be set out in notes to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

The Target Group is principally engaged in development and operation of integrated logistics and trade centres. Set out below is the management discussion and analysis of the Target Group for the three years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022.

Treasury Policies

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

The Target Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Liquidity and Financial Resources

The Target Group's principal financial instruments comprise interest-bearing bank and other borrowings and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Target Group's operations.

Cash and Bank Balances

As at 31 March 2020, 31 March 2021, 31 March 2022 and 30 September 2022, the Target Group had RMB312,919,000, RMB288,418,000, RMB87,683,000 and RMB105,885,000 cash and bank balances, respectively. The Target Group's cash and bank balances were primarily denominated in RMB.

Borrowing and Charges on the Target Group's Assets

Interest-bearing bank and other borrowings

As at 31 March 2020, 31 March 2021, 31 March 2022 and 30 September 2022, the total interest-bearing bank and other borrowings of the Target Group was RMB1,173,333,000, RMB654,000,000, RMB519,000,000 and RMB505,000,000, respectively. Out of the total interest-bearing bank and other borrowings of RMB1,173,333,000, RMB654,000,000, RMB519,000,000 and RMB505,000,000, as at 31 March 2020, 31 March 2021, 31 March 2022 and 30 September 2022, RMB749,333,000, RMB362,000,000, RMB154,000,000 and RMB405,000,000 were repayable within one year, and RMB424,000,000, RMB292,000,000, RMB365,000,000 and RMB100,000,000 were repayable in the second to fifth years.

All interest-bearing bank and other borrowings of the Target Group were denominated in RMB with interest rates ranging from 4.4% to 10.5% per annum.

As at 31 March 2020, 31 March 2021, 31 March 2022 and 30 September 2022, the fixed interest rate of the total interest-bearing bank and other borrowings of the Target Group was RMB270,000,000, RMB419,000,000, RMB184,000,000 and RMB176,000,000, respectively.

Commitments

As at 31 March 2020, 31 March 2021, 31 March 2022 and 30 September 2022, the commitments of the Target Group were RMB2,258,697,000, RMB2,014,457,000, RMB1,202,390,000 and RMB1,002,748,000, respectively.

Foreign Exchange Risk and Interest Rate Risk

The Target Group does not have any significant exposure to risk of changes in foreign currency exchange rate. The Target Group only conducts business within Mainland China. Except for any potential future dividends of its subsidiary that might be declared to its shareholders, the bulk of the Target Group's revenue, capital investment and expenses are denominated in RMB.

The Target Group's exposure to the risk of changes in market interest rates relates primarily to the Target Group's debt obligations with a floating interest rate. The Target Group has not used any financial instruments to hedge its exposure to interest rate risk during the three years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022.

Significant Investments of the Target Group

The Target Group had no significant investments during the three years ended 31 March 2020, 31 March 2021 and 31 March 2022 and the six months ended 30 September 2022.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

The Target Group had no material acquisitions and disposals of subsidiaries and associated companies during the three years ended 31 March 2020, 31 March 2021 and 31 March 2022 and the six months ended 30 September 2022.

Segmental Information

For the three years ended 31 March 2020, 2021 and 2022, international trade tensions worsened, China-US relations were tightening, and the economy faced increasingly challenging conditions. Meanwhile, with the resurgence of the epidemic domestically, first-tier cities such as Shanghai and Shenzhen also adopted different level of precautionary measures. Apart from that, the real estate sector and related industries suffered a downturn while others encountered severe operational challenges. In the first half of the year ended 31 March 2022, liquidity crisis occurred consecutively across several sectors and within well-known companies due to the worsening macroeconomic situation and a difficult domestic and external capital market. In October 2021, international rating agencies downgraded the credit ratings of nearly 30 listed companies in Mainland China and offshore financing channels and refinancing nearly stagnated, leaving a number of companies facing financing difficulties. In the second half of the year ended 31 March 2022, the Russia-Ukraine conflict further disrupted the international landscape and brought more uncertainty to future developments. In the first quarter of the year 2022, China's gross domestic product (GDP) grew by 4.8% year-on-year, a significant drop in growth.

During the year ended 31 March 2022, the Target Group was also affected by trade tensions and impact of pandemic, which contributed to instability affecting the development of the cross-border e-commerce industry impacting incubation and investment within the industry. Recurring outbreaks further raised the difficulty of operations in the e-commerce and trade industries.

Human Resources

The wages and salaries of the Target Group were RMB22,279,000, RMB12,483,000, RMB10,100,000 and RMB3,081,000, for the three years ended 31 March 2020, 2021, 2022 and the six months ended 30 September 2022, respectively. The pension scheme contributions of the Target Group were RMB1,895,000, RMB998,000, RMB1,451,000 and RMB519,000, for the three years ended 31 March 2020, 2021, 2022 and the six months ended 30 September 2022, respectively. The employees of the Target Group which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Target Group is required to contribute a certain percentage of the payroll costs to the central pension scheme.

Future plans for material investments or capital assets

As at the Latest Practicable Date, the Target Group did not enter into any agreement in respect of any proposed acquisitions and did not have any other future plans relating to material investment or capital asset.

Gearing ratio

The Target Group's gearing ratio (net debt divided by total equity) was 42%, 15%, 13% and 18% as at 31 March 2020, 31 March 2021, 31 March 2022 and 30 September 2022, respectively.

Contingent liabilities

As at 31 March 2020, 31 March 2021, 31 March 2022 and 30 September 2022, the contingent liabilities of the Target Group were RMB744,127,000, RMB774,923,000, RMB966,298,000 and RMB871,578,000, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Following the Subscription, the Remaining Group would be mainly engaged in (i) the property development segment engages in the development of integrated logistics and trade centres and residential and commercial ancillary facilities; (ii) the property investment and management segment invests in integrated logistics and trade centres and residential and commercial ancillary facilities and engages in the provision of property management services; and the "others" segment comprises, principally, the provision of logistics and warehousing services, outlet operations, microcredit services, E-commerce services and other services. There will be no change in the principal activities of the Remaining Group following the Completion.

Segmental information

The financial data in respect of the Remaining Group, for the purpose of this circular, is derived from the audited consolidated financial statements of the Company for the three years ended 31 March 2020, 2021 and 2022. Set out below is the management discussion and analysis on the Remaining Group for the three years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022.

During the year ended 31 March 2022 and six months ended 30 September 2022, the Remaining Group was principally engaged in property development and property investment and management. As at 31 March 2020, 31 March 2021, 31 March 2022, and the six months ended 30 September 2022, the total revenue of the Remaining Group was HK$9,118 million, HK$9,566 million, HK$8,081 million, and 2,795 million, respectively. The Subscription affects sale of properties and finance lease income, and recurring income in the rental and property managements and others sectors. As at 30 September 2022, sale of properties and finance lease income and recurring income would decrease as an effect of the Subscription.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The cash and bank balances of the Remaining Group denominated in HK dollars, US dollars and RMB as at 31 March 2020, 2021, 2022 and 30 September 2022 were approximately HK$9,958 million, HK$9,124 million, HK$4,584 million, and HK$3,923 million, respectively.

The total interest-bearing debts of the Remaining Group as at 31 March 2020, 2021, 2022 and 30 September 2022 were approximately HK$32,456 million, HK$36,622 million, HK$35,402 million, and HK$31,602 million, respectively.

The interest-bearing debts of the Remaining Group as at 31 March 2020 were denominated in HK dollars, RMB and US dollars with interest rates range from 3.95% to 12.35% per annum.

The interest-bearing debts of the Remaining Group as at 31 March 2021 were denominated in HK dollars, RMB and US dollars with interest rates range from 3.75% to 12.00% per annum.

The interest-bearing debts of the Remaining Group as at 31 March 2022 were denominated in HK dollars, RMB and US dollars with interest rates range from 3.75% to 15.00% per annum.

The interest-bearing debts of the Remaining Group as at 30 September 2022 were denominated in HK dollars, RMB and US dollars with interest rates range from 2.80% to 15.00% per annum.

FOREIGN EXCHANGE MANAGEMENT

The Remaining Group conducts its business primarily in RMB. The income and bank deposits of the Remaining Group were substantially denominated in RMB to meet the Remaining Group's development and operation needs in the PRC. Other than the foreign currency denominated bank deposits, bank borrowings and senior notes, the Remaining Group does not have any other material exposure to foreign exchange risk, except for the following:

For the year ended 31 March 2020, the Remaining Group entered into certain forward currency contract with bank to hedge the amount of US$300 million of the foreign exchange exposure.

For the year ended 31 March 2021, the Remaining Group entered into certain forward currency contract with a bank to hedge the amount of approximately US$200 million against the foreign exchange exposure. All forward currency contract had been expired during the year.

For the year ended 31 March 2022, the Remaining Group entered into certain forward currency contract with a bank to hedge the amount of approximately US$70 million against the foreign exchange exposure. All forward currency contract had been settled during the year.

The Remaining Group continues to adopt a proactive approach to closely monitor the foreign currency market, explore the domestic capital market for financing opportunities and consider other hedging arrangement if such need arise.

GEARING RATIO

As at 31 March 2020, 2021, 2022, and 30 September 2022, the gearing ratio (net debt divided by total equity) of the Remaining Group were 55.2%, 59.1%, 62.9% and 57.8%, respectively.

TREASURY POLICIES

As for the treasury policies, the objectives of the Remaining Group when managing capital are to safeguard the ability of the Remaining Group to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. The Remaining Group finances its development and operations primarily through internally generated funds, bank and other borrowings, and the issuance of different types of bonds and notes on the onshore and offshore market, which includes but not limited to senior notes, short-term notes, medium-term notes, corporate bonds and domestic company bonds. The Remaining Group will continue to explore different financing means and to extend its financing channels.

The Remaining Group proactively adjusts its business development strategies, the pace of land acquisition and other capital expenditures in concurrence with its cash flows from operating and financing activities, in order to maintain liquidity while uphold growth momentum.

CAPITAL COMMITMENT

As at 31 March 2020, 2021, 2022, and 30 September 2022, the Remaining Group had future capital expenditure contracted but not yet provided for amounting to HK$10,749.5 million, HK$12,511.3 million, HK$12,030.0 million and HK$9,640.1 million, respectively.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

For the period ended 30 September, 2022, the Remaining Group disposed 50% equity interest in Shenzhen First Asia Pacific Property Management Company Limited announced on 18 July 2022 and 28 July 2022.

Except above, the Remaining Group did not have any significant investments, material acquisition or disposal for the three years ended 31 March 2020, 2021, 2022 and the period ended 30 September 2022.

CONTINGENT LIABILITIES

The Remaining Group has provided guarantees mainly with respect to banking facilities granted by certain banks in connection with mortgage loans made by purchasers of the Remaining Group's trade centres and residential properties, and bank loans made by lessees of the Remaining Group's residential and commercial properties. The guarantees granted to purchasers of trade centres and residential properties will be released when the purchasers obtain building ownership certificates, which will then be pledged to the banks. For leased residential and commercial properties, the guarantees will be released accordingly when the lessees repaid the loan.

As at 31 March 2020, 2021, 2022, and 30 September 2022, the Remaining Group had contingent liabilities amounting to HK$16,003.2 million, HK$15,378.8 million, HK$9,747.7 million and HK$8,589.8 million, respectively.

PLEDGE OF ASSETS

As at 31 March 2020, 2021, 2022, and 30 September 2022, the Remaining Group's debts were secured by certain buildings, investment properties, properties under development, properties held for finance lease, properties held for sales and bank deposits with a total carrying value of approximately HK$30,714.0 million, HK$43,573.8 million, HK$49,571.1 million and HK$45,015.8 million, respectively.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, 2021, 2022, and 30 September 2022, the Remaining Group had 4,591, 3,810, 2,742 and 2,600 employees, respectively. The Remaining Group aims to recruit, retain and develop competent individuals who are committed to the Remaining Group's long-term success and growth. Remunerations and other benefits of employees are reviewed annually in response to both market conditions and trends, and are based on qualifications, experience, responsibilities and performance. In addition to basic salaries and other staff benefits, discretionary bonuses and share options may be awarded to employees who display outstanding performance and contributions to the Remaining Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 March 2020, 2021, 2022, and 30 September 2022, save as disclosed, the Remaining Group did not have any future plans for material investment or capital assets.

The following is the text of a report received from Ernst & Young regarding the historical financial information of the Target Group for the purpose of inclusion in this circular.

The Board of Directors
China South City Holdings Limited

Dear Sirs,

We report on the historical financial information of Xi'an China South City Co., Ltd. (the "**Target Company**") and its subsidiary (together, the "**Target Group**") set out on pages II-4 to II-58, which comprises the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Target Group for each of the years ended 31 March 2020, 2021 and 2022, and the six months ended 30 September 2022 (the "**Relevant Periods**") and the consolidated statements of financial position of the Target Group as at 31 March 2020, 2021 and 2022 and 30 September 2022 and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-9 forms an integral part of this report, which has been prepared for inclusion in the circular of China South City Holdings Limited dated 17 January 2023 (the "**Circular**") in connection with the deemed disposal of approximately 69.35% equity interest in the Target Company.

Directors' responsibility for the Historical Financial Information

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

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Group as at 31 March 2020, 2021 and 2022 and 30 September 2022 and of the financial performance and cash flows of the Target Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 September 2021 and other explanatory information (the "**Interim Comparative Financial Information**"). The directors of the Target Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

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

Adjustments

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

Dividends

We refer to note 9 to the Historical Financial Information which contains information about the dividends paid by the Target Company in respect of the Relevant Periods.

Ernst & Young
Certified Public Accountants
Hong Kong
17 January 2023

I. HISTORICAL FINANCIAL INFORMATION

Preparation of the Historical Financial Information

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

The consolidated financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") (the "**Underlying Financial Statements**").

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

					Six months ended	
			Year ended 31 March		**30 September**	
	Notes	**2020**	**2021**	**2022**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
REVENUE	*5*	721,129	1,567,359	1,879,650	1,202,604	414,438
Cost of sales		(662,585)	(1,079,039)	(1,476,933)	(970,805)	(437,288)
Gross profit		58,544	488,320	402,717	231,799	(22,850)
Other income and gains/(losses)	*5*	9,215	5,103	679,163	681,120	392
Fair value gains on investment properties	*5*	360,355	110,090	71,274	21,782	2,624
Selling and distribution costs		(105,463)	(107,516)	(43,567)	(19,616)	(6,225)
Administrative expenses		(70,478)	(57,053)	(67,699)	(31,198)	(20,807)
Other expenses		(21,407)	(34,951)	(38,789)	(19,045)	(32,600)
Finance costs	*6*	–	(4,684)	(68,031)	(30,962)	(22,056)
PROFIT/(LOSS) BEFORE TAX	*7*	230,766	399,309	935,068	833,880	(101,522)
Income tax (expenses)/credit	*8*	(3,860)	(188,700)	(285,028)	(228,641)	41,007
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD		226,906	210,609	650,040	605,239	(60,515)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 March 2020 RMB'000	2021 RMB'000	2022 RMB'000	As at 30 September 2022 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	*10*	129,399	121,001	81,801	81,015
Investment properties	*11*	3,740,000	3,499,000	3,342,000	3,154,000
Right-of-use assets	*12*	395,271	383,763	143,017	140,798
Deferred tax assets	*20*	246,766	179,722	176,108	211,544
Total non-current assets		4,511,436	4,183,486	3,742,926	3,587,357
CURRENT ASSETS					
Properties held for sale	*13*	3,039,611	3,512,356	3,703,851	3,829,716
Trade receivables	*14*	112,052	257,087	179,398	194,421
Prepayments, other receivables and other assets	*15*	163,553	108,568	807,051	779,915
Due from related companies	*26*	540,925	551,753	38,414	36,403
Cash and bank balances	*16*	312,919	288,418	87,683	105,885
Total current assets		4,169,060	4,718,182	4,816,397	4,946,340
CURRENT LIABILITIES					
Trade and other payables	*18*	356,039	430,625	1,212,868	859,513
Interest-bearing bank and other borrowings	*17*	749,333	362,000	154,000	405,000
Due to related companies	*26*	2,748,696	2,117,278	1,041,196	2,935,363
Contract liabilities	*19*	1,931,435	2,662,377	1,605,662	1,263,411
Tax payables		227,997	294,503	521,332	505,840
Total current liabilities		6,013,500	5,866,783	4,535,058	5,969,127
NET CURRENT ASSETS/(LIABILITIES)		(1,844,440)	(1,148,601)	281,339	(1,022,787)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,666,996	3,034,885	4,024,265	2,564,570
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	*17*	424,000	292,000	365,000	100,000
Deferred tax liabilities	*20*	216,987	224,478	259,577	257,861
Total non-current liabilities		640,987	516,478	624,577	357,861
Net assets		2,026,009	2,518,407	3,399,688	2,206,709
EQUITY					
Equity attributable to owners of the parent					
Issued capital	*21*	1,000,000	1,000,000	1,000,000	1,000,000
Other reserves	*22*	1,026,009	1,518,407	2,399,688	1,206,709
Total equity		2,026,009	2,518,407	3,399,688	2,206,709

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital *RMB'000*	Statutory surplus reserve *RMB'000*	Capital reserve *RMB'000*	Retained profits *RMB'000*	Total equity *RMB'000*
At 1 April 2019	1,000,000	57,626	249,124	359,837	1,666,587
Profit for the year	–	–	–	226,906	226,906
Total comprehensive income for the year	–	–	–	226,906	226,906
Waive of due to the intermediate holding company	–	–	132,516	–	132,516
Transfer from retained profits	–	22,691	–	(22,691)	–
At 31 March 2020	1,000,000	80,317	381,640	564,052	2,026,009

	Share capital *RMB'000*	Statutory surplus reserve *RMB'000*	Capital reserve *RMB'000*	Retained profits *RMB'000*	Total equity *RMB'000*
At 1 April 2020	1,000,000	80,317	381,640	564,052	2,026,009
Profit for the year	–	–	–	210,609	210,609
Total comprehensive income for the year	–	–	–	210,609	210,609
Waive of due to the intermediate holding company	–	–	281,789	–	281,789
Transfer from retained profits	–	21,061	–	(21,061)	–
At 31 March 2021	1,000,000	101,378	663,429	753,600	2,518,407

	Note	Share capital *RMB'000*	Statutory surplus reserve *RMB'000*	Capital reserve *RMB'000*	Retained profits *RMB'000*	Total equity *RMB'000*
At 1 April 2021		1,000,000	101,378	663,429	753,600	2,518,407
Profit for the year		–	–	–	650,040	650,040
Total comprehensive income for the year		–	–	–	650,040	650,040
Waive of due to the intermediate holding company		–	–	231,241	–	231,241
Transfer from retained profits		–	65,004	–	(65,004)	–
At 31 March 2022		1,000,000	166,382	894,670	1,338,636	3,399,688

	Note	Share capital *RMB'000*	Statutory surplus reserve *RMB'000*	Capital reserve *RMB'000*	Retained profits *RMB'000*	Total equity *RMB'000*
At 1 April 2022		1,000,000	166,382	894,670	1,338,636	3,399,688
Loss for the period		–	–	–	(60,515)	(60,515)
Total comprehensive loss for the period		–	–	–	(60,515)	(60,515)
Waive of due to the intermediate holding company		–	–	147,536	–	147,536
Dividend declared	*9*	–	–	–	(1,280,000)	(1,280,000)
At 30 September 2022		1,000,000	166,382	1,042,206	(1,879)	2,206,709

	Share capital *RMB'000*	Statutory surplus reserve *RMB'000*	Capital reserve *RMB'000*	Retained profits *RMB'000*	Total equity *RMB'000*
At 1 April 2021	1,000,000	101,378	663,429	753,600	2,518,407
Profit for the period	–	–	–	605,239	605,239
Total comprehensive income for the period	–	–	–	605,239	605,239
Waive of due to the intermediate holding company	–	–	170,768	–	170,768
Transfer from retained profits	–	60,524	–	(60,524)	–
At 30 September 2021 (unaudited)	1,000,000	161,902	834,197	1,298,315	3,294,414

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 March 2020 RMB'000	Year ended 31 March 2021 RMB'000	Year ended 31 March 2022 RMB'000	Six months ended 30 September 2021 RMB'000 (unaudited)	Six months ended 30 September 2022 RMB'000
Cash flows from operating activities						
Profit/(loss) before tax		230,766	399,309	935,068	833,880	(101,522)
Adjustments for:						
Finance costs	6	–	4,684	68,031	30,962	22,056
Interest income	5	(2,233)	(2,232)	(796)	(488)	(213)
Net losses/(gains) on disposal of property, plant and equipment	5	–	–	27,707	25,085	(56)
Gain on land resumption	5	–	–	(704,760)	(704,760)	–
Depreciation of property, plant and equipment	7	12,918	14,534	7,741	6,206	3,114
Depreciation of right-of-use assets	7	11,508	11,508	8,562	5,754	2,219
Changes in fair value of investment properties	5	(360,355)	(110,090)	(71,274)	(21,782)	(2,624)
Impairment of/(reversal of impairment of) trade receivables and other receivables	7	19,408	28,918	(38,848)	18,190	16,697
Impairment of/(reversal of impairment of) properties held for sales	7	–	–	70,405	–	(13,890)
		(87,988)	346,631	301,836	193,047	(74,219)
Change in properties held for sale		(115,679)	385,759	258,926	63,768	261,376
Change in trade receivables		(49,711)	(173,953)	116,537	(14,975)	(173,452)
Change in prepayments, other receivables and other assets		(64,858)	54,985	238,461	230,867	7,045
Change in due from related parties		(521,638)	(10,828)	514,826	(128,108)	2,013
Change in contract liabilities		1,488,279	758,745	(1,233,623)	(4,370)	(205,120)
Change in trade and other payables		(579,267)	45,354	958,118	396,845	(329,740)
Change in restricted cash		84,290	(8,890)	1,839	(60,145)	(28,008)
Cash generated from operations		153,428	1,397,803	1,156,920	676,929	(540,105)
Taxes paid		(48,143)	(47,659)	(19,486)	(187,525)	(11,637)
Net cash flows from /(used in) operating activities		105,285	1,350,144	1,137,434	489,404	(551,742)

	Notes	Year ended 31 March 2020	Year ended 31 March 2021	Year ended 31 March 2022	Six months ended 30 September 2021	Six months ended 30 September 2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash flows from investing activities						
Proceeds from disposal of property, plant and equipment		211	17	4,139	2,459	266
Interest received		2,233	2,232	796	488	213
Additions to investment properties		–	(11,704)	(7,239)	(4,328)	(10,610)
Purchases of property, plant and equipment		(288)	(6,153)	(387)	–	(2,538)
Net cash flows from/(used in) investing activities		2,156	(15,608)	(2,691)	(1,381)	(12,669)
Cash flows from financing activities						
Change in due to related companies		(118,723)	(714,176)	(1,118,022)	(504,067)	602,836
New bank and other borrowings		845,000	230,000	300,000	230,000	100,000
Repayment of bank and other borrowings		(596,667)	(749,333)	(435,000)	(292,000)	(114,000)
Payment of interest		(79,353)	(134,418)	(80,617)	(63,811)	(34,231)
Net cash flows from/(used in) financing activities		50,257	(1,367,927)	(1,333,639)	(629,878)	554,605
Net increase/(decrease) in cash and cash equivalents		157,698	(33,391)	(198,896)	(141,855)	(9,806)
Cash and cash equivalents at beginning of financial year		89,303	247,001	213,610	213,610	14,714
Cash and cash equivalents at end of financial year	*16*	247,001	213,610	14,714	71,755	4,908

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Target Company is a limited liability company incorporated in the People's Republic of China (the "**PRC**") on 12 November 2009 under the Companies Law of PRC. Its registered office is located at No. 8, Port Avenue, Xi'an International Port District.

In the opinion of the directors, the immediate holding company of the Target Company is China South City Group Co., Ltd., a company incorporated in PRC, and the ultimate holding company of the Target Company is China South City Holdings Limited (the "**China South City**"), a limited liability company registered in Hong Kong and listed on The Stock Exchange of Hong Kong Limited.

During the Relevant Periods, the principal activities of the Target Group are mainly the development and operation of large-scale integrated logistics and trade centres and the development of residential and commercial ancillary facilities

Information about subsidiary

Particulars of the Target Company's subsidiary, which being a limited company under PRC law, is as follow:

Name	Place of incorporation/ registration and business	Nominal value of registered share capital	Date of incorporation/ registration	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
				%	%	
西安好百年家居有限公司 Xi'an HOBA Home Furnishing Company Limited	PRC/ Mainland China	RMB5,000,000	21 May 2018	100	–	Furnishing market operation

2.1 BASIS OF PREPARATION

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

The Historical Financial Information has been prepared under the historical cost convention at the end of each of the Relevant Periods, except for investment properties which have been measured at fair value.

The Historical Financial Information has also been prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

As at 30 September 2022, the Target Group's total current liabilities exceeded its total current assets by RMB1,022,787,000. The Target Company's ultimate holding company, the China South City, agreed to provide unconditional continuing financial support to the Target Group so as to enable the Target Group to meet its liabilities as and when they fall due for at least the next 12 months from the date of approval of the Historical Financial Information. Accordingly, the directors are of the opinion that it is appropriate to adopt the going concern basis in preparing the Historical Financial Information.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.2 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Target Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture*[3]
Amendments to HKFRS 17	*Insurance Contracts*[2,5]
Amendments to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* [2,4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

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

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

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

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

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. The Target Group is not yet in a position to state whether they would have a significant impact on the Target Group's results of operations and financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiary

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsidiary (continued)

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

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

(b) rights arising from other contractual arrangements; and

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

The results of subsidiary are included in the Target Company's profit or loss to the extent of dividends received and receivable. The Target Company's investments in subsidiary that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Fair value measurement

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

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

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

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

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

Related parties

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

(a) the party is a person or a close member of that person's family and that person
- (i) has control or joint control over the Target Group;
- (ii) has significant influence over the Target Group; or
- (iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Target Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Target Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the parent of the Target Group.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

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

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

Buildings	3% to 9%
Furniture and fixtures	9% to 18%
Motor vehicles	9% to 18%

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

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the Relevant Periods.

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

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

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Properties under development

Properties under development are stated at the lower of cost and net realisable value. Cost comprises the land costs, construction costs, capitalised borrowing costs and other costs directly attributed to such properties during the period of construction.

Properties under development are initially classified as non-current assets and transferred to current assets under the category of properties held for sale when the construction of the relevant properties commences and the construction period of the relevant property development project is expected to complete within the normal operating cycle.

Leases

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

Target Group as a lessee

Short-term leases

The Target Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases is recognized as an expense on a straight-line basis over the lease term.

Target Group as a lessor

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

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

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

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

The Target Group considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Target Group may also consider a financial asset to be in default when internal or external information indicates that the Target Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

***General approach* (continued)**

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

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

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

The Target Group's financial liabilities include trade and other payables, interest-bearing bank and other borrowings, due to fellow subsidiaries, other long-term payables.

Subsequent measurement

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

Financial liabilities at amortized cost (loans and borrowings)

After initial recognition, interest-bearing bank and other borrowings, other long-term payables are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Target Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Target Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognized

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

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

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

Provisions

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

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

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

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

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

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

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

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

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

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

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

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

Sale of properties

Revenue from the sale of properties is recognised at the point in time when the purchaser obtains the physical possession of the completed property and the Target Group has a present right to payment and the collection of the consideration is probable.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

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

Contract liabilities

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset related. Other contract costs are expensed as incurred.

Employee benefits

Pension scheme

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the Historical Financial Information.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Revenue from contracts with customers

The Target Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

The Target Group determined that the sales contracts with customers require the Target Group to complete the development of property before transferring the physical possession of the relevant property to the customer. The Target Group also determined that the Target Group does not have an enforceable right to payment from customers for performance completed to date before the transfer of the physical possession of the relevant property to the customer. Consequently, the Target Group concluded that the timing of transfer of properties is at the point in time when the purchaser obtains the physical possession of the completed property.

Property lease classification – Group as lessor

The Target Group has entered into commercial property leases on its investment property portfolio. The Target Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Classification between investment properties and owner-occupied properties

The Target Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Target Group considers whether a property generates cash flows largely independent of the other assets held by the Target Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Target Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

Estimation of fair value of investment properties

The Target Group engaged Savills Valuation and Professional Services Limited ("**Savills**"), an independent professional qualified valuer, to perform the valuation of the Target Group's investment properties at the end of the reporting period. Such valuations were based on certain assumptions, which are subject to uncertainty. In making the estimation, information about the market unit rental rate and capitalisation rate is considered and assumptions that are mainly based on market conditions existing at the end of each reporting period are used. The carrying amount of investment properties as at 31 March 2020, 2021, 2022 and 30 September 2022 was RMB3,740,000,000, RMB3,499,000,000, RMB3,342,000,000 and RMB3,154,000,000, respectively. Further details are given in note 11.

Provision for expected credit losses on trade receivables

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Target Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Target Group's trade receivables is disclosed in note 14 to the Historical Financial Information.

Land appreciation tax

Under the Provisional Regulations on Land Appreciation Tax ("**LAT**") implemented upon the issuance of the Provisional Regulations of the PRC on 27 January 1995, all gains arising from the transfer of real estate properties in Mainland China with effect from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land use rights, borrowing costs and all property development expenditures.

The Target Group engaging in the property development business in Mainland China are subject to LAT, which has been included in income tax. However, the implementation of these taxes varies amongst various Mainland China cities and the Target Group has not finalized its LAT returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Target Group recognises these liabilities based on management's best estimates. When the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact the income tax and provisions for land appreciation taxes in the period in which the determination is made.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses as at 31 March 2020, 2021, 2022 and 30 September 2022 was RMB136,875,000, RMB35,649,000, nil and RMB35,363,000, respectively. Further details are contained in note 20 to the consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segment, has been identified as the executive directors of the Company.

Information about major customer

There were no sales to a single customer which amounted to 10% or more of the Target Group's revenue during the Relevant Periods.

Operating segment information

Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the chief operating decision-maker of the Company regards that there is only one segment which is used to make strategic decisions.

Information about geographical areas

The major operating entity of the Target Group is domiciled in the PRC. Accordingly, all of the Target Group's revenue was derived in the PRC during the Relevant Periods.

As at 31 March 2020, 31 March 2021, 31 March 2022 and 30 September 2022, all of the non-current assets were located in the PRC.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

5. REVENUE, OTHER INCOME AND GAINS/(LOSSES), FAIR VALUE GAINS ON INVESTMENT PROPERTIES

An analysis of revenue is as follows:

	Year ended 31 March			Six months ended 30 September	
	2020	**2021**	**2022**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue from contract with customers					
Goods transferred at a point in time	666,973	1,532,782	1,839,245	1,180,916	397,095
Revenue from other sources					
Rental income	54,156	34,577	40,405	21,688	17,343
	721,129	1,567,359	1,879,650	1,202,604	414,438

Revenue from contracts with customers

(i) Disaggregated revenue information

The following table shows the amounts of revenue recognised in the current Relevant Periods that were included in the contract liabilities at the beginning of the Relevant Periods and recognised from performance obligations satisfied in previous Relevant Periods:

	Year ended 31 March			Six months ended 30 September	
	2020	**2021**	**2022**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the Relevant Periods:					
Sale of properties	232,781	584,472	1,075,534	31,110	86,852

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

5. REVENUE, OTHER INCOME AND GAINS/(LOSSES), FAIR VALUE GAINS ON INVESTMENT PROPERTIES (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligation

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

Sale of properties

The performance obligation is satisfied when the physical possession of the completed property is obtained by the purchasers and the Target Group has a present right to payment and the collection of the consideration is probable.

An analysis of other income and gains/(losses) is as follows:

	Year ended 31 March			Six months ended 30 September	
	2020	**2021**	**2022**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Other income					
Interest income	2,233	2,232	796	488	213
Government grants*	1,400	1,936	13	13	–
Other	5,582	935	1,301	944	123
	9,215	5,103	2,110	1,445	336
Gains/(losses)					
Net gains/(losses) on disposal of property, plant and equipment	–	–	(27,707)	(25,085)	56
Gain on land resumption**	–	–	704,760	704,760	–
	–	–	677,053	679,675	56
	9,215	5,103	679,163	681,120	392
Fair value gains on investment properties	360,355	110,090	71,274	21,782	2,624

* Government grants have been received from the relevant government authorities to foster and support the development of the Target Group in Mainland China. In the opinion of management, there are no unfulfilled conditions or contingencies relating to these grants.

** On 2 September 2021, the Target Group entered into land resumption agreements with the local government authority. The consideration for resumption of the land use rights thereof amounted to RMB936,945,000 and the transaction resulted in a gain of RMB704,760,000 during the year ended 31 March 2022.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on bank and other borrowings (including due to related companies)	268,072	500,394	353,344	222,234	194,173
Less: Interest capitalised	(268,072)	(495,710)	(285,313)	(191,272)	(172,117)
	–	4,684	68,031	30,962	22,056

7. PROFIT/(LOSS) BEFORE TAX

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

	Notes	Year ended 31 March			Six months ended 30 September	
		2020	2021	2022	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cost of properties sold		634,561	1,019,472	1,460,830	960,837	433,130
Depreciation of property, plant and equipment	*10*	12,918	14,534	7,741	6,206	3,114
Depreciation of right-of-use assets	*12*	11,508	11,508	8,562	5,754	2,219
Lease payments not included in the measurement of lease liabilities		14	15	13	6	5
Employee benefit expense:						
Wages and salaries		22,279	12,483	10,100	5,668	3,081
Pension scheme contributions		1,895	998	1,451	793	519
		24,174	13,481	11,551	6,461	3,600
Impairment of/(reversal of impairment of) trade receivables and other receivables*	*14*	19,408	28,918	(38,848)	18,190	16,697
Impairment of/(reversal of impairment of) properties held for sales*#		–	–	70,405	–	(13,890)
Contract cancellation costs*		–	5,470	6,984	–	103

* The impairment of trade receivables and other receivables, impairment of properties held for sales and contract cancellation costs are included in "Other expenses" in the consolidated statement of profit or loss.

\# The reversal of impairment of properties held for sales is included in "Cost of sales" in the consolidated statement of profit or loss.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

8. INCOME TAX EXPENSES/(CREDIT)

Under the relevant income tax law, the Target Group are subject to corporate income tax ("**CIT**") at the statutory rate of 25% on their respective taxable income during the Relevant Periods.

The PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and all property development expenditures.

The major components of income tax expenses/(credit) for the Relevant Periods are as follows:

		Year ended 31 March			Six months ended 30 September	
	Note	**2020**	**2021**	**2022**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current Mainland China CIT		–	–	147,989	135,305	–
LAT in Mainland China		(56,881)	114,165	98,326	42,103	(3,855)
Deferred Mainland China CIT	*20*	60,741	74,535	38,713	51,233	(37,152)
Total tax charge/(credit) for the year/period		3,860	188,700	285,028	228,641	(41,007)

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rate to the tax expense/(credit) at the effective rate is as follows:

	Year ended 31 March			Six months ended 30 September	
	2020	**2021**	**2022**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit/(loss) before tax	230,766	399,309	935,068	833,880	(101,522)
Tax at the statutory tax rate	57,692	99,827	233,767	208,470	(25,381)
Income not subject to tax	(11,334)	(20,447)	(22,565)	(11,631)	(12,755)
Expenses not deductible for tax	163	131	82	225	21
Reversal of previously recognised deferred tax assets	–	23,565	–	–	–
LAT	(56,881)	114,165	98,326	42,103	(3,855)
Tax effect of LAT	14,220	(28,541)	(24,582)	(10,526)	963
	3,860	188,700	285,028	228,641	(41,007)

9. DIVIDENDS

	Year ended 31 March			Six months ended 30 September	
	2020	**2021**	**2022**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Dividends declared	–	–	–	–	1,280,000

On 30 September 2022, the Target Company's shareholders approved the 2022 profit distribution plan at an annual general meeting, pursuant to which an aggregate amount of RMB1,280,000,000 will be paid to the shareholders of the Target Company on the record date for determining the shareholders' entitlement to the 2022 profit distribution plan.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Furniture and fixtures *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
31 March 2020				
At 31 March 2019:				
Cost	211,432	9,363	4,106	224,901
Accumulated depreciation	(71,472)	(7,859)	(3,330)	(82,661)
Net carrying amount	139,960	1,504	776	142,240
At 1 April 2019, net of accumulated depreciation	139,960	1,504	776	142,240
Additions	165	123	–	288
Disposals	–	(211)	–	(211)
Depreciation provided during the year	(12,573)	(228)	(117)	(12,918)
At 31 March 2020, net of accumulated depreciation	127,552	1,188	659	129,399
At 31 March 2020:				
Cost	211,597	8,761	4,106	224,464
Accumulated depreciation	(84,045)	(7,573)	(3,447)	(95,065)
Net carrying amount	127,552	1,188	659	129,399

	Buildings *RMB'000*	Furniture and fixtures *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
31 March 2021				
At 31 March 2020:				
Cost	211,597	8,761	4,106	224,464
Accumulated depreciation	(84,045)	(7,573)	(3,447)	(95,065)
Net carrying amount	127,552	1,188	659	129,399
At 1 April 2020, net of accumulated depreciation	127,552	1,188	659	129,399
Additions	5,975	178	–	6,153
Disposals	–	–	(17)	(17)
Depreciation provided during the year	(14,273)	(157)	(104)	(14,534)
At 31 March 2021, net of accumulated depreciation	119,254	1,209	538	121,001
At 31 March 2021:				
Cost	217,572	8,939	4,089	230,600
Accumulated depreciation	(98,318)	(7,730)	(3,551)	(109,599)
Net carrying amount	119,254	1,209	538	121,001

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

10. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings *RMB'000*	Furniture and fixtures *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
31 March 2022				
At 31 March 2021:				
Cost	217,572	8,939	4,089	230,600
Accumulated depreciation	(98,318)	(7,730)	(3,551)	(109,599)
Net carrying amount	119,254	1,209	538	121,001
At 1 April 2021, net of accumulated depreciation	119,254	1,209	538	121,001
Additions	–	387	–	387
Disposals	(31,685)	(161)	–	(31,846)
Depreciation provided during the year	(7,531)	(121)	(89)	(7,741)
At 31 March 2022, net of accumulated depreciation	80,038	1,314	449	81,801
At 31 March 2022:				
Cost	185,887	9,165	4,089	199,141
Accumulated depreciation	(105,849)	(7,851)	(3,640)	(117,340)
Net carrying amount	80,038	1,314	449	81,801

	Buildings *RMB'000*	Furniture and fixtures *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
30 September 2022				
At 31 March 2022:				
Cost	185,887	9,165	4,089	199,141
Accumulated depreciation	(105,849)	(7,851)	(3,640)	(117,340)
Net carrying amount	80,038	1,314	449	81,801
At 1 April 2022, net of accumulated depreciation	80,038	1,314	449	81,801
Additions	–	2,538	–	2,538
Disposals	–	–	(210)	(210)
Depreciation provided during the period	(2,971)	(102)	(41)	(3,114)
At 30 September 2022, net of accumulated depreciation	77,067	3,750	198	81,015
At 30 September 2022:				
Cost	185,887	11,703	3,879	201,469
Accumulated depreciation	(108,820)	(7,953)	(3,681)	(120,454)
Net carrying amount	77,067	3,750	198	81,015

As at 31 March 2020, 2021 and 2022 and 30 September 2022, certificates of ownership in respect of certain buildings of the Target Group in the PRC with an aggregate carrying value of approximately RMB125,956,000, RMB119,038,000, RMB75,385,000 and RMB72,544,000 had not been issued by the relevant PRC authorities. The Target Group is in the process of obtaining the relevant certificates of ownership.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

11. INVESTMENT PROPERTIES

	Note	As at 31 March 2020	As at 31 March 2021	As at 31 March 2022	As at 30 September 2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at the beginning of year		2,258,369	3,740,000	3,499,000	3,342,000
Additions		–	11,704	7,239	10,610
Transfer from properties held for sale		1,121,276	–	–	–
Transfer to properties held for sale		–	(362,794)	(235,513)	(201,234)
Net gains from a fair value adjustment	*5*	360,355	110,090	71,274	2,624
Carrying amount at the end of year		3,740,000	3,499,000	3,342,000	3,154,000

The Target Group's investment properties were revalued on 31 March 2020, 2021 and 2022 and 30 September 2022 by Savills at RMB3,740,000,000, RMB3,499,000,000, RMB3,342,000,000 and RMB3,154,000,000 on an open market, existing use basis.

The Target Group's investment properties with an aggregate carrying value of nil, nil, RMB1,141,152,000 and RMB911,877,000 as at 31 March 2020, 2021 and 2022 and 30 September 2022 were pledged to secure general banking facilities granted to the Target Group (note 17).

The Target Group's investment properties consist of trade centers, commercial and other ancillary facilities in Mainland China. Each year, the Target Group's management decides to appoint which external valuer to be responsible for the external valuations of the Target Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Target Group's finance department has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

Fair value hierarchy

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

	Fair value measurement as at 31 March 2020 using significant unobservable inputs (Level 3)
	RMB'000
Recurring fair value measurement for:	
Trade centers, commercial and other ancillary facilities	3,740,000

	Fair value measurement as at 31 March 2021 using significant unobservable inputs (Level 3)
	RMB'000
Recurring fair value measurement for:	
Trade centers, commercial and other ancillary facilities	3,499,000

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

11. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

	Fair value measurement as at 31 March 2022 using significant unobservable inputs (Level 3)
	RMB'000
Recurring fair value measurement for:	
Trade centers, commercial and other ancillary facilities	3,342,000

	Fair value measurement as at 30 September 2022 using significant unobservable inputs (Level 3)
	RMB'000
Recurring fair value measurement for:	
Trade centers, commercial and other ancillary facilities	3,154,000

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

			Range			
	Valuation technique	Significant unobservable inputs	As at 31 March 2020	2021	2022	As at 30 September 2022
Trade centers, commercial and other ancillary facilities	Income capitalisation method	Market unit rental rate (RMB/sq.m./month)	28-80	29-83	29-83	29-83
		Capitalisation rate	6.00%-6.50%	6.00%-6.50%	6.00%-6.50%	6.00%-6.50%

The fair values of investment properties are determined principally using the income capitalisation method by capitalising the rental income derived from the existing tenancies with due provisions for the reversionary income potential of the properties. The fair value measurement is positively correlated to the market unit rental rate and negatively correlated to the capitalisation rate. For the portions which were under construction, the expended construction costs and the costs that are expected to be expended to complete the properties have also been taken into account in arriving at their fair values.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

12. LEASES

The Target Group as a lessee

Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 years, and no ongoing payments will be made under the terms of these land leases.

(i) Right-of-use assets

The carrying amounts of the Target Group's right-of-use assets and the movements during the Relevant Periods are as follows:

	Leasehold land
	RMB'000
As at 1 April 2019	406,779
Depreciation charge	(11,508)
As at 31 March 2020 and 1 April 2020	395,271
Depreciation charge	(11,508)
As at 31 March 2021 and 1 April 2021	383,763
Disposal	(232,184)
Depreciation charge	(8,562)
As at 31 March 2022 and 1 April 2022	143,017
Depreciation charge	(2,219)
As at 30 September 2022	140,798

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

	As at 31 March			**As at 30 September**	
	2020	**2021**	**2022**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Depreciation charge on right-of-use assets	11,508	11,508	8,562	5,754	2,219
Expense relating to short-term leases and leases of low-value assets	14	15	13	6	5
Total amount recognised in profit or loss	11,522	11,523	8,575	5,760	2,224

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

12. LEASES (continued)

The Target Group as a lessor

The Target Group leases its investment properties (note 11) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Target Group during the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022 was RMB54,156,000, RMB34,577,000, RMB40,405,000 and RMB17,343,000, respectively, details of which are included in note 5 to the Historical Financial Information.

At 31 March 2020, 2021 and 2022 and 30 September 2022, the undiscounted lease payments receivable by the Target Group in future periods under non-cancellable operating leases with its tenants are as follows:

	As at 31 March			As at 30 September
	2020	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	11,950	6,953	15,137	37,355
After one year but within two years	11,946	6,817	8,146	33,564
After two years but within three years	11,927	4,009	24	16,323
After three years but within four years	7,108	–	24	24
After four years but within five years	–	–	24	24
After five years	–	–	328	316
Total	42,931	17,779	23,683	87,606

13. PROPERTIES HELD FOR SALE

	As at 31 March			As at 30 September
	2020	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Completed properties held for sale	1,029,935	651,721	452,049	1,014,967
Properties under development expected to be completed within the normal operating cycle	2,009,676	2,860,635	3,251,802	2,814,749
	3,039,611	3,512,356	3,703,851	3,829,716

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

13. PROPERTIES HELD FOR SALE (continued)

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development expected to be completed and ready for sale				
Within one year	267,391	367,149	127,885	516,916
Beyond one year	1,742,285	2,493,486	3,123,917	2,297,833
Total	2,009,676	2,860,635	3,251,802	2,814,749

Certain of the Target Group's properties held for sale with aggregate carrying values of RMB1,633,150,000, RMB996,470,000, RMB497,742,000 and RMB407,453,000 as at 31 March 2020, 2021 and 2022 and 30 September 2022, respectively, were pledged to secure general banking facilities granted to the Target Group (note 17).

The value of completed properties held for sales is assessed at the end of each reporting period. An impairment exists when the carrying value exceeds its net realizable value. The Target Group's completed properties held for sale with an aggregate carrying amount of approximately RMB70,405,000 recognised impairment losses as at 31 March 2022 and reversal of impairment loss of RMB13,890,000 as at 30 September 2022.

14. TRADE RECEIVABLES

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	157,943	331,896	215,359	226,988
Impairment	(45,891)	(74,809)	(35,961)	(32,567)
	112,052	257,087	179,398	194,421

Trade receivables represent sales income and rental receivables from customers which are payable on issuance of invoices or in accordance with the terms of the related sale and purchase agreements. The Target Group generally allows a credit period of not exceeding 60 days to its customers, except for certain customers which are granted with a longer credit term. The Target Group seeks to maintain strict control over its outstanding receivables and closely monitors them to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of this and the fact that the Target Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Target Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

14. TRADE RECEIVABLES (continued)

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods based on the payment due date, net of loss allowance, is as follows:

	As at 31 March			As at 30 September
	2020	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	105,379	253,753	178,339	193,121
1-2 years	4,633	2,398	787	911
2-3 years	2,040	936	272	389
Over 3 years	–	–	–	–
	112,052	257,087	179,398	194,421

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 March			As at 30 September
	2020	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year	26,483	45,891	74,809	35,961
Impairment losses/(reversal of impairment losses) (*note 7*)	19,408	28,918	(38,848)	(3,394)
At end of year	45,891	74,809	35,961	32,567

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by product type, service type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

14. TRADE RECEIVABLES (continued)

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

As at 31 March 2020

	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected loss rate (%)	3%	25%	75%	100%	29%
Gross carrying amount (*RMB'000*)	108,561	6,177	8,162	35,043	157,943
Expected credit losses (*RMB'000*)	3,183	1,544	6,121	35,043	45,891

As at 31 March 2021

	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected loss rate (%)	8%	55%	85%	100%	23%
Gross carrying amount (*RMB'000*)	271,009	13,857	4,023	43,007	331,896
Expected credit losses (*RMB'000*)	20,786	7,601	3,415	43,007	74,809

As at 31 March 2022

	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected loss rate (%)	3%	46%	85%	100%	17%
Gross carrying amount (*RMB'000*)	183,835	1,466	1,771	28,287	215,359
Expected credit losses (*RMB'000*)	5,496	679	1,499	28,287	35,961

As at 30 September 2022

	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected loss rate (%)	3%	51%	76%	100%	14%
Gross carrying amount (*RMB'000*)	198,800	1,864	1,606	24,718	226,988
Expected credit losses (*RMB'000*)	5,679	954	1,216	24,718	32,567

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	135,516	105,388	33,481	28,892
Deposits and other receivables	11,058	1,994	2,679	2,565
Capitalised contract costs	16,979	1,186	3,946	1,604
Land resumption due from the government	–	–	766,945	766,945
	163,553	108,568	807,051	800,006
Impairment	–	–	–	(20,091)
	163,553	108,568	807,051	779,915

* Capitalised contract costs relate to the incremental sales commissions whose selling activities resulted in customers entering into sale and purchase agreements for the Target Group's properties which are still under construction at the reporting date. Contract costs are recognised as part of "selling and distribution expenses" in the statement of profit or loss in the period in which revenue from the related property sales is recognised.

The Target Group recognised an expected credit loss allowance of RMB20,091,000 as at 30 September 2022.

16. CASH AND BANK BALANCES

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	312,919	288,418	87,683	105,885
Less: Restricted cash*	(65,918)	(74,808)	(72,969)	(100,977)
Cash and cash equivalents	247,001	213,610	14,714	4,908

* Restricted cash mainly comprises: (i) guarantee deposits for the mortgage loan facilities granted by the banks to purchasers of the Target Group's properties; (ii) guarantee funds of construction projects to meet local authorities' requirements; (iii) certain amounts of pre-sale proceeds from properties placed as guarantee deposits for the construction of related properties; (iv) certain amounts of proceeds from lease of properties which have been placed as guarantee deposits for the borrowings; and (v) pledged deposits to secure general banking facilities granted to the Target Group.

At the end of the Relevant Periods, all the cash and bank balances of the Target Group are denominated in RMB. RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Target Group, and earn interest at the respective short-term time deposit rates. The bank balances and restricted cash are deposited with creditworthy banks with no recent history of default.

Certain of the Target Group's bank deposits with a carrying amount of RMB2,002,000 as at 30 September 2022 were pledged to secure general banking facilities granted to the Target Group (note 17).

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 March 2020		
	Effective interest rate	Maturity	
	(%)		*RMB'000*
Current:			
Bank and other borrowings – unsecured	4.4%-5.7%	2020	225,000
Bank and other borrowings – secured	5.2%-9.8%	2020	524,333
Non-current:			
Bank and other borrowings – secured	6.7%-9.8%	2021-2022	424,000
Analysed into:			
Within one year			749,333
From one to five years			424,000
			1,173,333

	As at 31 March 2021		
	Effective interest rate	Maturity	
	(%)		*RMB'000*
Current:			
Bank and other borrowings – secured	9.8%-10.5%	2021	362,000
Non-current:			
Bank and other borrowings – secured	6.7%-10.5%	2022-2023	292,000
Analysed into:			
Within one year			362,000
From one to five years			292,000
			654,000

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

17. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	As at 31 March 2022		
	Effective interest rate	**Maturity**	
	(%)		*RMB'000*
Current:			
Bank and other borrowings – secured	6.7%-10.5%	2022	154,000
Non-current:			
Bank and other borrowings – secured	7.5%-10.5%	2023-2024	365,000
Analysed into:			
Within one year			154,000
From one to five years			365,000
			519,000

	As at 30 September 2022		
	Effective interest rate	**Maturity**	
	(%)		*RMB'000*
Current:			
Bank and other borrowings – secured	7.2%-10.5%	2023	405,000
Non-current:			
Bank and other borrowings – secured	7.2%-10.5%	2023-2024	100,000
Analysed into:			
Within one year			405,000
From one to five years			100,000
			505,000

Certain of the Target Group's bank and other borrowings are secured by the Target Group's investment properties, properties held for sale and bank deposits as stated in notes 11, 13 and 16.

All interest-bearing bank and other borrowings of the Target Group were denominated in Renminbi with interest rates ranging from 4.4% to 10.5% per annum.

The carrying amounts of the Target Group's other borrowings approximate to their fair values, which have been calculated by discounting the expected future cash flows at the prevailing interest rates.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

18. TRADE AND OTHER PAYABLES

	As at 31 March			As at 30 September
	2020	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	196,734	154,574	423,599	658,586
Other payables and accruals	154,514	270,157	787,069	197,619
Receipts in advance	4,076	3,750	510	543
Interest payables	715	2,144	1,690	2,765
	356,039	430,625	1,212,868	859,513

Trade and other payables are non-interest-bearing and repayable within the normal operating cycle or on demand.

19. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	As at 31 March			As at 30 September
	2020	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances received from customers				
Contract liabilities related to sales of properties	1,931,435	2,662,377	1,605,662	1,263,411

Contract liabilities include advances received from customers in relation to the pre-sale of properties.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

20. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets

	Tax effect of LAT *RMB'000*	Losses available for offsetting against future taxable profits *RMB'000*	Provision for impairment of trade receivables and other receivables *RMB'000*	Tax effect of government grants relating to assets *RMB'000*	Provision for impairment of inventories and property for sales *RMB'000*	Total *RMB'000*
At 1 April 2019	104,603	88,029	6,621	8,110	–	207,363
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year *(note 8)*	(14,220)	48,846	4,852	(75)	–	39,403
At 31 March 2020 and 1 April 2020	90,383	136,875	11,473	8,035	–	246,766
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year *(note 8)*	28,541	(101,226)	7,230	(1,589)	–	(67,044)
At 31 March 2021 and 1 April 2021	118,924	35,649	18,703	6,446	–	179,722
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year *(note 8)*	24,582	(35,649)	(9,712)	(436)	17,601	(3,614)
At 31 March 2022 and 1 April 2022	143,506	–	8,991	6,010	17,601	176,108
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the period *(note 8)*	(963)	35,363	4,174	(536)	(2,602)	35,436
As at 30 September 2022	142,543	35,363	13,165	5,474	14,999	211,544

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

20. DEFERRED TAX (continued)

Deferred tax liabilities

	Costs to obtain contracts *RMB'000*	Accelerated tax depreciation *RMB'000*	Revaluation of investment properties *RMB'000*	Capitalised interest expense *RMB'000*	Total *RMB'000*
At 1 April 2019	–	13,391	93,254	10,198	116,843
Deferred tax charged to the consolidated statement of profit or loss during the year *(note 8)*	4,245	344	90,088	5,467	100,144
At 31 March 2020 and 1 April 2020	4,245	13,735	183,342	15,665	216,987
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year *(note 8)*	(3,948)	4,126	2,412	4,901	7,491
At 31 March 2021 and 1 April 2021	297	17,861	185,754	20,566	224,478
Deferred tax charged to the consolidated statement of profit or loss during the year *(note 8)*	690	16,081	5,664	12,664	35,099
At 31 March 2022 and 1 April 2022	987	33,942	191,418	33,230	259,577
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the period *(note 8)*	(585)	6,703	(16,905)	9,071	(1,716)
At 30 September 2022	402	40,645	174,513	42,301	257,861

21. SHARE CAPITAL

	As at 31 March			As at 30 September
	2020 *RMB'000*	2021 *RMB'000*	2022 *RMB'000*	2022 *RMB'000*
Registered and paid-in capital	1,000,000	1,000,000	1,000,000	1,000,000

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

22. OTHER RESERVES

Details of the movements on the Target Group's other reserves are set out in the consolidated statements of changes in equity.

(i) Capital reserve

The capital reserve represents the amount due to the intermediate holding waived by the intermediate holding company and capitalised as capital contribution.

(ii) Statutory surplus reserve (the "SR")

In accordance with the Company Law of the PRC and the articles of association of the Mainland China subsidiaries, each of the Mainland China subsidiaries is required to allocate 10% of their profit after tax, as determined in accordance with the PRC generally accepted accounting principles, to the SR until this reserve reaches 50% of its registered capital. Part of the SR may be converted to increase the paid-up capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

23. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings *RMB'000*	Interest payable included in trade and other payables *RMB'000*	Due to related parties *RMB'000*
At 1 April 2019	925,000	983	2,810,948
Changes from financing cash flows	248,333	(79,353)	(118,723)
Waive of due to the intermediate holding company	–	–	(132,516)
Interest expense	–	79,085	188,987
At 31 March 2020 and 1 April 2020	1,173,333	715	2,748,696
Changes from financing cash flows	(519,333)	(134,418)	(714,176)
Waive of due to the intermediate holding company	–	–	(281,789)
Interest expense	–	135,847	364,547
At 31 March 2021 and 1 April 2021	654,000	2,144	2,117,278
Changes from financing cash flows	(135,000)	(80,617)	(1,118,022)
Waive of due to the intermediate holding company	–	–	(231,241)
Interest expense	–	80,163	273,181
At 31 March 2022 and 1 April 2022	519,000	1,690	1,041,196
Changes from financing cash flows	(14,000)	(34,231)	602,836
Waive of due to the intermediate holding company	–	–	(147,536)
Dividend declared	–	–	1,280,000
Interest expense	–	35,306	158,867
At 30 September 2022	505,000	2,765	2,935,363

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

24. COMMITMENTS

The Target Group had the following commitments at the end of the Relevant Periods:

	As at 31 March			As at 30 September
	2020	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Properties under development for sale	2,258,697	2,014,457	1,202,390	1,002,748

25. CONTINGENT LIABILITIES

At the end of the Relevant Periods, contingent liabilities not provided for in the consolidated financial statements were as follows:

	As at 31 March			As at 30 September
	2020	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees given to banks in connection with facilities granted to:				
Third parties	744,127	774,923	966,298	871,578

The Target Group has provided guarantees in respect of banking facilities granted by certain banks to the purchasers of the Target Group's properties held for sale. Pursuant to the terms of the guarantees, if there is default of the loan payments by the purchasers and lessees, the Target Group is responsible for repaying the outstanding loans together with accrued interest thereon and any penalty owed by the defaulted purchasers and lessees to banks. The Target Group is then entitled to take over the legal titles and usage rights of the related properties. For trade centre units and residential properties sold, the guarantee periods commence from the dates of grant of the relevant loans and ends when the purchasers obtain the building ownership certificates which will then be pledged to the banks.

The Target Group did not incur any material losses during the Relevant Periods in respect of the guarantees provided for mortgage facilities granted to the purchasers and lessees of the Target Group's properties. The directors consider that in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore the fair value of the guarantees is not significant.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

26. RELATED PARTY RELATIONSHIP, RELATED PARTY TRANSACTIONS AND BALANCES

(i) Name and relationship

Related Party	Relationship
China South City Holdings Limited	Ultimate holding company
China South City Group Co. LTD	Parent Company
China South International Industrial Materials City (Shenzhen) Company Limited	Intermediate holding company
Xi 'an Branch of Shenzhen First Asia Pacific Property Management Co., LTD	Fellow subsidiaries
South China City Commercial Management (Xi 'an) Co., LTD	Fellow subsidiaries
Xi 'an HuashengJiahe Commercial Development Co., LTD	Fellow subsidiaries
Xi 'an Jiatai Commercial Operation Management Co., LTD	Fellow subsidiaries
International port Branch of Xi 'an Qianlong Logistics Co., LTD	Fellow subsidiaries
Shenzhen First Asia Pacific Property Management Co. LTD	Fellow subsidiaries
Xi 'an branch of Shenzhen South China City Net Technology Co., LTD	Fellow subsidiaries
Shenzhen Huanuo Planning & Research Institute Co. LTD	Fellow subsidiaries
Shenzhen South China City Information Technology Co. LTD	Fellow subsidiaries
Shenzhen Hoba Home Furnishings Chain Co., Ltd	Fellow subsidiaries
Shenzhen Huanancheng Small Loan Co., LTD	Fellow subsidiaries
Shenzhen First Asia Pacific Property Management Co. LTD	Fellow subsidiaries

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

26. RELATED PARTY RELATIONSHIP, RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(ii) Transactions with related parties

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property rental income				
Fellow subsidiaries	35,105	31,925	37,107	17,504
Utilities income				
Fellow subsidiaries	7	4,866	6,579	3,642
Property management services expense				
Fellow subsidiaries	492	747	256	2,830
Utilities expense				
Fellow subsidiaries	11,259	1,285	988	60
Planning design expense				
Fellow subsidiaries	8,756	1,965	10,359	–
Media promotion expense				
Fellow subsidiaries	14,343	1,165	1,607	–
Operating services and marketing services cost				
Fellow subsidiaries	–	36,504	–	–
Intermediate holding company	61,327	48,286	–	–
	61,327	84,790	–	–
Finance costs				
Intermediate holding company	168,945	303,436	249,117	147,538
Fellow subsidiaries	20,042	16,001	24,064	11,329
	188,987	319,437	273,181	158,867

The prices for the above service fees and other transactions were determined in accordance with the terms mutually agreed by the contracted parties.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

26. RELATED PARTY RELATIONSHIP, RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(iii) Outstanding balances with related parties

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from related parties:				
Fellow subsidiaries	540,925	551,753	38,414	36,403
Due to related parties:				
Fellow subsidiaries	490,279	288,111	278,962	1,633,188
Intermediate holding company	2,258,417	1,829,167	762,234	1,302,175
	2,748,696	2,117,278	1,041,196	2,935,363

The current balances due from the fellow subsidiaries are mainly trading balances which are unsecured, interest-free and have no fixed terms of repayment. The current balances due to the fellow subsidiaries and intermediate holding company are mainly financing balances which are unsecured at prevailing market interest rates and have no fixed terms of repayment.

(iv) No director of the Target Company received any fees or emoluments in respect of their services during the Relevant Periods. The directors and key management of the Target Company also served the Target Company's parent company and fellow subsidiaries and received fees and emoluments from the parent company and fellow subsidiaries of the Target Group.

27. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Financial assets measured at amortised cost	Financial assets measured at amortised cost	Financial assets measured at amortised cost	Financial assets measured at amortised cost
Trade receivables	112,052	257,087	179,398	194,421
Financial assets included in prepayments, other receivables and other assets	11,058	1,994	769,624	749,419
Due from related companies	540,925	551,753	38,414	36,403
Cash and bank balances	312,919	288,418	87,683	105,885
	976,954	1,099,252	1,075,119	1,086,128

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

27. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

		As at 31 March		As at 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Financial liabilities at amortised cost	Financial liabilities at amortised cost	Financial liabilities at amortised cost	Financial liabilities at amortised cost
Financial liabilities included in trade and other payables	206,003	253,110	1,107,819	758,016
Interest-bearing bank and other borrowings	1,173,333	654,000	519,000	505,000
Due to related companies	2,748,696	2,117,278	1,041,196	2,935,363
	4,128,032	3,024,388	2,668,015	4,198,379

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, trade receivables, financial assets included in prepayments, other receivables and other assets, due from related companies, financial liabilities included in trade and other payables, interest-bearing bank and other borrowings and due to related companies, approximate to their carrying amounts largely due to the short term maturities of these instruments.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments comprise interest-bearing bank and other borrowings and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Target Group's operations. The Target Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Target Group's financial instruments are interest rate risk, foreign exchange risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Target Group's exposure to the risk of changes in market interest rates relates primarily to the Target Group's debt obligations with a floating interest rate. The Target Group has not used any financial instruments to hedge its exposure to interest rate risk during the Relevant Periods.

If the interest rate of bank borrowings had increased/decreased by 0.5% and all other factors remained unchanged, the profit after tax during the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022 of the Target Group would have decreased/increased by approximately RMB3,387,000, RMB881,000, RMB1,256,000 and RMB1,234,000, respectively.

Foreign exchange risk

The Target Group does not have any significant exposure to risk of changes in foreign currency exchange rate. The Target Group only conducts business within Mainland China. Except for any potential future dividends of its subsidiary that might be declared to their shareholders, the bulk of the Target Group's revenue, capital investment and expenses are denominated in RMB.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

Maximum exposure and year-end staging as at 31 March 2020, 2021 and 2022, and 30 September 2022

The table below shows the credit quality and the maximum exposure to credit risk based on the Target Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March 2020, 2021 and 2022, and 30 September 2022. The amounts presented are gross carrying amounts for financial assets.

30 September 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	226,988	226,988
Financial assets included in prepayments, other receivables and other assets	769,510	–	–	–	769,510
Cash and bank balances	105,885	–	–	–	105,885
	875,395	–	–	226,988	1,102,383

31 March 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	215,359	215,359
Financial assets included in prepayments, other receivables and other assets	769,624	–	–	–	769,624
Cash and bank balances	87,683	–	–	–	87,683
	857,307	–	–	215,359	1,072,666

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging as at 31 March 2020, 2021 and 2022, and 30 September 2022 (continued)

31 March 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	331,896	331,896
Financial assets included in prepayments, other receivables and other assets	1,994	–	–	–	1,994
Cash and bank balances	288,418	–	–	–	288,418
	290,412	–	–	331,896	622,308

31 March 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	157,943	157,943
Financial assets included in prepayments, other receivables and other assets	11,058	–	–	–	11,058
Cash and bank balances	312,919	–	–	–	312,919
	323,977	–	–	157,943	481,920

* For trade receivables to which the Target Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 14 to the consolidated financial statements.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Target Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations. The Target Group's objective is to maintain a balance between continuity of funding and flexibility through the use of corporation bonds, and funds generated from operations.

The maturity profile of the Target Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	On demand	Within 1 year	2 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 September 2022				
Financial liabilities included in trade and other payables	–	758,016	–	758,016
Interest-bearing bank and other borrowings	–	448,155	108,546	556,701
Due to related companies	2,935,363	–	–	2,935,363
	2,935,363	1,206,171	108,546	4,250,080
As at 31 March 2022				
Financial liabilities included in trade and other payables	–	1,107,819	–	1,107,819
Interest-bearing bank and other borrowings	–	197,723	395,749	593,472
Due to related companies	1,041,196	–	–	1,041,196
	1,041,196	1,305,542	395,749	2,742,487
As at 31 March 2021				
Financial liabilities included in trade and other payables	–	253,110	–	253,110
Interest-bearing bank and other borrowings	–	420,300	318,030	738,330
Due to related companies	2,117,278	–	–	2,117,278
	2,117,278	673,410	318,030	3,108,718
As at 31 March 2020				
Financial liabilities included in trade and other payables	–	206,003	–	206,003
Interest-bearing bank and other borrowings	–	829,330	452,908	1,282,238
Due to related companies	2,748,696	–	–	2,748,696
	2,748,696	1,035,333	452,908	4,236,937

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

30. CAPITAL MANAGEMENT

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

The Target Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

31. STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY

Note: Information about the statement of financial position of the Target Company at the end of the reporting period is as follows:

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	129,399	121,001	81,801	81,015
Investment properties	3,740,000	3,499,000	3,342,000	3,154,000
Right-of-use assets	395,271	383,763	143,017	140,798
Deferred tax assets	246,766	179,722	176,108	211,544
Total non-current assets	4,511,436	4,183,486	3,742,926	3,587,357
CURRENT ASSETS				
Properties held for sale	3,039,611	3,512,356	3,703,851	3,829,716
Trade receivables	112,052	257,087	179,398	194,421
Prepayments, other receivables and other assets	163,553	108,568	807,051	779,915
Due from related companies	540,925	551,753	38,414	36,403
Cash and bank balances	312,919	288,418	87,683	105,885
Total current assets	4,169,060	4,718,182	4,816,397	4,946,340
CURRENT LIABILITIES				
Trade and other payables	356,039	430,625	1,212,868	859,513
Interest-bearing bank and other borrowings	749,333	362,000	154,000	405,000
Due to related companies	2,748,696	2,117,278	1,041,196	2,935,363
Contract liabilities	1,931,435	2,662,377	1,605,662	1,263,411
Tax payables	227,997	294,503	521,332	505,840
Total current liabilities	6,013,500	5,866,783	4,535,058	5,969,127
NET CURRENT ASSETS/(LIABILITIES)	(1,844,440)	(1,148,601)	281,339	(1,022,787)
TOTAL ASSETS LESS CURRENT LIABILITIES	2,666,996	3,034,885	4,024,265	2,564,570
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	424,000	292,000	365,000	100,000
Deferred tax liabilities	216,987	224,478	259,577	257,861
Total non-current liabilities	640,987	516,478	624,577	357,861
Net assets	2,026,009	2,518,407	3,399,688	2,206,709
EQUITY				
Equity attributable to owners of the parent				
Issued capital	1,000,000	1,000,000	1,000,000	1,000,000
Other reserves	1,026,009	1,518,407	2,399,688	1,206,709
Total equity	2,026,009	2,518,407	3,399,688	2,206,709

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

31. STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY (continued)

Information about the other reserves of the Target Company at the end of the reporting period is as follows:

	Share capital	Statutory surplus reserve	Capital reserve	Retained profits	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 April 2019	1,000,000	57,626	249,124	359,837	1,666,587
Profit for the year	–	–	–	226,906	226,906
Total comprehensive income for the year	–	–	–	226,906	226,906
Waive of due to the intermediate holding company	–	–	132,516	–	132,516
Transfer from retained profits	–	22,691	–	(22,691)	–
At 31 March 2020	1,000,000	80,317	381,640	564,052	2,026,009

	Share capital	Statutory surplus reserve	Capital reserve	Retained profits	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 April 2020	1,000,000	80,317	381,640	564,052	2,026,009
Profit for the year	–	–	–	210,609	210,609
Total comprehensive income for the year	–	–	–	210,609	210,609
Waive of due to the intermediate holding company	–	–	281,789	–	281,789
Transfer from retained profits	–	21,061	–	(21,061)	–
At 31 March 2021	1,000,000	101,378	663,429	753,600	2,518,407

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

31. STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY (continued)

	Share capital *RMB'000*	Statutory surplus reserve *RMB'000*	Capital reserve *RMB'000*	Retained profits *RMB'000*	Total equity *RMB'000*
At 1 April 2021	1,000,000	101,378	663,429	753,600	2,518,407
Profit for the year	–	–	–	650,040	650,040
Total comprehensive income for the year	–	–	–	650,040	650,040
Waive of due to the intermediate holding company	–	–	231,241	–	231,241
Transfer from retained profits	–	65,004	–	(65,004)	–
At 31 March 2022	1,000,000	166,382	894,670	1,338,636	3,399,688

	Share capital *RMB'000*	Statutory surplus reserve *RMB'000*	Capital reserve *RMB'000*	Retained profits *RMB'000*	Total equity *RMB'000*
At 1 April 2022	1,000,000	166,382	894,670	1,338,636	3,399,688
Loss for the period	–	–	–	(60,515)	(60,515)
Total comprehensive loss for the period	–	–	–	(60,515)	(60,515)
Waive of due to the intermediate holding company	–	–	147,536	–	147,536
Dividend declared	–	–	–	(1,280,000)	(1,280,000)
At 30 September 2022	1,000,000	166,382	1,042,206	(1,879)	2,206,709

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

31. STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY (continued)

	Share capital *RMB'000*	Statutory surplus reserve *RMB'000*	Capital reserve *RMB'000*	Retained profits *RMB'000*	Total equity *RMB'000*
At 1 April 2021	1,000,000	101,378	663,429	753,600	2,518,407
Profit for the period	–	–	–	605,239	605,239
Total comprehensive income for the period	–	–	–	605,239	605,239
Waive of due to the intermediate holding company	–	–	170,768	–	170,768
Transfer from retained profits	–	60,524	–	(60,524)	–
At 30 September 2021 (unaudited)	1,000,000	161,902	834,197	1,298,315	3,294,414

32. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 30 September 2022.

The following is the text of a report received from Ernst & Young regarding the pro forma financial information of the Remaining Group for the purpose of inclusion in this circular.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

1. Introduction

The following is a summary of the illustrative unaudited pro forma consolidated statement of financial position as at 30 September 2022, unaudited pro forma consolidated statement of profit or loss and other comprehensive income, and unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2022 and related notes of the Group excluding the Target Group upon the completion of deemed disposal of approximately 69.35% equity interest in the Target Company (the "**Disposal**") (the "**Remaining Group**") (the "**Unaudited Pro Forma Financial Information**") which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Disposal and the exercise of Put Option (the "**Possible Repurchase**"), as if the Disposal and the Possible Repurchase had been completed on 30 September 2022 or 1 April 2021, as appropriate.

The unaudited pro forma consolidated statement of financial position of the Remaining Group is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2022 as extracted from the published unaudited condensed consolidated financial statements dated 28 November 2022 for the six months period ended 30 September 2022 (the "**Interim Report**") after making pro forma adjustments relating to the Disposal and the Possible Repurchase that are factually supportable and directly attributable to the Disposal and the Possible Repurchase as set out below.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 March 2022 as extracted from the published consolidated financial statements dated 30 June 2022 for the year ended 31 March 2022 (the "**Annual Report**") after making pro forma adjustments relating to the Disposal and the Possible Repurchase that are factually supportable and directly attributable to the Disposal and the Possible Repurchase as set out below.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company 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 30 September 2022 or at any future date, or the financial performance of and cash flows of the Remaining Group for the year ended 31 March 2022 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 Interim Report, Annual Report and other financial information included elsewhere in this circular.

Unaudited Pro Forma Consolidated Statement of Financial Position

	The Group as at 30 September 2022 (Unaudited) *HK$'000* *(Note 1)*	Pro forma adjustments (Unaudited) *HK$'000* *(Note 2)*	(Unaudited) *HK$'000* *(Note 3)*	The Remaining Group after the Disposal as at 30 September 2022 (Unaudited) *HK$'000*	Pro forma adjustments (Unaudited) *HK$'000* *(Note 4)*	The Group after the Disposal and the Possible Repurchase as at 30 September 2022 (Unaudited) *HK$'000*
NON-CURRENT ASSETS						
Property, plant and equipment	704,853	(89,579)	–	615,274	89,579	704,853
Investment properties	51,530,706	(3,487,395)	–	48,043,311	3,487,395	51,530,706
Investment in an associate	–	2,443,330	–	2,443,330	(2,443,330)	–
Right-of-use assets	477,057	(155,681)	–	321,376	155,681	477,057
Properties under development	1,340,586	–	–	1,340,586	–	1,340,586
Goodwill	–	–	–	–	3,360	3,360
Financial assets at fair value through profit or loss	2,334	–	–	2,334	–	2,334
Other long-term receivables	210,358	–	–	210,358	–	210,358
Deferred tax assets	3,354,241	(233,905)	–	3,120,336	233,905	3,354,241
Total non-current assets	57,620,135	(1,523,230)	–	56,096,905	1,526,590	57,623,495
CURRENT ASSETS						
Properties held for finance lease	121,287	–	–	121,287	–	121,287
Properties held for sale	43,778,874	(4,234,538)	–	39,544,336	4,234,538	43,778,874
Inventories	42,361	–	–	42,361	–	42,361
Due from an associate	–	3,245,647	(3,162,318)	83,329	(83,329)	–
Trade receivables	1,648,907	(214,972)		1,433,935	214,972	1,648,907
Prepayments, other receivables and other assets	5,193,076	(862,355)	–	4,330,721	862,355	5,193,076
Cash and bank balances	4,039,928	(117,078)	3,162,318	7,085,168	(3,045,240)	4,039,928
Total current assets	54,824,433	(2,183,296)	–	52,641,137	2,183,296	54,824,433

	The Group as at 30 September 2022	Pro forma adjustments		The Remaining Group after the Disposal as at 30 September 2022	Pro forma adjustments	The Group after the Disposal and the Possible Repurchase as at 30 September 2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*		*(Note 4)*	
CURRENT LIABILITIES						
Trade and other payables	12,110,735	(950,368)	–	11,160,367	950,368	12,110,735
Due to an associate	–	40,251	–	40,251	(40,251)	–
Contract liabilities	11,744,082	(1,396,959)	–	10,347,123	1,396,959	11,744,082
Interest-bearing bank and other borrowings	12,062,828	(447,811)	–	11,615,017	447,811	12,062,828
Senior notes	1,108,684	–	–	1,108,684	–	1,108,684
Financial liabilities at fair value through profit or loss	5,738	–	–	5,738	–	5,738
Tax payable	4,121,459	(559,310)	–	3,562,149	559,310	4,121,459
Total current liabilities	41,153,526	(3,314,197)	–	37,839,329	3,314,197	41,153,526
NET CURRENT ASSETS	13,670,907	1,130,901	–	14,801,808	(1,130,901)	13,670,907
TOTAL ASSETS LESS CURRENT LIABILITIES	71,291,042	(392,329)	–	70,898,713	395,689	71,294,402
NON-CURRENT LIABILITIES						
Interest-bearing bank and other borrowings	7,929,193	(110,571)	–	7,818,622	110,571	7,929,193
Senior notes	11,060,040	–	–	11,060,040	–	11,060,040
Other long-term payables	17,529	–	–	17,529	–	17,529
Deferred tax liabilities	9,869,315	(285,118)	–	9,584,197	285,118	9,869,315
Total non-current liabilities	28,876,077	(395,689)	–	28,480,388	395,689	28,876,077
Net assets	42,414,965	3,360	–	42,418,325	–	42,418,325
EQUITY						
Equity attributable to owners of the parent						
Share capital	9,131,812	–	–	9,131,812	–	9,131,812
Other reserves	33,268,797	3,360	–	33,272,157	–	33,272,157
Non-controlling interests	14,356	–	–	14,356	–	14,356
Total equity	42,414,965	3,360	–	42,418,325	–	42,418,325

Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income

	The Group for the year ended 31 March 2022	Pro forma adjustments			The Remaining Group after the Disposal for the year ended 31 March 2022	Pro forma adjustments			The Group after the Disposal and the Possible Repurchase for the year ended 31 March 2022
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 5(a))*	*(Note 5(b))*	*(Note 5(c))*		*(Note 6(a))*	*(Note 6(b))*	*(Note 6(c))*	
REVENUE	10,311,628	(2,284,153)	–	53,087	8,080,562	2,284,153	–	(53,087)	10,311,628
Cost of sales	(7,286,372)	1,794,771	–	(53,087)	(5,544,688)	(1,794,771)	–	53,087	(7,286,372)
Gross profit	3,025,256	(489,382)	–	–	2,535,874	489,382	–	–	3,025,256
Other income and gains/(losses)	1,102,162	(825,320)	(617,041)	348,023	7,824	825,320	617,041	(348,023)	1,102,162
Fair value gains on investment properties	148,244	(86,612)	–	–	61,632	86,612	–	–	148,244
Selling and distribution expenses	(369,156)	52,943	–	(16,053)	(332,266)	(52,943)	–	16,053	(369,156)
Administrative expenses	(1,014,560)	82,268	–	–	(932,292)	(82,268)	–	–	(1,014,560)
Other expenses	(473,185)	47,136	–	–	(426,049)	(47,136)	–	–	(473,185)
Finance costs	(788,901)	82,671	–	–	(706,230)	(82,671)	–	–	(788,901)
Share of profits and losses of an associate	–	242,113	–	–	242,113	(242,113)	–	–	–
PROFIT BEFORE TAX	1,629,860	(894,183)	(617,041)	331,970	450,606	894,183	617,041	(331,970)	1,629,860
Income tax expenses	(870,736)	346,367	–	–	(524,369)	(346,367)	–	–	(870,736)
PROFIT FOR THE YEAR	759,124	(547,816)	(617,041)	331,970	(73,763)	547,816	617,041	(331,970)	759,124
Attributable to:									
Owners of the parent	760,200	(547,816)	(617,041)	331,970	(72,687)	547,816	617,041	(331,970)	760,200
Non-controlling interests	(1,076)	–	–	–	(1,076)	–	–	–	(1,076)
PROFIT FOR THE YEAR	759,124	(547,816)	(617,041)	331,970	(73,763)	547,816	617,041	(331,970)	759,124
OTHER COMPREHENSIVE INCOME									
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:									
Exchange differences on translation of foreign operations	3,260,544	(35,561)	–	–	3,224,983	35,561	–	–	3,260,544
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	3,260,544	(35,561)	–	–	3,224,983	35,561	–	–	3,260,544
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	4,019,668	(583,377)	(617,041)	331,970	3,151,220	583,377	617,041	(331,970)	4,019,668
Attributable to:									
Owners of the parent	4,021,109	(583,377)	(617,041)	331,970	3,152,661	583,377	617,041	(331,970)	4,021,109
Non-controlling interests	(1,441)	–	–	–	(1,441)	–	–	–	(1,441)

Unaudited Pro Forma Consolidated Cash Flow Statement

	The Group for the year ended 31 March 2022	Pro forma adjustments			The Remaining Group after the Disposal for the year ended 31 March 2022	Pro forma adjustments		The Group after the Disposal and the Possible Repurchase for the year ended 31 March 2022
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 5 (a))*	*(Note 5 (b/c))*	*(Note 3)*		*(Note 6 (a))*	*(Note 6 (b/c))*	
CASH FLOWS FROM OPERATING ACTIVITIES								
Profit before tax	1,629,860	(1,136,296)	(42,958)	–	450,606	1,136,296	42,958	1,629,860
Adjustments for:								
Finance costs	788,901	(82,671)	–	–	706,230	82,671	–	788,901
Interest income	(192,567)	967	(331,970)	–	(523,570)	(967)	331,970	(192,567)
Net losses/(gains) on disposal of property, plant and equipment	33,145	(33,670)	–	–	(525)	33,670	–	33,145
Share of profits and losses of an associate	–	–	(242,113)	–	(242,113)	–	242,113	–
Gains on land resumption	(856,425)	856,425	–	–	–	(856,425)	–	(856,425)
Depreciation of property, plant and equipment	140,572	(9,407)	–	–	131,165	9,407	–	140,572
Depreciation of right-of-use assets	89,972	(10,405)	–	–	79,567	10,405	–	89,972
Changes in fair value of investment properties	(148,244)	86,612	–	–	(61,632)	(86,612)	–	(148,244)
Impairment of trade receivables	72,369	47,208	–	–	119,577	(47,208)	–	72,369
Impairment of financial assets included in prepayments, other receivables and other assets and other long-term receivables	264,357	–	–	–	264,357	–	–	264,357
Impairment of properties held for sale	85,556	(85,556)	–	–	–	85,556	–	85,556
(Gains)/losses on disposal of subsidiaries	(6,277)	–	617,041	–	610,764	–	(617,041)	(6,277)
Fair value losses on financial assets/liabilities at fair value through profit or loss, net	2,130	–	–	–	2,130	–	–	2,130
Losses on disposal of financial assets/liabilities at fair value through profit or loss, net	25,598	–	–	–	25,598	–	–	25,598
Equity-settled share option expense	6,758	–	–	–	6,758	–	–	6,758
	1,935,705	(366,793)	–	–	1,568,912	366,793	–	1,935,705
Change in properties held for finance lease and sale	1,885,715	(314,647)	–	–	1,571,068	314,647	–	1,885,715
Change in inventories	4,541	–	–	–	4,541	–	–	4,541
Change in other long-term receivables	89,440	–	–	–	89,440	–	–	89,440
Change in trade receivables	(2,109,883)	(141,616)	–	–	(2,251,499)	141,616	–	(2,109,883)
Change in prepayments, other receivables and other assets	(772,220)	(289,778)	–	–	(1,061,998)	289,778	–	(772,220)
Change in due from related parties	–	(625,617)	1,984,239	3,162,318	4,520,940	625,617	(5,146,557)	–
Change in contract liabilities	(1,551,943)	1,499,100	–	–	(52,843)	(1,499,100)	–	(1,551,943)
Change in restricted cash	941,554	(2,235)	–	–	939,319	2,235	–	941,554

	The Group for the year ended 31 March 2022	Pro forma adjustments			The Remaining Group after the Disposal for the year ended 31 March 2022	Pro forma adjustments		The Group after the Disposal and the Possible Repurchase for the year ended 31 March 2022
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 5 (a))*	*(Note 5 (b/c))*	*(Note 3)*		*(Note 6 (a))*	*(Note 6 (b/c))*	
Change in pledged time deposits in connection with cooperation projects	1,833,960	–	–	–	1,833,960	–	–	1,833,960
Change in trade and other payables	720,839	(1,164,306)	–	–	(443,467)	1,164,306	–	720,839
Cash generated from operations	2,977,708	(1,405,892)	1,984,239	3,162,318	6,718,373	1,405,892	(5,146,557)	2,977,708
Taxes paid	(347,710)	23,679	–	–	(324,031)	(23,679)	–	(347,710)
Net cash flows from operating activities	2,629,998	(1,382,213)	1,984,239	3,162,318	6,394,342	1,382,213	(5,146,557)	2,629,998
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchases of items of property, plant and equipment	(76,586)	470	–	–	(76,116)	(470)	–	(76,586)
Net cash inflow on purchase/disposal of financial assets at fair value through profit or loss transactions	12,069	–	–	–	12,069	–	–	12,069
Proceeds from disposal of items of property, plant and equipment	9,190	(5,030)	–	–	4,160	5,030	–	9,190
Proceeds from land resumption	292,046	–	–	–	292,046	–	–	292,046
Net inflow/(outflow) on disposal of subsidiaries	34,029	–	–	–	34,029	–	–	34,029
Additions of right-of-use assets	(1,671)	–	–	–	(1,671)	–	–	(1,671)
Additions to properties under development	(53,776)	8,797	–	–	(44,979)	(8,797)	–	(53,776)
Interest received	152,266	(967)	–	–	151,299	967	–	152,266
Decrease/(increase) in time deposits with maturity of more than three months	93,166	–	–	–	93,166	–	–	93,166
Net cash flows used in investing activities	460,733	3,270	–	–	464,003	(3,270)	–	460,733

	The Group for the year ended 31 March 2022	Pro forma adjustments			The Remaining Group after the Disposal for the year ended 31 March 2022	Pro forma adjustments		The Group after the Disposal and the Possible Repurchase for the year ended 31 March 2022
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 5 (a))*	*(Note 5 (b/c))*	*(Note 3)*		*(Note 6 (a))*	*(Note 6 (b/c))*	
CASH FLOWS FROM FINANCING ACTIVITIES								
Change in due to related companies	–	1,358,622	(1,984,239)	–	(625,617)	(1,358,622)	1,984,239	–
Issue of senior notes	185,203	–	–	–	185,203	–	–	185,203
Payment of interest	(3,064,698)	97,966	–	–	(2,966,732)	(97,966)	–	(3,064,698)
Repayment of senior notes	(4,023,957)	–	–	–	(4,023,957)	–	–	(4,023,957)
Repurchase of domestic company bonds	(14,452)	–	–	–	(14,452)	–	–	(14,452)
New bank and other borrowings	9,405,241	(364,560)	–	–	9,040,681	364,560	–	9,405,241
Repayment of bank and other borrowings	(7,568,049)	528,613	–	–	(7,039,436)	(528,613)	–	(7,568,049)
Principal portion of lease payments	(71,503)	–	–	–	(71,503)	–	–	(71,503)
Net cash flows used in financing activities	(5,152,215)	1,620,641	(1,984,239)	–	(5,515,813)	(1,620,641)	1,984,239	(5,152,215)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,061,484)	241,698	–	3,162,318	1,342,532	(241,698)	(3,162,318)	(2,061,484)
Cash and cash equivalents at the beginning of year	3,447,947	(252,733)	–	–	3,195,214	252,733	–	3,447,947
Effect of foreign exchange rate changes, net	168,450	(7,108)	–	–	161,342	7,108	–	168,450
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	1,554,913	(18,143)	–	3,162,318	4,699,088	18,143	(3,162,318)	1,554,913
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS								
Cash and cash equivalents	1,554,913	(18,143)	–	3,162,318	4,699,088	18,143	(3,162,318)	1,554,913

Notes:

(1) Figures are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2022 as set out in the published condensed consolidated financial statements of the Group for the six months period ended 30 September 2022, the audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows of the Group for the year ended 31 March 2022 as set out in the published annual report of the Group for the year ended 31 March 2022.

(2) In according with the Investment Agreement, the Subscriber agreed to subscribe, and the Target Company agreed to issue, the Subscription Shares at the Subscription Consideration of RMB5,000,000,000 (equivalent to HK$5,528,283,000). Upon Completion, the Target Company will be held as to 69.35% by the Subscriber and 30.65% by the Seller, respectively. The Target Company will cease to be a subsidiary of the Company and its financial results will not be consolidated into the Group's financial statements. The Target Company will become a subsidiary of the Subscriber.

For the purpose of Unaudited Pro Forma Consolidated Statement of Financial Position, it is assumed that the Disposal has been taken place on 30 September 2022.

Accordingly, this adjustment reflects the effect of the completion of the Disposal and details are summarised as follows:

	HK$'000
The fair value of remaining equity of the Target Group after the Disposal as at 30 September 2022	2,443,330
The book value of total equity of the Target Group as at 30 September 2022	(2,439,970)
Estimated gain on the Disposal *(note)*	3,360

Note: The following assumptions are taken by the Directors to arrive at estimated loss on the Disposal:

– tax expense and reallocation of exchange reserve in relation to the Disposal is not provided;

– the working capital remains the same as at 30 September 2022;

– As it is highly unlikely that the Put Option Triggering Events will occur, the fair value of the Put Option is assumed to be zero.

Actual gain on Disposal arising from the Disposal depends on actual proceeds from the Disposal, actual amount of net assets of the Target Group, actual reallocation of exchange reserve and actual fair value of the remaining equity of the Target Group. Therefore, the actual loss on Disposal shall be different from the amount calculated in the above table.

(3) The adjustments represent the Target Company use RMB2.86 billion (equivalent to HK$3,162,318,000) from the Subscription Consideration to repay loans owed to the Remaining Group.

(4) The Possible Repurchase is assumed for pro forma purposes to take place immediately after the Disposal on 30 September 2022. For the purpose of preparation of the Unaudited Pro Forma Financial Information, HK$5,528,283,000 is assumed to be repaid to the Subscriber with reference to Note 2 above.

The calculation of estimated goodwill on the Possible Repurchase to be recognised, if the Possible Repurchase had taken place on 30 September 2022, is as follows:

	HK$'000
Consideration	5,528,527
Nets assets of the Target Group as at 30 September 2022	(7,968,497)
The fair value of the remaining equity of the Target Group after the Disposal as at 30 September 2022	2,443,330
Estimated Goodwill on the Possible Repurchase *(note)*	3,360

Note: The following assumptions are taken by the Directors to arrive at estimated goodwill on the Possible Repurchase:

– tax expense and reallocation of exchange reserve in relation to the Disposal is not provided;

– the working capital remains the same as at 30 September 2022;

– As it is highly unlikely that the Put Option Triggering Events will occur, the fair value of the Put Option is assumed to be zero;

– the fair value of the assets obtained and the liabilities assumed equals to their respective book value as at 30 September 2022;

– no impairment of the goodwill is to be arisen from the Possible Repurchase.

When preparing the pro forma consolidated statement of assets and liabilities of the Group, it has been assumed that the Disposal and Possible Repurchase occurred on the same day. Upon the completion of the Possible Repurchase, the Company will perform a purchase price allocation for financial reporting purposes using the information available as at the completion date of the Possible Repurchase. The fair value of net identifiable assets acquired and resulting goodwill calculated then will likely be different from the amounts disclosed above. The Company will assess the impairment of goodwill and intangible assets following the requirement of HKAS 36 then.

(5) For the purpose of Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income and Unaudited Pro Forma Consolidated Cash Flow Statement, it is assumed that the Disposal has been taken place on 1 April 2021.

(a) The adjustments represent the exclusion of the results and cash flows of the Target Group and the inclusion of the Group's share of the results of Target Group, respectively, for the year ended 31 March 2022, assuming the Disposal has been taken place on 1 April 2021.

(b) The adjustments represent the estimated loss on the Disposals charged to profit or loss, assuming the Disposal has been taken place on 1 April 2021, and is calculated as follows:

	HK$'000
The fair value of the remaining equity of the Target Group after the Disposal as at 1 April 2021	2,443,330
The book value of total equity of the Target Group as at 1 April 2021	3,060,371
Estimated loss on the Disposal *(note)*	(617,041)

Note: The following assumptions are taken by the Directors to arrive at estimated loss on the Disposal:

– tax expense and reallocation of exchange reserve in relation to the Disposal is not provided;

– the working capital as at 1 April 2021 remains the same as compared to that of 30 September 2022;

– The fair value of the equity of the Target Group after the Disposal as at 1 April 2021 assumed equals to their fair value as at 30 September 2022;

– As it is highly unlikely that the Put Option Triggering Events will occur, the fair value of the Put Option is assumed to be zero.

Actual loss on Disposal arising from the Disposal depends on actual proceeds from the Disposal, actual amount of net assets of the Target Group, actual reallocation of exchange reserve and actual fair value of the remaining equity of the Target Group. Therefore, the actual loss on Disposal shall be different from the amount calculated in the above table.

(c) The adjustment represents the reinstatement of intra-group transactions or cash flows between the Target Group and the Remaining Group, which had been eliminated at consolidation, when preparing the Unaudited Pro Forma Financial Information for the year ended 31 March 2022.

(6) The Possible Repurchase is assumed for pro forma purposes to take place immediately after the Disposal on 1 April 2021. For the purpose of preparation of the Unaudited Pro Forma Financial Information, HK$5,528,283,000 is assumed to be repaid to the Subscriber with reference to Note 2 above.

(a) The adjustments represent the inclusion of the results and cash flows of the Target Group and the exclusion of the Group's share of the results of Target Group, respectively, for the year ended 31 March 2022, assuming the Possible Repurchase has been taken place on 1 April 2021.

(b) The adjustments represent the estimated bargaining gain on the Possible Repurchase charged to profit or loss, assuming the Possible Repurchase has been taken place on 1 April 2021, and is calculated as follows:

	HK$'000
Consideration	5,528,527
Nets assets of the Target Group as at 1 April 2021	(8,588,898)
The fair value of the remaining equity of the Target Group after the Disposal as at 1 April 2021	2,443,330
Estimated bargaining gain on the Possible Repurchase *(note)*	(617,041)

Note: The following assumptions are taken by the Directors to arrive at estimated goodwill on the Possible Repurchase:

– tax expense and reallocation of exchange reserve in relation to the Disposal is not provided;

– the working capital as at 1 April 2021 remains the same as compared to that of 30 September 2022;

– As it is highly unlikely that the Put Option Triggering Events will occur, the fair value of the Put Option is assumed to be zero;

– The fair value of the equity of the Target Group after the Disposal as at 1 April 2021 assumed equals to their fair value as at 30 September 2022 adjusted by the results of Target Group between 1 April 2021 and 30 September 2022;

– the fair value of the assets obtained and the liabilities assumed equals to their respective book value as at 1 April 2021.

When preparing the pro forma consolidated statement of assets and liabilities of the Group, it has been assumed that the Disposal and Possible Repurchase occurred on the same day. Upon the completion of the Possible Repurchase, the Company will perform a purchase price allocation for financial reporting purposes using the information available as at the completion date of the Possible Repurchase. The fair value of net indefinable assets acquired and resulting bargaining gain calculated then will likely be different from the amounts disclosed above.

(c) The adjustment represents the elimination of intra-group transactions or cash flows between the Target Group and the Remaining Group for the year ended 31 March 2022, assuming the Possible Repurchase has been taken place on 1 April 2021.

(7) RMB is converted into HK$ at an exchange rate of RMB1 = HK$1.1057 for unaudited pro forma consolidated statement of financial position as at 30 September 2022 and at an exchange rate of RMB1 = HK$1.2152 for unaudited pro forma consolidated statement of profit or loss, unaudited pro forma consolidated statement of profit or loss and other comprehensive income, and unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2022.

(8) Apart from notes above, no other adjustment has been made to reflect any result or other transactions of the Group entered into subsequent to 1 April 2021 for the purpose of preparation of the Unaudited Pro Forma Financial Information.

(9) The above adjustments are not expected to have a continuing effect on the Unaudited Pro Forma Financial Information of the Group.

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To the Directors of China South City Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China South City Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 September 2022, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2022, the unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2022 and related notes as set out on in Appendix III of the circular dated 17 January 2023 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix III of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors illustrating the impact of the Disposal and the Possible Repurchase on the Group's financial position as at 30 September 2022 and the Group's financial performance and cash flows for the year ended 31 March 2022 as if the Disposal and the Possible Repurchase had taken place at 30 September 2022 and 1 April 2021 respectively. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2022, and the Group's financial performance and cash flows has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 March 2022.

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 (the "**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 behavior.

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

Reporting accountants' responsibilities

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

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

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

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Disposal and the Possible Repurchase on unadjusted financial information of the Group as if the Disposal and the Possible Repurchase had taken place at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Disposal and the Possible Repurchase 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 Disposal and the Possible Repurchase, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Disposal and the Possible Repurchase in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

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

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

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

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
17 January 2023

The following is the text of an equity valuation report received from Dacheng International Asset Land Real Estate Appraisal (Shenzhen) Co., Ltd. in connection with their valuation of the Business Equity Value of the Target Company for the purpose of inclusion in this circular.

The asset appraisal report is compiled according to China Asset Appraisal Standards.

Asset Appraisal Report

of the Value of All the Shareholders' Equity of Xi'an China South City Co., Ltd. Involved in the Introduction of External Shareholders to Increase Capital Proposed by China South International Industrial Materials City (Shenzhen) Co., Ltd.

Report No. SDCPBZ[2022]No.12-08

(volume one of two)

Dacheng International Asset Land Real Estate Appraisal (Shenzhen) Co., Ltd
December 16, 2022
Shenzhen, China

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Declaration

1. The Asset appraisal report is compiled in accordance with the Asset Appraisal Basic Standards issued by the Ministry of Finance and the Asset Appraisal Practice Standards and Professional Ethics Standards issued by the China Appraisal Society.

2. The asset appraisal agency and its appraisers shall abide by laws, administrative regulations and asset appraisal standards, adhere to the principles of independence, objectivity and fairness, and bear the responsibilities for the asset appraisal report issued in accordance with the law.

   The client or other users of the asset appraisal report shall use the appraisal report in accordance with the provisions of laws, administrative regulations and the use scope specified in the appraisal report; If the client or any other user of the appraisal report uses the appraisal report in violation of the foregoing provisions, the asset appraisal agency and its appraisers shall not be liable for it.

   The asset appraisal report shall only be used by the client, other users as agreed in the Asset Appraisal Entrustment Contract and the users as stipulated by laws and administrative regulations. Except the users mentioned above, any other institutions or individuals shall not be the users of the asset appraisal report.

3. The asset appraisal agency and appraisers note that the user of the asset appraisal report should correctly understand the appraisal conclusion, which is not equivalent to the realizable price of the appraisal object, and the appraisal conclusion should not be regarded as the guarantee of the realizable price of the appraisal object.

4. The list of assets and liabilities, and related material involved to the appraisal object shall be declared by the client and the appraised entity and confirmed by the client and the appraised entity through signature, seal or other means permitted by law; the client and other concerned parties shall be responsible for the authenticity, completeness and legality of the materials provided by them according to law.

5. The asset appraisers have carried out on-site survey on the appraisal object and related assets involved in the appraisal report. The asset appraisal agency and its asset appraisers have paid necessary attention to the legal ownership status of the assets to be evaluated, truthfully disclosed the problems found, and requested the client and concerned parties to complete the property ownership to meet the requirements of issuing the appraisal report.

6. The asset appraisal agency and appraisers have no existing or expected interest relationship with the appraisal object in the asset appraisal report and concerned parties; and they have no prejudice against the concerned parties as well.

7. The analysis, judgment and result in the asset appraisal report issued by the asset appraisal agency are subject to the assumptions and restrictions specified in the asset appraisal report, and the user of the asset appraisal report shall fully consider the assumptions, restrictions and special matters stated in the asset appraisal report and their impact on the appraisal conclusion.

Abstract of Asset Appraisal Report

of the Value of All the Shareholders' Equity of Xi'an China South City Co., Ltd Involved in the Introduction of External Shareholders to Increase Capital Proposed by China South International Industrial Materials City (Shenzhen) Co., Ltd

Report No. SDCPBZ[2022]No.12-08

Dacheng International Asset Land Real Estate Appraisal (Shenzhen) Co., Ltd accepted the appraisal entrustment of China South International Industrial Materials City (Shenzhen) Co., Ltd. According to the provisions of laws, administrative regulations and asset appraisal standards, adhering to the principles of independence, objectivity and justice, and following necessary appraisal procedures, the appraisal agency appraised the value of all the shareholders' equity of Xi'an China South City Co., Ltd. involved in the Introduction of External Shareholders to Increase Capital Proposed by China South International Industrial Materials City (Shenzhen) Co., Ltd. on the date of value by using asset-based method. The asset appraisal report is summarized as follows:

I. Client and appraised entity

Client: China South International Industrial Materials City (Shenzhen) Co., Ltd.

Appraised entity: Xi'an China South City Co., Ltd.

II. Appraisal purpose

For the need of the Introduction of External Shareholders Proposed by China South International Industrial Materials City (Shenzhen) Co., Ltd to increase the capital of Xi'an China South City Co., Ltd., the economic behavior involves the appraisal of the market value of all the shareholders' equity of Xi'an China South City Co., Ltd. on the date of value. The appraisal report serves as value reference for this economic behavior.

The economic behavior has been passed by the *Resolution of the Board of Directors of Xi'an China South City Co., Ltd.*

III. Appraisal object and scope:

Appraisal object: the value of all the shareholders' equity of Xi'an China South City Co., Ltd. on the date of value.

Appraisal scope: all assets and liabilities involved in the economic behavior and declared by Xi'an China South City Co., Ltd. on the date of value. Therein, the book value of total assets is 957,821.37 ten thousand yuan, the book value of total liabilities is 843,405.85 ten thousand yuan, and the book value of all shareholders' equity is 114,415.52 ten thousand yuan. The financial statements of Xi'an China South City Co., Ltd on the date of value have been audited by Shenzhen Xinzhou Certified Public Accountants (General Partnership), and the audit report (SXZSZ [2022] No.768) has been issued.

IV. Date of value

September 30, 2022

V. Type of value

Market value

VI. Appraisal method

Asset-based method

VII. Appraisal conclusion

The appraisal takes the appraisal results by using asset-based method as the appraisal conclusion:

Upon the premise of going concern, as of September 30, 2022, the book value of all the shareholders' equity of Xi'an China South City Co., Ltd included in the appraisal scope is 114,415.52 ten thousand yuan, and the appraisal value of all the shareholders' equity value of Xi'an China South City Co., Ltd is 220,951.63 ten thousand yuan, with the value added of 106,536.11 ten thousand yuan and the value-added rate of 93.11%.

When using the appraisal conclusion, the user of the appraisal report should pay attention to the appraisal assumptions, special matters and use restrictions in the text of the report and their impact on the appraisal conclusion. Please consider them fully when using the report.

The appraisal report is valid for one year, from September 30, 2022, the date of value, to September 29, 2023. Except for the special matters disclosed in the report, after the date of value and within the use valid term, when the economic behavior occurs and if the development environment of the enterprise does not have a major change affecting its business conditions, the appraisal conclusion shall be valid within the use valid term.

The content above is extracted from the asset appraisal report. Please read the full text of the asset appraisal report to know the details of the appraisal project and correctly understand the appraisal conclusion.

Asset Appraisal Report

of the Value of All the Shareholders' Equity of Xi'an China South City Co., Ltd Involved in the Introduction of External Shareholders to Increase Capital Proposed by China South International Industrial Materials City (Shenzhen) Co., Ltd

Report No. SDCPBZ[2022]No.12-08

China South International Industrial Materials City (Shenzhen) Co., Ltd:

Dacheng International Asset Land Real Estate Appraisal (Shenzhen) Co., Ltd accepted the appraisal entrustment of China South International Industrial Materials City (Shenzhen) Co., Ltd. According to the provisions of laws, administrative regulations and asset appraisal standards, adhering to the principles of independence, objectivity and justice, and following necessary appraisal procedures, the appraisal agency appraised the value of all the shareholders' equity of Xi'an China South City Co., Ltd. involved in the Introduction of External Shareholders to Increase Capital Proposed by China South International Industrial Materials City (Shenzhen) Co., Ltd. on the date of value by using asset-based method. The asset appraisal report is summarized as follows:

I. Client, appraised entity and other report users agreed in asset appraisal entrustment contract

Client: China South International Industrial Materials City (Shenzhen) Co., Ltd

Appraised entity: Xi'an China South City Co., Ltd.

(I) Introduction to client

Company name: China South International Industrial Materials City (Shenzhen) Co., Ltd.

Company type: limited liability company (wholly owned by legal person from Taiwan, Hong Kong and Macao)

Legal address: No. 1 Hunan Avenue, Pinghu Town, Longgang District, Shenzhen

Legal representative: ZHANG Wenhong

Registered Capital: HKD 2,200,000,000.00

Date of Establishment: December 18, 2002

Uniform Social Credit Code: 9144030074324708XH

Business scope: licensed business items: the development, construction, leasing, sale and management of industrial raw material market, other commodity market and supporting facilities; advisory services; property management; warehousing and distribution; catering service (specific projects operated by the branch); exhibitions, demonstrations, conferences; establishment and operation of the e-commerce system in China South International Industrial Materials City (the above projects must be approved by relevant industry authorities before operation); import and export of goods and technologies (excluding import distribution); operation of bonded warehouses and export supervised warehouses; design, production, release, agent of all kinds of domestic and foreign advertising business; landscaping engineering, domestic trade; sales of building materials. (The above business scope does not involve the commodities administrated by state trading, and the commodities involving state trading, quota, license and special management provisions shall be operated after application according to state relevant regulations) (The above business scope does not involve special management measures for foreign investment access).

(II) Introduction to appraised entity

1. Registration information

Enterprise name: Xi'an China South City Co., Ltd.

Enterprise type: limited liability company (sole proprietorship of legal person invested or controlled by natural person)

Registered address: No.8 Gangwu Avenue, Xi'an International Trade & Logistics Park, Xi'an City

Legal representative: LIANG Liyi

Registered capital: RMB1,000,000,000.00

Operation Period: November 12, 2009 to unfixed period

Uniform Social Credit Code: 91610139693839916J

Business scope: general items: commercial complex management services; non-residential real estate lease; business park management services; marketing planning; housing lease; property management; road and cargo transport station operation; general goods storage services (excluding hazardous chemicals and other items subject to approval); catering management; hotel management; conference and exhibition services; artificial intelligence industry application system integration service; advertising design and agency; advertising (non-radio stations, television stations, newspapers and periodicals publishing units); advertising production; urban greening management; hardware products wholesale; building decoration materials sales; building materials sales; building waterproof coil product sales; lightweight building materials sales; building block sales; sales of metal parts for construction; sales of building steel products; sales of building ceramic products; sales of construction machinery; parking services. (Except for the items subject to approval according to law, independently carry out business activities according to law with the business license) approved items: real estate development and operation; all kinds of engineering construction activities; import and export of goods; technology import and export; import and export agents; construction of intelligent building engineering. (For projects subject to approval according to law, business activities can only be carried out after the approval of relevant departments, and the specific business projects shall be subject to the approval results).

2. History

On November 10, 2009, the Management Committee of Xi'an International Trade & Logistics Park issued the *Reply on the Approval of the Establishment of the Sino-Foreign Joint Venture — Xi'an China South City Co., Ltd* (XGF [2009] No.71), which agreed to the establishment of Xi'an China South City.

On the same day, the People's Government of Xi'an issued the *Approval Certificate of Taiwan-Hong Kong-Macao Investment Enterprise of the People's Republic of China* (Approval No.: SWZXFGQZ [2009] No.0017) to Xi'an China South City.

On November 12, 2009, Xi'an China South City was established. At the time of establishment, the share ratios of shareholders are as follows:

Name of shareholder	**Subscribed registered capital** *(ten thousand USD or equivalent in RMB)*	**Contribution method**	**Shareholding**
China South International Industrial Materials City (Shenzhen) Co., Ltd	1,950.00	Currency	65%
New Haode (Hong Kong) Holding Co., Ltd	1,050.00	Currency	35%
Total	**3,000.00**	**Currency**	**100.00%**

On September 28, 2011, New Haode (Hong Kong) Holding Co., Ltd signed the *Equity Transfer Contract* with Shenzhen Haode Tiancheng Investment Co., Ltd, agreeing that New Haode (Hong Kong) Holding Co., Ltd transfers 35% of the Company's equity to Shenzhen Haode Tiancheng Investment Co., Ltd at the price of 7,168.35 ten thousand yuan. China South International Industrial Materials City (Shenzhen) Co., Ltd and Shenzhen China South City Import and Export Trading Co., Ltd signed the *Equity Transfer Agreement*, agreeing that China South International Industrial Materials City (Shenzhen) Co., Ltd transfers 65% of the Company's equity to Shenzhen China South City Import and Export Trading Co., Ltd at the price of 13,312.65 ten thousand yuan.

On the same day, Xi'an China South City made a resolution of the shareholders' meeting, and agreed to the above equity transfer.

On November 8, 2011, the Management Committee of Xi'an International Trade & Logistics Park issued the *Reply of the Management Committee of Xi'an International Trade & Logistics Park on Approval of the Equity Transfer by Shareholders of Xi'an China South City Co., Ltd* (XGF [2011] No. 60), agreeing to the above equity transfer.

After the completion of the equity transfer, the shareholding of each shareholder is as follows:

Amount unit: RMB ten thousand yuan

Name of shareholder	Subscribed registered capital	Contribution method	Shareholding
Shenzhen China South City Import and Export Trading Co., Ltd	13,312.65	Currency	65%
Shenzhen Haode Tiancheng Investment Co., Ltd	7,168.35	Currency	35%
Total	**20,481.00**	**Currency**	**100.00%**

On January 28, 2014, Shenzhen Taixin Hengxiang Investment Co., Ltd. and HUANG Wenjie signed the *Equity Transfer Contract*, agreeing that Shenzhen Taixin Hengxiang Investment Co., Ltd transfers 35% of the Company's equity to HUANG Wenjie at the price of 7,168.35 ten thousand yuan.

On the same day, Xi'an China South City made a resolution of the shareholders' meeting, and agreed to the above equity transfer.

After the completion of the equity transfer, the shareholding of each shareholder is as follows:

Amount unit: RMB ten thousand yuan

Name of shareholder	Subscribed registered capital	Contribution method	Shareholding
China South City Group Co., Ltd	13,312.65	Currency	65%
HUANG Wenjie	7,168.35	Currency	35%
Total	**20,481.00**	**Currency**	**100.00%**

Note:

(1) On January 25, 2013, Xi'an China South City made a resolution of the shareholders' meeting, agreeing to change the name of Shenzhen Haode Tiancheng Investment Co., Ltd. to Shenzhen Taixin Hengxiang Investment Co., Ltd.

(2) On May 18, 2012, Xi'an China South City made a resolution of the shareholders meeting, agreeing to change the name of Shenzhen China South City Import and Export Trading Co., Ltd to Shenzhen China South City Investment Holding Co., Ltd. On August 12, 2013, Xi'an China South City made a resolution of the shareholders' meeting, agreeing to change the name of Shenzhen China South City Investment Holding Co., Ltd to China South City Group Co., Ltd.

On February 10, 2014, HUANG Wenjie signed the *Equity Transfer Contract* with China South City Group Co., Ltd., agreeing that HUANG Wenjie transfer 35% of the Company's equity to China South City Group Co., Ltd at the price of 26,000 ten thousand yuan.

On the same day, Xi'an China South City made a resolution of the shareholders' meeting, and agreed to the above equity transfer.

After the completion of the equity transfer, the shareholding of each shareholder is as follows:

Amount unit: RMB ten thousand yuan

Name of shareholder	Subscribed registered capital	Contribution method	Shareholding
China South City Group Co., Ltd	20,481.00	Currency	100.00%
Total	**20,481.00**	**Currency**	**100.00%**

On May 27, 2014, Xi'an China South City made the *Shareholders' Decision on Changing the Registered Capital of the Company*, agreeing to change the registered capital of the Company from 20,481 ten thousand yuan to 100,000 ten thousand yuan.

After the completion of the capital increase, the shareholding of each shareholder is as follows:

Amount unit: RMB ten thousand yuan

Name of shareholder	Subscribed registered capital	Contribution method	Shareholding
China South City Group Co., Ltd	100,000.00	Currency	100.00%
Total	**100,000.00**	**Currency**	**100.00%**

3. *Equity structure on date of value*

The company was established in November 2009, and the equity structure as of the date of value is set forth in the table below:

Amount unit: RMB ten thousand yuan

	Subscribed registered capital		**Paid-in capital**	
Name of shareholder	**Contribution amount**	**Share**	**Paid-in amount**	**Share**
China South City Group Co., Ltd	100,000.00	100%	100,000.00	100%
Total	**100,000.00**	**100%**	**100,000.00**	**100%**

4. *Financial position of the company*

The asset status of the enterprise in the recent two years and on the date of value a set forth in the table below:

Amount unit: RMB ten thousand yuan

Account	**December 31, 2020**	**December 31, 2021**	**September 30, 2022**
Current asset	716,119.12	671,001.35	708,621.42
Non-current asset	86,167.42	249,010.12	249,199.95
Total asset	**802,286.54**	**920,011.46**	**957,821.37**
Current liability	574,518.26	651,044.82	762,820.58
Non-current liability	95,281.94	76,985.27	80,585.27
Total liability	**669,800.20**	**728,030.09**	**843,405.85**
Shareholders' equity	**132,486.34**	**191,981.37**	**114,415.52**

The profit and loss status of the enterprise in the recent two years and on the date of value is set forth in the table below:

Amount unit: RMB ten thousand yuan

Account	**2020**	**2021**	**January to September 2022**
Operating income	60,484.29	84,693.41	142,961.85
Less: Operating cost	42,642.58	36,520.93	67,845.80
Tax and surcharge	3,497.24	23,425.78	1,595.46
Operating profit	15,337.19	81,169.61	68,327.78
Total profit	**15,744.26**	**78,274.03**	**67,958.73**
Less: income tax	3,523.49	18,085.92	17,524.58
Net profit	**12,220.77**	**60,188.11**	**50,434.15**

Note: The financial data of 2020 are extracted from the unqualified opinion audit report (SXSHSZ [2022] No.0519) issued by Shaanxi Xinshi United Certified Public Accountants (General Partnership). The financial data of 2021 are extracted from the unqualified opinion audit report (SXSHSZ [2022] No.0520) No. 0520 [2022] issued by Shaanxi Xinshi United Certified Public Accountants (General Partnership). The financial data on the date of value has been audited by Shenzhen Xinzhou Certified Public Accountants (General Partnership), and the audit report (SXZSZ [2022] No.768) has been issued.

(III) The relationship between the client and the appraised entity

The client is the ultimate controller of the appraised entity.

(IV) Other users of the appraisal report agreed in the Asset Appraisal Entrustment Contract

Besides the client and other users of the asset appraisal report, the users prescribed by national laws and administrative regulations may use the asset appraisal report for the purpose of performing relevant duties. Except the users mentioned above, any institution or individual not confirmed by the asset appraisal agency and the client cannot become the user of the asset appraisal report because of having the asset appraisal report.

II. Appraisal purpose

For the need of the Introduction of External Shareholders Proposed by China South International Industrial Materials City (Shenzhen) Co., Ltd. to increase the capital of Xi'an China South City Co., Ltd., the economic behavior involves the appraisal of the market value of all the shareholders' equity of Xi'an China South City Co., Ltd. on the date of value. The appraisal report serves as value reference for this economic behavior.

The economic behavior has been passed by the *Resolution of the Board of Directors of Xi'an China South City Co., Ltd.*

III. Appraisal object and scope:

The entrusted appraisal object and scope are consistent with the appraisal object and scope involved in the economic behavior. The financial data involved in the economic behavior has been audited by Shenzhen Xinzhou Certified Public Accountants (General Partnership).

(I) Appraisal object

Appraisal object: the value of all the shareholders' equity of Xi'an China South City Co., Ltd involved in the Introduction of External Shareholders to Increase Capital Proposed by China South International Industrial Materials City (Shenzhen) Co., Ltd.

(II) Appraisal scope

All assets and liabilities involved in the economic behavior and declared by Xi'an China South City Co., Ltd on the date of value. The financial statements of Xi'an China South City Co., Ltd on the date of value have been audited by Shenzhen Xinzhou Certified Public Accountants (General Partnership), and the audit report (SXZSZ [2022] No.768) has been issued.

As of the date of value, the book value of all shareholders' equity included in the appraisal scope of Xi'an China South City Co., Ltd is 114,415.52 ten thousand yuan. The book values of various assets and liabilities within the appraisal scope are shown in the following table

Amount unit: RMB ten thousand yuan

Account	**Book value**
Current asset	708,621.42
Non-current asset	249,199.95
Therein: Investment real estate	248,315.85
Fixed asset	882.23
Intangible asset	1.87
Total asset	**957,821.37**
Current liability	762,820.58
Non-current liability	80,585.27
Total liability	**843,405.85**
Shareholders' equity	**114,415.52**

(III) Type and quantity of assets off-balance sheet declared by the enterprise

The enterprise does not declare assets off-balance sheet.

(IV) Quotation from the report of other institution

This asset appraisal report quotes the audit report issued by Shenzhen Xinzhou Certified Public Accountants (General Partnership).

(V) Other problems that need to be explained

None

IV. Type of Value

According to the appraisal purpose, market conditions, the appraisal object's conditions and other factors, and considering the correlation between the type of value and the appraisal assumptions, the type of value of this asset appraisal is determined as market value.

Market Value is the estimated amount for which an asset should exchange on the date of value between a willing buyer and a willing seller in an arm length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion.

V. Date of value

The date of value of the appraisal report is September 30, 2022.

According to the arrangement of relevant economic behaviors, the date of value of the asset appraisal is determined through the consultation between the client and the appraisal agency, for the purpose of ensuring that the appraisal result effectively serves the appraisal purpose and reducing and avoiding the adjustment items after the date of value.

VI. Appraisal Bases

The laws and regulations of the state, local government and relevant departments by which we have abided in this asset appraisal, as well as the documents and materials for reference in the appraisal mainly include:

(I) Basis for economic behavior

Asset Appraisal Entrustment Contract

(II) Legal bases

1. *Asset Appraisal Law of the People's Republic of China* (Adopted at the 21st Session of the Standing Committee of the 12th National People's Congress on July 2, 2016);

2. *Corporate Law of the People's Republic of China* (Adopted at the 6th Session of the Standing Committee of the 13th National People's Congress on October 26, 2018);

3. *The Civil Code of the People's Republic of China* (Adopted at the 3rd Session of the Standing Committee of the 13th National People's Congress on May 28, 2020);

4. *Measures for Financial Supervision and Administration of Asset Appraisal Industry* (Decree 86 of the Ministry of Finance of the People's Republic of China);

5. *Provisional Regulations of the People's Republic of China on Value-Added Tax* (Decree 538 of the State Council of the People's Republic of China);

6. *Detailed Rules for the Implementation of the Provisional Regulations of the People's Republic of China on Value-Added Tax* (Decree 50 of the State Taxation Administration of the Ministry of Finance of the People's Republic of China);

7. *Notice of the State Taxation Administration on the Relevant Issues Concerning the Settlement Management of Land Value-added Tax on Real Estate Development Enterprises* (No.187 [2006] issued by State Taxation Administration);

8. *Administrative Procedures for Land Value-added Tax Liquidation* (No.91 [2009] issued by State Taxation Administration);

9. *Law of the People's Republic of China on State-Owned Assets of Enterprises* (Adopted at the 5th Session of the Standing Committee of the 11th National People's Congress on October 28, 2008);

10. Other laws and regulations related to asset appraisal.

(III) Standard bases

1. *Asset Appraisal Basic Standards* (No.43 [2017] of Ministry of Finance);

2. *Asset Appraisal Professional Ethics Standards* (No.30 [2017] of China Appraisal Society);

3. *Asset Appraisal Practice Standards – Asset Appraisal Procedure* (No.36 [2018] of China Appraisal Society);

4. *Asset Appraisal Practice Standards – Asset Appraisal Report* (No.35 [2018] of China Appraisal Society);

5. *Asset Appraisal Practice Standards – Asset Appraisal Entrustment Contract* (No.33 [2017] of China Appraisal Society);

6. *Asset Appraisal Practice Standards – Asset Appraisal Files* (No.37 [2018] of China Appraisal Society);

7. *Asset Appraisal Practice Standards – Employment of Experts and Quotation of Related Reports* (No.35 [2017] of China Appraisal Society);

8. *Asset Appraisal Practice Standards – Asset Appraisal Method* (No.35 [2019] of China Appraisal Society);

9. *Asset Appraisal Practice Standards – Enterprise Value* (No.38 [2018] of China Appraisal Society);

10. *Investment Real Estate Appraisal Guidance* (No.53 [2017] of China Appraisal Society);

11. *Asset Appraisal Practice Standards – Real Property* (No.38 [2017] of China Appraisal Society);

12. *Asset Appraisal Practice Standards – Machinery Equipments* (No.39 [2017] of China Appraisal Society);

13. *Guidelines for Business Quality Control of Asset Appraisal Agency* (No.46 [2017] of China Appraisal Society);

14. *Guidance on Asset Appraisal Value Type* (No.47 [2017] of China Appraisal Society);

15. *Guidance on Legal Ownership of Asset Appraisal Object* (No.48 [2017] of China Appraisal Society);

(IV) Bases for ownership

1. Vehicle drive licenses, real property ownership certificates, construction land planning permits, construction project planning permits, building project construction permits, etc;

2. Purchase contracts of equipments;

3. Other related property ownership document.

(V) Pricing bases

1. Materials provided by the enterprise

(1) The financial statements on the date of value and previous annual financial statements provided by the enterprise;

(2) Asset list and appraisal declaration sheet provided by the enterprise.

2. Materials collected by the asset appraisal agency

(1) On-site survey records made by appraisers;

(2) Materials related to the appraisal collected by appraisers;

(3) Other materials related to the appraisal.

VII. Appraisal Method

(I) Selection of appraisal method

1. Bases for appraisal method

According to the relevant asset appraisal standards, the appraisal methods to determine asset value include market method, income method and cost method and their derivative methods. Asset appraisers should analyze the applicability of the above three basic methods according to the appraisal purpose, appraisal object, value type and data collection, to select appraisal methods according to laws. In addition, if different appraisal methods are suitable for enterprise value appraisal, the asset appraisers should adopt more than two appraisal methods.

2. Application conditions of appraisal method

(1) Market method, Market method refers to an appraisal method that compares the appraisal object with comparable listed companies or a comparable transaction cases to determine the value of the appraisal object. Asset appraisers should consider the applicability of the market method based on the adequacy and reliability of the operational and financial data of comparable enterprises obtained and the number of comparable enterprises that can be collected.

Two specific methods commonly used of market method are listed company comparison method and transaction case comparison method.

Listed company comparison method refers to the specific method to obtain and analyze the operation and financial data of comparable listed companies, calculate the value ratio, and determine the value of the appraisal object on the basis of the comparative analysis with the appraised units. The transaction case comparison method refers to the specific method to obtain and analyze the data of the transaction, equity acquisition and merger cases of comparable enterprises, calculate the value ratio, and determine the value of the appraisal object on the basis of the comparative analysis with the appraised entity.

(2) Income method, Income method refers to the appraisal method that capitalizes or discounts expected income to determine the value of the appraisal object. The asset appraisers should properly consider the applicability of the income method in the light of the historical operation of the appraised entity, the predictability of its future earnings and the adequacy of the appraisal data obtained.

The specific methods commonly used of income method include dividend discount method and cash flow discount method.

Dividend discount method is a specific method to discount expected dividends to determine the value of the appraisal object, which is usually applicable to the appraisal of partial equity of shareholders which lacks the right of control. Cash flow discount method usually includes enterprise free cash flow discount model and equity free cash flow discount model. The asset appraisers should choose cash flow discount method appropriately according to the industry, business model, capital structure and development trend of the appraised entity.

(3) Asset-based method, based on the balance sheet on the date of value of the appraised entity, evaluates the value of all assets and liabilities in balance sheet and assets and liabilities off balance sheet that can be identified, and then determines the value of the appraisal object. When there are assets or liabilities that have a significant impact on the value of the appraisal object and that are difficult to identify and evaluate, the applicability of asset-based method should be considered.

3. Selection of appraisal method

(1) Analysis of asset-based method

Since the appraised entity has complete financial data and asset management data for use, and there are a wide range of data and information sources about the acquisition cost of assets, the asset-based method can be adopted for this appraisal.

(2) Analysis of income method

Since the appraised entity is a real estate development and operation company, the main purpose of developing products is not to obtain profits from long-term holding, but to realize the value of assets in a short period after the completion of the products, and the company's future earnings are difficult to predict, the income method is not adopted in this appraisal.

(3) Analysis of market method

As there are few similar equity trading cases in China, and it is difficult to find comparable listed (and non-listed) companies similar to the appraised entity in terms of asset scale and structure, business scope and profit level, it is not suitable to adopt the market method.

To sum up, we choose the asset-based method to evaluate the appraisal object in this appraisal.

(II) Specific appraisal method for each asset and liability

(1) Monetary funds, it mainly includes cash and bank deposits. Take stock of cash and retrodict it to the actual inventory on the date of value as the appraisal value. For the bank deposits, the bank deposits were verified by checking the bank deposit statements and bank deposit reconciliation statements, and the book value after verification and adjustment was taken as the appraisal value.

(2) Other credit assets: receivables, prepaid accounts, other receivables, etc.; based on the analysis of their business contents, aging, repayment situation, and the focus of investigation and understanding of the main debtor's use of funds and operating conditions, the recoverable amount is taken as the appraisal value.

(3) Inventory: Inventories mainly include turnover materials in use, product developed and development costs:

① The turnover materials are mainly inventories purchased from outside with short inventory time, strong liquidity and little market price change, and the book value after verification is used to determine the appraisal value;

② The products developed are the completed real estate to be sold, which are mainly 1668 New Era Square Zone A, No.2 Trading Square, D2 Area Phase II Apartment Hotel, Brand Hall, Hardware Machinery Electronics Zone A, Hardware Machinery Electronics Zone B, Hardware Machinery Electronics Zone D, Hardware Machinery Electronics Zone E1, and Hardware Machinery Electronics Zone E2;

In this appraisal, market method is adopted to appraisal 6 completed projects, including No.2 Trading Square, D2 Area Phase II apartment hotel, Brand Hall, Hardware Machinery Electronics Zone A, Hardware Machinery Electronics Zone B, Hardware Machinery Electronics Zone D. That is, based on the analysis of regional factors and individual factors, and the detailed investigation and analysis of the surrounding similar traded real estate conditions and transaction prices, the sales price is determined by referring to their actual sales pricing and sales situation, and then the sales expenses, taxes and other related expenses incurred in the sales link are deducted to determine the appraisal value. 1668 New Era Square A Zone, Hardware Machinery Electronics Zone E1, and Hardware Machinery Electronics Zone E2, which have not been completed, are included in the inventory-development cost appraisal.

The appraisal value of inventory-product developed = sales income of product developed (excluding tax) – sales expenses – taxes and surcharges – business income tax – operating profit

③ Development cost includes the projects in construction of 1668 New Era Square and Hardware Machinery Electronics Trading Zone E, and reserve land, etc.

In the appraisal, for the projects in construction of 1668 New Era Square and Hardware Machinery Electronics Trading Zone E, the appraisers carefully analyzed the data collected through investigation and determined the appraisal principles; based on the actual situation of the projects in construction, and combined with the appraisal purpose of this report, the appraisers finally selected the cost method as the basic method. Calculation formula:

The value of the project being developed = land cost after verification + construction cost after verification + investment profit

In the appraisal, the market value of the reserve land is estimated according to the unit price of the reserve land purchased in the historical years. On this basis, the impact of income tax is considered to confirm its appraisal value.

(4) Investment real estate

According to the requirements of *Asset Appraisal Practice Standards – Real Property*, the implementation of real property appraisal should analyze the applicability of the three basic asset appraisal methods: market method, income method and cost method, to select the appraisal method according to the appraisal purpose, appraisal object, value type and data collection.

There are many transaction cases of the same type of real estate around the appraisal object, and it is easy to collect three or more transaction cases, so it is suitable to adopt market method.

(5) Housing and building

Based on the purpose of the appraisal, combined with the characteristics of building assets to be appraised, the appraisal method of housing and buildings is consistent with the appraisal method of investment real estate.

(6) Machines and equipments

According to the appraisal purpose, in accordance with the principle of continuous use, based on the market price, combined with the characteristics of the machines and equipments and the information collected, the replacement cost method and market method are adopted for appraisal.

Replacement cost method is a method to determine the value of the appraisal asset by subtracting the substantial obsolescence depreciation, functional obsolescence depreciation and economic obsolescence depreciation that have already occurred from the total cost of re-purchasing or re-constructing the appraisal asset in a new state under the current conditions. The calculation formula of replacement cost method is as follows:

Appraisal value = the whole price of the asset after replacement × newness rate

The market method is mainly used for computers and other electronic equipments in use and used for a long time. The appraisal value is determined by comparing the market trading prices of similar equipments.

(7) Intangible assets

Intangible assets are outsourced software.

Software: When evaluating outsourced engineering cost software, the appraisers first understands the main functions and characteristics of the software, checks the purchase contract, invoice, payment voucher and other information of the outsourced software, and inquiries the current market price of the software supplier or through the network, to determine the appraisal value by using the replacement price.

(8) Liability

Liabilities mainly include short-term borrowings, payables, deposit received, accrued wages, taxes payable, interest payable, dividends payable, other payables, long-term loans, long-term payables and deferred income tax liabilities, etc. The appraisers should examine and verify the liabilities of the enterprise. Based on the verification, the actual amount of liabilities that the enterprise needs to undertake on the date of value shall be taken as the appraisal value of the liabilities.

VIII. Appraisal Process and Relevant Information

Appropriate appraisal procedures were followed in accordance with laws, regulations and the Asset Appraisal Practice Standards. The specific implementation process is as follows:

(I) Confirm appraisal basic matters

Discuss with the client to clarify the important matters, such as the appraised entity, other users of the appraisal report other than the client, the appraisal purpose, the appraisal object and the appraisal scope, the value type, the date of value, the approval situation of the economic behaviors involved in the asset appraisal project that need to be approved, the use scope of the appraisal report, the deadline and method of submitting the appraisal report, the appraisal service fee and the payment method, and the cooperation and assistance between the client, other relevant parties and asset appraisal agency, appraisers and so on.

(II) Sign appraisal entrustment contract

According to the specific situation of the appraisal business, after comprehensive analysis and evaluation of the professional competence, independence and business risks of the asset appraisal agency and the appraisers, the asset appraisal agency and the client signed an asset appraisal entrustment contract, agreeing on the rights, obligations, liability for breach of contract and dispute resolution and other matters.

(III) Make Asset appraisal plan

According to the specific situation of the asset appraisal business, prepare the appraisal work plan, including determination of the main process, schedule and personnel arrangement of the appraisal business implementation.

(IV) Conduct site survey

1. Guide the client, the appraised entity and other relevant parties to take stock of assets and prepare detailed materials related to the appraise object and scope.

2. According to the specific situation of the appraisal object, choose appropriate ways to investigate through inquiry, conformation letters, verification, supervision, survey, inspection, etc., to understand the current situation of the appraisal object and pay attention to its legal ownership; as for those that are not suitable for an item-by-item investigation, sampling and other methods shall be adopted according to their importance.

(V) Collect and sort out appraisal data

The appraisers obtain data independently from the market and other channels, from the client, the appraised entity and other relevant parties, as well as from government departments, various professional institutions and other relevant departments.

The appraisers check and verify the data used in asset appraisal activities in appropriate ways, which usually include observation, inquiry, written review, field investigation, query, confirmation letter, review, etc.

(VI) Appraisal and estimate to form conclusion

1. According to the appraisal purpose, appraisal object, value type and data collection, analyze the applicability of three basic asset appraisal methods: market method, income method and asset-based method, to choose appropriate appraisal methods.

2. According to the adopted appraisal method, choose corresponding formulas and parameters to make analysis, calculation and judgment to form a reasonable appraisal conclusion.

(VII) Compile and submit the appraisal report

1. After evaluating and estimating, the appraisers conclude a preliminary appraisal conclusion and prepare a preliminary asset appraisal report in accordance with the requirements of laws, administrative regulations and asset appraisal standards

2. According to the internal quality control system of the asset appraisal agency, conduct internal review of the preliminary asset appraisal report.

3. On the premise of not affecting the independent judgment of the appraisal conclusion, communicate with the client or relevant parties approved by the client on the relevant contents of the appraisal report, independently analyze the communication situation and decide whether to adjust the asset appraisal report.

4. After completing the above appraisal procedures, the asset appraisal agency and its appraisers shall issue and submit a formal asset appraisal report to the client.

IX. Appraisal Assumption

In the appraisal process, the appraisal assumptions we used are the basic premise of the asset appraisal work. Meanwhile, please note that the users of the appraisal report should pay attention to the appraisal assumptions so as to correctly understand and use the appraisal conclusions.

(I) Basic assumption

1. Transaction assumption

The transaction assumption assumes that the assets and liabilities of the appraisal object and the appraisal scope are already in the process of trading. The asset appraiser evaluates the assets according to the simulated market such as trading conditions. Transaction assumption is one of the most basic assumptions for asset appraisal.

2. Open market assumption

The open market assumption assumes that the assets traded in the market, or the assets to be traded in the market; both parties to an asset transaction are on an equal footing and have the opportunity and time to obtain sufficient market information to make rational judgments on the function, use and transaction price of the asset. The open market assumption is based on the fact that assets can be bought and sold openly in the market.

3. Assumption of asset continuous use

The assumption of continuous use of assets means that the assets to be appraised should be used continuously according to the current usage and modes of use, scale, frequency, environment, etc., or be used on a changed basis; and the appraisal methods, parameters and basis should be determined accordingly.

4. Enterprise going concern assumption

Enterprise going concern assumption is that the appraised entity will remain a going concern and maintain the same operating mode as the current one.

(II) General assumption

1. It is assumed that after the date of value, there is no major change in the appraised entity and its business environment in the political, economic, social and other macro environment, which may affect the operation of the appraised entity.

2. It is assumed that the relevant credit interest rate, tax base and tax rate and policy charges do not change significantly.

3. It is assumed that no irresistible and unforeseeable events affecting the operation of the appraised entity occur after the date of value.

4. It is assumed that the materials provided by the client and the appraised entity are true, complete and reliable, and there are no other defective or contingent matters that may affect the appraisal conclusion, that are not provided but should be provided, or that the appraiser has performed the necessary appraisal procedures but still cannot identify.

(III) Special assumption

1. It is assumed that the construction planning indicators, real estate development methods and procedures of real estate development project conform to the relevant national and local laws and regulations; the real estate development project is completed according to the schedule and can be sold normally to generate the corresponding income.

2. It is assumed that the continuous construction costs of the project are evenly invested in the construction process.

3. It is assumed that the reserve land can be normally purchased; the price of the reserve land to be purchased shall be consistent with the price of the reserve land already purchased.

According to the requirements of asset appraisal, we assumed that these assumptions are valid on the date of value. When the appraisal assumptions change greatly after issuing the appraisal report, we do not undertake the responsibility to derive different appraisal conclusions due to the change of appraisal assumptions.

X. Appraisal Conclusion and Analysis

1. Appraisal conclusion

Based on the principles of independence, impartiality and objectivity, on the premise of going concern and after implementing the necessary asset appraisal procedures, the appraisal results obtained by the asset-based method are as follows:

As of September 30, 2022, the date of value, the book value of the total assets included in the appraisal scope of Xi'an China South City Co., Ltd. is 957,821.37 ten thousand yuan; the appraisal value is 1,052,052.86 ten thousand yuan; the value added is 94,231.50 ten thousand yuan; the value-added rate is 9.84%;

The book value of liabilities is 843,405.85 ten thousand yuan; the appraisal value is 831,101.23 ten thousand yuan; the value decreased is 12,304.62 ten thousand yuan, the value-decreased rate is 1.46%;

The book value of shareholders' equity is 114,415.52 ten thousand yuan; the appraisal value is 220,951.63 ten thousand yuan; the value added is 106,536.11 ten thousand yuan; and the value-added rate is 93.11%.

The appraisal results of specific type of assets are shown in the following table:

Unit: RMB ten thousand yuan

Account		Book Value A	Appraisal Value B	Added/ Decreased Value C=B–A	Value-Added Ratio % D=C/A×100
1	Current asset	708,621.42	850,887.57	142,266.15	20.08
2	Non-current asset	249,199.95	201,165.29	(48,034.66)	(19.28)
3	Therein: Investment real estate	248,315.85	199,097.36	(49,218.49)	(19.82)
4	Fixed asset	882.23	2,065.93	1,183.70	134.17
5	Intangible asset	1.87	2.00	0.13	6.92
6	**Total asset**	**957,821.37**	**1,052,052.86**	**94,231.50**	**9.84**
7	Current liabilities	762,820.58	762,820.58		
8	Non-current liabilities	80,585.27	68,280.65	(12,304.62)	(15.27)
9	**Total liabilities**	**843,405.85**	**831,101.23**	**(12,304.62)**	**(1.46)**
10	**All the shareholders' equity**	**114,415.52**	**220,951.63**	**106,536.11**	**93.11**

(Details of the appraisal conclusion are provided in the appraisal schedule)

The value of all the shareholders' equity of Xi'an China South City Co., Ltd on the date of value is 220,951.63 ten thousand yuan (in words: **RMB two billion two hundred and nine million five hundred and sixteen thousand three hundred yuan**).

2. Comparison of appraisal value and book value and explanation

The value added of all the shareholders' equity is 106,536.11 ten thousand yuan; and the value-added rate is 93.11%.

① The value added of inventory after appraisal is 142,266.15 ten thousand yuan, with the value-added rate of 24.70%. The main reason is that the enterprise acquired land earlier and the land acquisition cost is low. The book value only reflects the actual cost of the project, while the appraisal value includes the expected profit from the incurred cost, so appraisal value is increased.

② The value decreased of investment real estate after appraisal is RMB49,218.49 ten thousand yuan, with an value-decreased rate of 19.82%. The main reason is as follows: The book value of investment real estate is measured by fair value, and in recent years, due to the impact of the epidemic, poor commercial operation and sluggish real estate market, the appraisal value is decreased.

③ The value added of fixed assets after appraisal is 1,183.70 ten thousand yuan, with the value-added rate of 134.17%. The main reason is the value added of housing and buildings, whose book value is its construction cost. According to the nature of housing buildings, market method is adopted in the appraisal. The transaction value in open market is higher than the value of the construction cost, so the appraisal value is increased.

④ The value decreased of deferred income tax liabilities after appraisal is 12,304.62 ten thousand yuan, with the value-decreased rate of 40.90%. The main reason is that the deferred income tax liabilities result from the changes in the fair value of the investment real estate. The appraisal value of the investment real estate is decreased, so is the appraisal value of deferred income tax liabilities.

XI. Explanation of Special Matters

The following matters identified in the appraisal process may affect the appraisal conclusion, and their appraisals are beyond the practice level and ability of the appraisers. So the users of the appraisal report should pay special attention to them:

1. Quotation from other report

The asset appraisal report quotes the audit report (SXZSZ [2022] No.768) issued by Shenzhen Xinzhou Certified Public Accountants (General Partnership).

2. Defects of ownership

① All the housings and buildings in the appraisal scope have been pre-registered in Xi'an Real Property Ownership Certificate Center, but their formal real property ownership certificates have not been handled. The area of this appraisal is subject to the "Real Property Registration List" made by Xi'an Real Property Ownership Certificate Center.

② As of the date of value, the following vehicles declared by the enterprise and used in the factory had not handled property ownership registration. The appraisers verified corresponding book records and required the enterprise to issue corresponding commitment, promising that the vehicles are owned by the appraised entity. Please see the following table for details:

Amount unit: RMB yuan

No.	Vehicle	Model	Manufacturer	Quantity	Unit	Purchase date	Book value Original value	Book value Net value
1	Fire engine	Dongfeng EQ1141KJ	Suizhou Sanjiang Special Vehicle Sales Co., Ltd	1	/	June 2014	278,000.00	27,800.00
2	Fire engine	ZZ5207N4617E1	Hubei Jiangnan Special Vehicle Co. Ltd	1	/	November 2017	455,555.56	59,222.42

3. In the appraisal conclusion, the appraisers did not carry out technical inspection on the hidden engineering and internal structures of various buildings and construction (the parts that cannot be observed by naked eyes). On the premise of assuming that the relevant engineering data provided by the appraised entity is true and effective. The appraisers made their judgment through site survey without the aid of any testing instruments.

4. Incomplete appraisal materials

None

5. Restrictions of appraisal procedure

None

6. Existing legal issues, economic issues and other unsettled matters on date of value

None

7. Mortgaged items and guaranteed items

As of the date of value, Xi'an China South City has 12 external guarantees, the details are as follows:

Amount unit: RMB ten thousand yuan

No.	Warrantee	Guarantee contract no.	Principal creditor's right contract no.	Creditor	Type of guarantee and guaranty	Guarantee period set in contract	Loan amount	Interest rate of master creditor's right contract	Outstanding loan balance
1.1	Shenzhen Huasheng Commercial Development Co., Ltd	1510202101177089DY-1	1510202101177089	Xiamen International Bank Zhuhai Branch	Mortgage, Xi'an Brand Hall A3, 5,097.59 square meters	3 years	1,212.6	7.00%	1,212.6
1.2	Shenzhen Huasheng Commercial Development Co., Ltd	1510202101177089BZ-2	1510202101177089	Xiamen International Bank Zhuhai Branch	Guarantee	3 years, from the ending date of fulfillment period of the debt under the master contract			
2.1	Shenzhen Huasheng Commercial Development Co., Ltd	1510202101177087DY-1	1510202101177087	Xiamen International Bank Zhuhai Branch	Mortgage, Xi'an Brand Hall A7, 5,532.56 square meters	3 years	1,376.6	7.00%	1,376.6
2.2	Shenzhen Huasheng Commercial Development Co., Ltd	1510202101177087BZ-2	1510202101177087	Xiamen International Bank Zhuhai Branch	Guarantee	3 years, from the ending date of fulfillment period of the debt under the master contract			

No.	Warrantee	Guarantee contract no.	Principal creditor's right contract no.	Creditor	Type of guarantee and guaranty	Guarantee period set in contract	Loan amount	Interest rate of master creditor's right contract	Outstanding loan balance
3.1	Shenzhen Huasheng Commercial Development Co., Ltd	1510202101177033DY-1	1510202101177033	Xiamen International Bank Zhuhai Branch	Mortgage, Xi'an Brand Hall A4, 5,523.09 square meters	3 years	1,410	7.00%	1,410
3.2	Shenzhen Huasheng Commercial Development Co., Ltd	1510202101177033BZ-2	1510202101177033	Xiamen International Bank, Zhuhai Branch	Guarantee	3 years, from the ending date of fulfillment period of the debt under the master contract			
4	Chongqing China South City Co. Ltd	[2022]YK141	[2022]YK134	China Resources Yukang Asset Management Co., Ltd	Guarantee	3 years, from the ending date of fulfillment period of the debt under the master contract	30,000.00	11.50%	30,000.00
5.1	Xi'an International Land Port Financing Guarantee Co., Ltd	Land Port Guarantee DB20220802-2	CYXGLDJZ(2022) No.006	Bank of Chongqing, Xi'an International Trade & Logistics Park Branch	Guarantee	3 years, from the ending date of repayment period for debtor	1,000.00	4.70%	1,000.00
5.2	Xi'an International Land Port Financing Guarantee Co., Ltd	Land Port Guarantee DB20220802-3	CYXGLDJZ(2022) No.006	Bank of Chongqing, Xi'an International Trade & Logistics Park Branch	Mortgage, 35 rooms, 1/F, West Area, No. 2 Trading Square, Xi'an China South City, 3,178.20 square meters	3 years, from the ending date of repayment period for debtor			

No.	Warrantee	Guarantee contract no.	Principal creditor's right contract no.	Creditor	Type of guarantee and guaranty	Guarantee period set in contract	Loan amount	Interest rate of master creditor's right contract	Outstanding loan balance
6	China South International Industrial Materials City (Shenzhen) Co., Ltd	COAMC SYS-2021-B-2-10 COAMC SYS-2021-B-2-13	COAMC SYS-2021-B-2-09	China Orient Asset Management Co., Ltd, Shenzhen Branc	Mortgage, (1) 179 rooms, 1/F, West, No. 2 Trading Square, 10,396.64 square meters; (2) GW2-(16)-4 Land Lot, 63,082.26 square meters; (3) GW2-(16)-5 Land Lot, 84,955.91 square meters	From June 22, 2021 to June 21, 2023; from July 6, 2021 to July 5, 2024	42,000.00	10.50%	33,000.00
7	China South International Industrial Materials City (Shenzhen) Co., Ltd	SINOICL2021D 08Y050-M-01	SINOICL2021D 08YO5O-L-01	SINO IC LEASING	Mortgage, 4/F, 5/F, 6/F, East Area, 3/F, West Area, No. 2 Trading Square (883 rooms in total), 37,704.53 square meters	From May 24, 2021 to May 23, 2024	6,000.00	5.15%	4,350.00
8	China South International Industrial Materials City (Shenzhen) Co., Ltd	SINOICL2021D 08Y049-M-01	SINOICL2021D 08YO49-L-01	SINO IC LEASING		From May 24, 2021 to May 23, 2024	10,000.00	5.15%	7,250.00
9	Zhengzhou China South City Co., Ltd	SINOICL2021D 08Y071-M-01	SINOICL2021D 08YO71-L-01	SINO IC LEASING	Mortgage, 1/F, 2/F, 3/F, West Area, No. 2 Trading Square, 422 rooms, 22,391.59 square meters	August 20, 2021 to February 19, 2024	14,000.00	5.27%	10,080.00

No.	Warrantee	Guarantee contract no.	Principal creditor's right contract no.	Creditor	Type of guarantee and guaranty	Guarantee period set in contract	Loan amount	Interest rate of master creditor's right contract	Outstanding loan balance
10	Anxin Financing Guarantee Co., Ltd	No. DY220801	No. BL220801	Guangzhou Anxin Commercial Factoring Co., Ltd	Mortgage, 1/F, West Area; 1/F, 4/F, West Area, No. 2 Trading Square, 759 rooms (36,109.85 square meters)	August 8, 2022 to February 7, 2023	10,000.00	12.81%	5,000.00
11	China South International Industrial Materials City (Shenzhen) Co., Ltd	0400000006-2022 NYT(D)Z No.0422	0400000006-2022 N(YT)Z No.00938, 0400000006-2022 N(YT)Z No.00940	ICBC, Shenzhen Yantian Sub-branch	Mortgage, GW2-(16)-1 Land Lot (111530.5 square meters)	July 1, 2022 to December 31, 2025	80,000.00	6.53%	78,000.00
12	China South International Industrial Materials City (Shenzhen) Co., Ltd	HYY 2021 NQDZY No. 3001	HNCHRB2019 NYSZ No.001 Comprehensive Credit Contract	Harbin Bank, Chongqing Branch	Mortgage, 1/F, East Area, No. 2 Trading Square, 362 rooms; Brand Hall A2; 26,374.26 square meters in total	August 5, 2019 to August 5, 2022	50,000.00	8.00%	0.00
Total							**246,999.20**		**172,679.20**

Note: As of the date of value, in the item no.12 in the table above, the warrantee is China South International Industrial Materials City (Shenzhen) Co., Ltd., and the loan related to the guaranteed item has been paid off, whose guarantee contract no. is " HYY 2021 NQDZY No. 3001". Due to the bank process problems, on the date of value, the guarantee had not been cancelled, but it has been cancelled on the working day of site appraisal.

8. There are four reserve lands to be developed. According to the data provided by the appraised entity, the reserve land of GW2-(18)-6-3 was purchased in 2021, covering 145,015.52 m^2 (217.523 mu), and the purchase price is 93,694.53 ten thousand yuan (about 430.7 ten thousand yuan/mu). So the land unit price is 6,461 yuan/m^2. The total area of the land of GW2-(18)-6 is 196,705.19 m^2, and the remaining land area is 51,689.67 m^2, about 78 mu. In this appraisal, the four reserve lands to be purchased in future are calculated at the unit price of 6,461 yuan/m^2, the purchase price of the land of GW2-(18)-6-3 already purchased. The details of the four reserve lands to be purchased are as follows

No.	Project	Certificate no.	Land no.	Land user	Usage	Type of use right and use term	Land area (m^2)	Land area (mu)	Floor area ratio
1	H Area	XGGY(2011)No.003	GW2-(16)-1	Xi'an China South City Co. Ltd	Business	Transfer (July 24, 2051)	111,530.50	167.30	3.0
2	F Area	XGGY(2014)No.027	GW2-(18)-6	Xi'an China South City Co. Ltd	Land for business	Transfer (August 11, 2054)	51,689.67	77.54	3.5
3	East Sub-area (E3), E Area	XGGY(2014)No.022	GW2-16-4	Xi'an China South City Co. Ltd	Land for business service	Transfer (July 24, 2054)	63,082.26	94.62	2.1
4		XGGY(2014)No.021	GW2-16-5	Xi'an China South City Co. Ltd	Land for business service	Transfer (June 29, 2054)	84,955.91	127.44	2.1
Total							**311,258.34**	**466.89**	–

9. The "Merchants Office Center" of the investment real estate has a construction area of 23,298.00 square meters, which was built in May 2012. The building structure is frame structure, and the book value on the date of value is 88,170,720.22 yuan. Through site survey, we got to know that the building is temporary construction, and the appraisal area is subject to the area declared by the appraised entity. The building is on the reserve land to be purchased, so its appraisal value is temporarily considered as the replacement value. Due to the defect in its legal ownership, if there is any legal dispute in the later period, it will be dealt with in the way determined by the relevant government departments, and the appraisal result should be adjusted accordingly. The client and the user of the report should pay attention to this matter.

10. In inventory-development product, Room 49-10301 in Hardware Machinery Electronics Zone B is for commercial use, with a construction area of 120.03 square meters. After verification, this building is an additional building. As of the date of value, no relevant information of ownership and construction application has been obtained, and the legal ownership of this property has defects. If there is any legal dispute in the later period, it shall be handled in the way determined by the relevant government department, and the appraisal result shall be adjusted accordingly. The client and the user of the report should pay attention to this matter.

11. The appraisal conclusion in the report reflects the market value of the appraisal object determined in accordance with the principle of open market under the appraisal purpose. It does not take into account the relevant fees and taxes to be borne in the process of property registration or ownership change of such assets, nor does it make any provision for tax adjustment on the value added of the asset appraisal.

12. In the appraisal process of inventory, the land value-added tax to be paid has been estimated, and we assume that the appraised entity will pay the land value-added tax according to the above estimated amount. However, the final settlement of the land value-added tax shall be subject to the final accounting amount of the local tax department.

13. In the appraisal process of inventory, the corporate income tax to pay in future has been estimated and deducted. However, the amount of income tax settled shall be subject to the final accounting amount of the local tax department.

14. The appraisal conclusion reflects the current fair market price of the appraisal object on the date of value in accordance with the principle of open market under the appraisal purpose. It does not consider the influence on the appraisal conclusion by mortgage, guarantee, litigation compensation and other matters that may be undertaken in the future, as well as the additional price that may be paid by a special party.

15. The appraisal report is made on the basis of the materials provided by the client and the appraised entity that shall be responsible for authenticity, legality and completeness of the materials. The asset appraisal agency and the asset appraisers shall bear legal liability for the appraisal result formed on this basis thereof.

16. The appraisal does not take into account the premium or discount arising from controlling and minority stakes.

17. The appraisal does not consider the impact of liquidity on the value of the appraisal object.

18. The appraisal conclusions are valid under the appraisal assumptions and are used only for the appraisal purpose. When there is a major change in the operating environment on which the production and operation of the appraised entity depends, the appraisers shall not assume the responsibility to derive different appraisal results due to the major change in the preconditions and appraisal bases.

XII. Explanation of Report Use Restriction

1. The appraisal report shall only be used for the appraisal purpose and usage specified in the appraisal report and the report shall only be used by the users specified in the appraisal report.

2. If the client or any other user of the asset appraisal report fails to use the report in accordance with the provisions of laws and administrative regulations and the use scope specified in the asset appraisal report, the asset appraisal agency and its asset appraisers shall not undertake the responsibilities thereof.

3. Except for the client, other users specified in the asset appraisal entrustment contract and the users stipulated by laws and administrative regulations, no other institution or individual can be the user of the asset appraisal report.

4. The users of the asset appraisal report should correctly understand the appraisal conclusion, which is not equivalent to the realizable price of the appraisal object, and that shall not be regarded as the guarantee of the realizable price of the appraisal object

5. Without the consent of the appraisal agency that issued the appraisal report, the content of the appraisal report shall not be excerpted, quoted or disclosed to the public media, unless otherwise stipulated by laws and regulations or agreed by the relevant parties

6. The valid period of the appraisal conclusion shall be one year, starting from the date of value September 30, 2022. If it is beyond one year, the appraisal object needs to be appraised again.

XIII. Issuing Date of Appraisal Report

The issuing date of the appraisal report is December 16, 2022.

(No text below)

(The English version of the report is translated from the Chinese report. In the event of discrepancy between the Chinese and English versions, the Chinese version shall prevail.)

Asset appraiser: JIANG Jianguo

Asset appraiser: YANG Jing

Dacheng International Asset Land
Real Estate Appraisal (Shenzhen) Co., Ltd

December 16, 2022

Appendixes of Appraisal Report

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8. Registration certificate of asset appraisers (copy)

China Appraisal Society

Professional Qualification Certificate of Asset Appraiser

Registration Card

(Appraisal Agency Personnel)

Name: JIANG Jianguo

Gender: Male

Registration No.: 44000059

Company Name: Dacheng International Asset Land Real Estate Appraisal (Shenzhen) Co., Ltd

Registration Date for the First Time: April 5, 2000

Annual Inspection Information: Pass (April 27, 2021)

Industry and Organization: China Appraisal Society

Personal Signature:

Personal Seal:

China Appraisal Society (sealed)

Printing date: July 2, 2021

The information of asset appraiser is subject to the inquiry result from the website of China Appraisal Society
Official website: http://cx.cas.org.cn

China Appraisal Society

Professional Qualification Certificate of Asset Appraiser

Registration Card

(Appraisal Agency Personnel)

Name: YANG Jing

Gender: Female

Registration No.: 21000184

Company Name: Dacheng International Asset Land Real Estate Appraisal (Shenzhen) Co., Ltd

Registration Date for the First Time: September 5, 2001

Annual Inspection Information: Pass (May 5, 2022)

Industry and Organization: China Appraisal Society

Personal Signature:

Personal Seal:

China Appraisal Society (sealed)

Printing date: July 5, 2022

The information of asset appraiser is subject to the inquiry result from the website of China Appraisal Society
Official website: http://cx.cas.org.cn

9. Asset appraisal schedule

The following is the text of a property valuation report received from Dacheng International Asset Land Real Estate Appraisal (Shenzhen) Co., Ltd. in connection with their valuation of the property interest of the Target Company for the purpose of inclusion in this circular.

REAL ESTATE APPRAISAL REPORT

Appraisal Report No.:	SDCGZ(2022)No. 12005
Project Name:	Market Value Appraisal of No.2 Trading Square, Brand Hall, Hardware Machinery Electronics Zone B/D/E, Construction in progress of 1668 New Era Square and 4 land lots (for business service), Xi'an China South City, Northwest Side of the Intersection of Gangxing Road and Gangwu Avenue, Xi'an International Trade & Logistics Park, Shaanxi Province
Client:	China South International Industrial Materials City (Shenzhen) Co., Ltd.
Appraisal Agency:	Dacheng International Asset Land Real Estate Appraisal (Shenzhen) Co., Ltd
Certified Real Estate Appraiser:	JIN Haiyan Registration No.: 4420090055 WANG Shengchao Registration No.: 4620000021
Issuing Date of Report:	December 19, 2022

Letter to Client

China South International Industrial Materials City (Shenzhen) Co., Ltd:

Entrusted by your party, our company appraised the market value of No.2 Trading Square, Brand Hall, Hardware Machinery Electronics Zone B/D/E, Construction in progress of 1668 New Era Square and 4 land lots (for business service), Xi'an China South City, Northwest Side of the Intersection of Gangxing Road and Gangwu Avenue, Xi'an International Trade & Logistics Park, Shaanxi Province owned by Xi'an China South City Co., Ltd. based on their legal usages. The appraisal object and appraisal summery are as listed below:

1. The client, appraisal purpose, date of value

The client, China South International Industrial Materials City (Shenzhen) Co., Ltd, entrusted our company with the appraisal of the ownership of 6,489 suites of commercial real estate and the ownership of 2 garages of No.2 Trading Square, Brand Hall and Hardware Machinery Electronics Zone B/D/E; and the ownership of construction in progress of 1668 New Era Square and the land-use right of 4 land lots (for business service) of Xi'an China South City, Northwest Side of the Intersection of Gangxing Road and Gangwu Avenue, Xi'an International Trade & Logistics Park, Shaanxi Province. The appraisal purpose is to provide real estate value reference for the client's proposed shareholder circular. The date of value is November 25, 2022.

2. Type of value

The appraisal value is the real estate market value and investment value. According to the National Standard of the People's Republic of China GB/T50291-2015 Real Estate Appraisal Code:

Market value, it refers to the amount for which the appraisal object should exchange on the date of value between a willing buyer and a willing seller in an arm length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion.

Investment value, it is the value measured from the perspective of a specific investor (such as a purchaser), which is the value of the real estate appraised according to a specific investor's own situation.

3. Appraisal assumptions

Please see the Appraisal Assumptions and Restrictions in the text of the report for details.

4. Appraisal method

(1) The appraisal object of Xi'an China South City: The ownership of the 6,489 suites of commercial real estate of No.2 Trading Square, Brand Hall and Hardware Machinery Electronics Zone B/D/E are all commercial properties, some of which are rented and some of which are vacant; the ownership of No. 2 Trading Square (underground garage), Zone D Phase II Hotel Apartment (underground garage), and Hardware Machinery Electronics Zone E2 (aboveground garage) are garage properties and currently used by the owner itself. So the appraisal adopts comparison method.

(2) For the ownership of construction in progress of 1668 New Era Square of the appraisal object, its related planning procedures are complete. So the appraisal adopts cost method.

(3) For the 4 land lots (for business): land GW2-(16)-1, part of the land GW2-(18)-6, land GW2-16-4 and land GW2-16-5, according to the appraisal entrustment letter, the appraisal price is referred to the *Compensation Agreement for the Use Right of State-owned Construction Land* signed by Land Reserve Center of Xi'an International Trade & Logistics Park and Xi'an China South City Co., Ltd. on September 2, 2021 and the land purchase unit price is 6,461 yuan/m^2.

The selected indicators thereof are as follows:

1) The ownership of the 6,489 suites of commercial real estate of No.2 Trading Square, Brand Hall and Hardware Machinery Electronics Zone B/D/E,

Market unit price, the price range: 13,000-17,000 yuan/square meter

2) The ownership of No. 2 Trading Square (underground garage), Zone D Phase II Hotel Apartment (underground garage) and Hardware Machinery Electronics Zone E2 (aboveground garage)

Market unit price, the price range: 80,000-120,000 yuan/ a parking space

(4) The ownership of construction in progress of 1668 New Era Square of the appraisal object,

1) The construction cost that has been invested: 239,672.25 ten thousand yuan

5. Market fluctuation

The recent outbreak of the novel coronavirus has caused significant volatility in global financial markets and uncertainty in real estate market. Property values are expected to be highly susceptible to the development of the pandemic and changes in financial markets. Different segments of the market are affected differently. Marketing and negotiating sales of properties may take longer than normal. It is difficult to determine how long the appraisal result can be maintained, and real estate values may fluctuate rapidly and significantly in a short term. The result of our evaluation of the appraisal object is valid only on the date of value, and the changes in market conditions after the date of value and the relevant impact on the market value of the appraisal object after the date of value are not considered in the appraisal. If the transaction or transfer is carried out based on the appraisal result, attention should be paid to the possible big fluctuations of the market between the date of value and the trading date. In addition, the market value of the appraisal object may not fluctuate significantly after the date of value.

6. Source of materials

The client has provided copies of the *Real Estate Ownership Certificate*, State-owned Construction Land Use Right Transfer Contract, *Appraisal Entrustment Letter*, *Appraisal Asset List*, *Real Estate Registration Book* of the appraisal object (see the attachment). If there is no reason to doubt their legality, authenticity, accuracy and completeness, it is assumed that the materials provided by the property owner are legal, true, accurate and complete. We use the ownership documents and the relevant contents of the Real Estate Registration Book as the bases for this appraisal.

We evaluated the appraisal object based on the housing ownership, relevant rights and interests, and opinion provided by the client and the legal adviser, Shanghai AllBright Law Offices (Shenzhen) Law Firm.

7. Ownership review

We have been to Xi'an Real Estate Registration Center to search the property ownership status of the appraisal object, and Xi'an Real Estate Archives Administration has issued the Real Estate Registration Search Information. Our appraisal is based on the materials provided by the client.

8. Site survey

We conducted a site survey on the appraisal object from November 21, 2022 to November 23, 2022. However, our inspection of the appraisal object is limited to its appearance and use condition, internal layout, decoration and equipment condition, and we did not carry out structural measurement and equipment test to confirm whether the appraisal object has structural damage or other defects. Necessary attention has been paid to the major factors that affect the value of the appraisal object, such as housing safety and environmental pollution. In the case that there is no reason to suspect that the appraisal object has safety risks and there is no corresponding professional institution for identification and testing, it is assumed that the appraisal object can be used normally and safely.

9. Currency

All the currencies of the appraisal are RMB.

10. Expected taxes

VAT rate: 5% or 9% according to the time of acquisition of real estate

Urban maintenance and construction tax: 7% of value-added tax

Education surcharge and local education surcharge: 5% of value-added tax

Corporate income tax rate: 25 percent

Land value-added tax rate: According to the real estate value-added situation, pay tax upon the four-level differences accumulated based on 30% to 60%

Stamp duty rate: 0.05% of the transaction value

Dacheng International Asset Land Real Estate Appraisal (Shenzhen) Co., Ltd

Legal Representative: YANG Jing

(Certified Real Estate Appraiser)

December 19, 2022

Real Estate Market Appraisal Result Summary

Currency: RMB yuan

Type	Appraisal object	Suite	Market value on the date of value	Market value owned by client on date of value	Investment value on date of value	Investment value owned by client on date of value
The property 1 for sale	The 6,489 suites of commercial real estate of No.2 Trading Square, Brand Hall and Hardware Machinery Electronics Zone B/D/E; No. 2 Trading Square (underground garage), Zone D Phase II Hotel Apartment (underground garage) and Hardware Machinery Electronics Zone E2 (aboveground garage) of Xi'an China South City	6,489 suites of commercial properties, 3 garages	3,449,922,805	3,449,922,805	Not applicable	Not applicable
The properties being developed	Construction in progress of 1668 New Era Square of Xi'an China South City	–	3,002,236,778	3,002,236,778	Not applicable	Not applicable
The property 2 for sale	4 land lots (for business): land GW2-(16)-1, part of the land GW2-(18)-6, land GW2-16-4 and land GW2-16-5 of Xi'an China South City	4	Not applicable	Not applicable	2,011,040,136	2,011,040,136
	Total		6,452,159,583	6,452,159,583	2,011,040,136	2,011,040,136

1) The market value on the date of value of the appraisal object (the 6,489 suites of commercial real estate of No.2 Trading Square, Brand Hall and Hardware Machinery Electronics Zone B/D/E); No. 2 Trading Square (underground garage), Zone D Phase II Hotel Apartment (underground garage) and Hardware Machinery Electronics Zone E2 (aboveground garage); and the construction in progress of 1668 New Era Square of Xi'an China South City) is RMB6,452,159,583 yuan.

2) The market value on the date of value, owned by China South International Industrial Materials City (Shenzhen) Co., Ltd, of the appraisal object (the 6,489 suites of commercial real estate of No.2 Trading Square, Brand Hall and Hardware Machinery Electronics Zone B/D/E); No. 2 Trading Square (underground garage), Zone D Phase II Hotel Apartment (underground garage) and Hardware Machinery Electronics Zone E2 (aboveground garage); and the construction in progress of 1668 New Era Square of Xi'an China South City) is RMB6,452,159,583 yuan.

3) Because the government of Xi'an city plans to purchase and reserve the 4 land lots (for business): land GW2-(16)-1, part of the land GW2-(18)-6, land GW2-16-4 and land GW2-16-5, according to the *Compensation Agreement for the Use Right of State-owned Construction Land* signed by Land Reserve Center of Xi'an International Trade & Logistics Park and Xi'an China South City Co., Ltd. on September 2, 2021, the purchase unit price of the lands is 6,461 yuan/m^2. According to the *Reply on the Change of Land Nature of Some Parcels of China South City* issued on March 25, 2022 by International Trade & Logistics Park Branch of Xi'an Natural Resources and Planning Bureau, the 4 land lots are intended to be purchased and reserved by the government, so their type of value is investment value.

4) The investment value on the date of value of the appraisal object (4 land lots (for business): land GW2-(16)-1, part of the land GW2-(18)-6, land GW2-16-4 and land GW2-16-5 of Xi'an China South City) upon the current status is RMB2,011,040,136 yuan.

5) The investment value on the date of value, owned by China South International Industrial Materials City (Shenzhen) Co., Ltd, of the appraisal object (4 land lots (for business): land GW2-(16)-1, part of the land GW2-(18)-6, land GW2-16-4 and land GW2-16-5 of Xi'an China South City) upon the current status is RMB2,011,040,136 yuan.

Dacheng International Asset Land Real Estate Appraisal (Shenzhen) Co., Ltd

Legal Representative: YANG Jing

(Certified Real Estate Appraiser)

December 19, 2022

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Appraiser's Declaration

We seriously declare:

1. All the facts stated in the appraisal report by the certified real estate appraiser are true and correct and there is no false information, misleading statement or major omission in it.

2. The analysis, opinion and conclusion as stated in the appraisal report are made by us based on our independent, objective, just and professional analysis, but they are restricted by the assumptions and restrictions as listed in the Report.

3. We have no existing or potential beneficial relationship with the appraisal object. And we have no beneficial or harmful relationship with the client and concerned parties and no prejudice against the appraisal object, the client and concerned parties in the report.

4. We carried out the appraisal work and drafted this appraisal report pursuant to the regulations of *Code for Real Estate Appraisal, Standard for Basic Terminology of Real Estate Appraisal* and *the HKIS Valuation Standards on Properties*.

5. We are a member of China Institute of Real Estate Appraisers and Agents ("**CIREA**") and is therefore subject to its professional disciplines. As a CIREA member, we require our employees (including JIN Haiyan and WANG Shengchao) to comply with the professional disciplines of CIREA when preparing any property valuation report.

6. JIN Haiyan and WANG Shengchao are registered with the Ministry of Housing and Urban-Rural Development of the People's Republic of China (the "**MOHURD**") as certified real estate appraisers and are hence qualified to prepare and provide property valuation reports in the PRC. They are required under the MOHURD rules and regulations to comply with the professional discipline and ethics regulations of the real estate appraisal industry in the PRC (including those issued by CIREA), although membership of CIREA is not required for a certified real estate appraiser to prepare and provide property valuation reports.

Assumptions and Limitations of the Appraisal

I. Assumptions of the Appraisal

(I) General Assumptions:

1. The property owner has provided us with the copies of *Real Estate Ownership Certificate, State-owned Construction Land Use Right Transfer Contract, Appraisal Entrustment Letter and Appraisal Object List* and *Real Estate Registration Book* of the appraisal object (see the appendixes). Under the condition that there is no reason to doubt their legality, realness, accuracy and completeness, we suppose that the materials provided by the client are legal, real, accurate and complete. The appraisal is based on the content of the ownership documents and the result of ownership file search.

2. We conducted the site survey on the appraisal object only for the needs of the appraisal, but we only surveyed its appearance, use conditions, inner layout, decoration and equipments, and we did not make any structure measurement or equipment test to confirm whether the appraisal object has structure damage or other defects. The appraisers have considered the safety of the house, environment pollution and other major factors that may influence the value of the appraisal object. Under the condition that there is no reason to doubt any existing hidden risk of the appraisal object that has not been verified or tested by a professional agency, we suppose that the appraisal object can be used normally and safely.

3. We did not measure the land area, construction area and other data practically. After site survey, the explanation and calculation in the appraisal are based on the data written in the Ownership Certificate.

4. We assume that the real estate market on date of value is an open, fair and freewill transaction market. It meets the following conditions:

   (1) A freewill buyer and seller.

   (2) Have a reasonable time to make discussion and transaction, so as to make full consideration about the real estate quality and market condition, then to negotiate a price.

   (3) The appraisal object can be transferred freely in the open market, and the buyer and seller have not any beneficial or harmful relationship.

   (4) The real estate market will remain stable in this period.

   (5) No consideration about the additional price of a special purchaser.

5. The appraisal object enjoys the right of way in public part and the use right of water, power and other public facilities.

6. The precondition of the appraisal is that the appraisal object can be continuously used based on its complete material body, ownership conditions and legal use on the date of value.

7. The value of the appraisal is real estate market value and investment value. The date of value is November 25, 2022, the date of confirmation of the appraisal entrustment agreement. The appraisal is based on the ownership conditions and actual conditions of the appraisal object on the date of value.

(II) Assumption for Unsettled Items

1. The appraisal object includes construction in progress, and the appraisal assumes that the construction in progress can finally meet the completion acceptance standards and obtain the relevant property ownership documents.

(III) Deviation from factual assumptions

There are no deviations from factual assumptions in the appraisal.

(IV) Assumption for Inconsistency

1. The client of this appraisal is China South International Industrial Materials City (Shenzhen) Co., Ltd., which is inconsistent with the property owner recorded in the *State-owned Land Use Certificate* and other materials of the appraisal object. The appraisal is based on the precondition that property owner know and agree to the appraisal.

2. The date of value of the appraisal is November 25, 2022; the period of site survey is from November 21, 2022 to November 23, 2022; the appraisal assumes that the real estate condition at the date of value is consistent with the condition at the date of site survey.

(V) Assumption for Insufficient Base

1. 4 land lots (for business) of Xi'an China South City: land GW2-(16)-1, part of the land GW2-(18)-6, land GW2-16-4 and land GW2-16-5, the total area of land use right is 311,258.34 square meters. The appraisal is based on the proposed acquisition of Land Reserve Center of Xi'an International Trade & Logistics Park. The purchase price is confirmed by the client and referred to the *Compensation Agreement for the Use Right of State-owned Construction Land* signed by Land Reserve Center of Xi'an International Trade & Logistics Park and Xi'an China South City Co., Ltd. on September 2, 2021. The purchase unit price is 6,461 yuan/m^2. The appraisal does not take into account the specific planning and the difference of the life of use of each land lot. The users of the report should pay attention to it.

2. The whole project of China South City has been developed since 2012, and part of the real estate has been sold. The appraisal object is the unsold properties used by the property owner itself or to be developed, and the relevant construction application and pre-sale procedures are complete. Some of the appraisal object has not yet applied for the property ownership certificates. According to the *Real Estate Registration Book* issued by Xi'an Real Estate Registration Information and Archives Management Center, the premise of this appraisal is that all the property certificates can be processed normally.

II. Use Restrictions of Appraisal Report

1. The appraisal report shall be used in accordance with the legal provisions and the usage, user, term of use and scope of use specified in the appraisal report. Otherwise, the real estate appraisal agency and registered real estate appraisers shall not be liable according to law.

2. The valid term of the appraisal report shall be 3 months from December 19, 2022, the date of issuance of the appraisal report. If the real estate market or the condition of the appraisal object changes significantly during the use period of the report, the appraisal result shall be adjusted accordingly or re-evaluated by the appraisal agency.

3. The appraisal result of this report refers to the real estate normal market value of the land of the appraisal object under the current planning condition and buildings under the current utilization condition on the date of value. If the planning use, construction area or building utilization condition of the appraisal object changes, the appraisal result needs to be adjusted accordingly or re-evaluated.

4. The report does not consider the impact of changes in national economic policies or other force majeure on the value of the appraisal object.

5. Without the consent in writing of the appraisal agency, the whole or part of the appraisal report or any reference data hereof shall not be published by any way or quoted in any public publication, announcement or statement.

6. The appendixes hereof are the integral parts of the report and have the same force of law as the report.

Appraisal Result Report

I. Client:

Name of client: China South International Industrial Materials City (Shenzhen) Co., Ltd

Legal representative: ZHANG Wenhong

Address: No.1 Hunan Avenue, Pinghu Town, Longgang District, Shenzhen

II. Appraisal Agency:

Appraisal Agency: Dacheng International Asset Land Real Estate Appraisal (Shenzhen) Co., Ltd

Address: 1610, Block A, Southern International Plaza, No.3013, Yitian Road, Mingyue Community, Fubao Sub-district, Futian District, Shenzhen

Legal Representative: YANG Jing

Registration Level: the First Level

Certificate No.: YFGBZ ONE 0200052

Uniform Social Credit Code: 914403000859229861

III. Appraisal Purpose

China South International Industrial Materials City (Shenzhen) Co., Ltd. entrusts Dacheng International Asset Land Real Estate Appraisal (Shenzhen) Co., Ltd with the appraisal of the appraisal object. The appraisal purpose is to provide real estate value reference for the shareholder circular proposed by China South International Industrial Materials City (Shenzhen) Co., Ltd.

IV. Appraisal Object

(I) Appraisal object and property scope

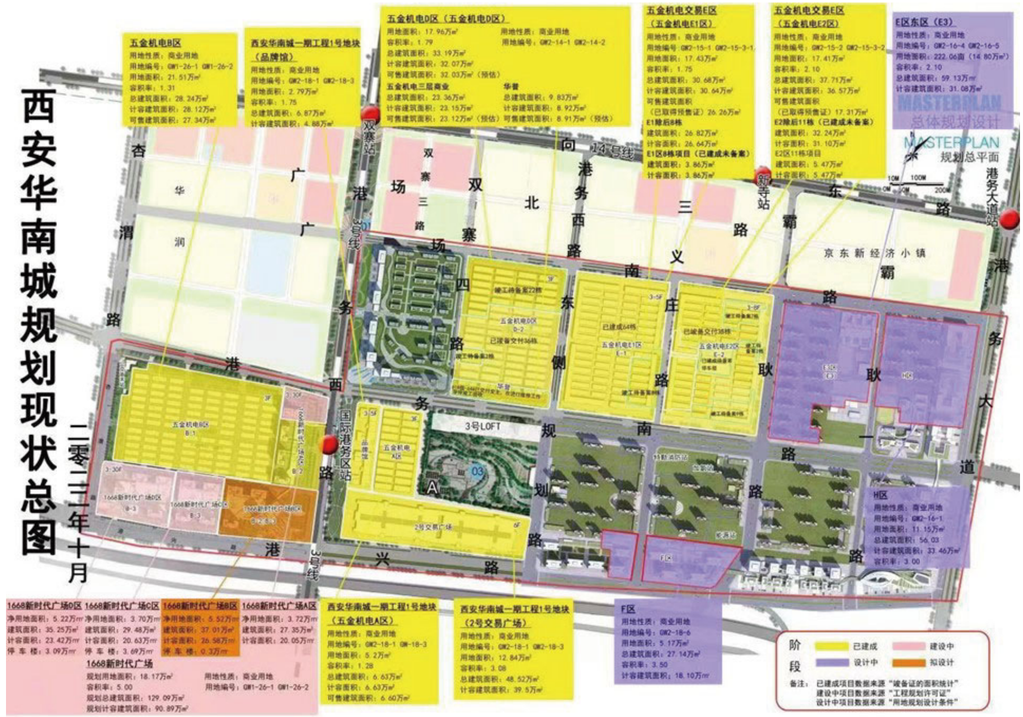
The appraisal object is No.2 Trading Square, Brand Hall, commercial real estate and parking space in Hardware Machinery Electronics Zone B/D/E, Construction in progress of 1668 New Era Square and 4 land lots (for business service) located at Xi'an China South City, Northwest Side of the Intersection of Gangxing Road and Gangwu Avenue, Xi'an International Trade & Logistics Park, Shaanxi Province owned by Xi'an China South City Co., Ltd. the property scope includes house ownership, the land use right during the remaining use period of the lands, and interior décor and fittings of the houses, etc., excluding movable properties, creditor's rights and debts, franchise rights and other properties or rights and interests).

According to the project information provided, the total area of the lands acquired by Xi'an China South City is about 2,384 mu. 1,700 mu has been developed and 684 mu has not been developed. In the undeveloped land, 217.523 mu has been reserved, and the undeveloped and unreserved land is about 550 mu (including Zone 1668B). For details, please see the following table:

No.	Project	Certificate no.	Land lot no.	User of right	Location of land	Usage	Type and term of use right	Area (m^2)	Area (mu)	Floor area ratio	Transfer price (ten thousand yuan)	Transfer land price (yuan/m^2)	Remark
1	Zone H	XGGY (2011) No.003	GW2-(16)-1	Xi'an China South City Co., Ltd	W. Gangwu Avenue, S. Square South Road, Xi'an International Trade & Logistics Park	Business	Transfer (July 24, 2051)	111,530.50	167.30	3.0	12,400	1,112	Land not built
2	Brand hall, Hardware Machinery Electronics Zone A, No.2 Trading Square	XGGY (2011) No.009	GW2-(18)-1	Xi'an China South City Co., Ltd	S. Gangwu South Road, E. Gangwu West Road, Xi'an International Trade & Logistics Park	Business service	Transfer (August 3, 2051)	205,924.52	308.89	2.5	22,200	1,078	Built
3		XGGY (2012) No.009	GW2-(18)-3	Xi'an China South City Co., Ltd	N. Gangxing Road, W. Planning Road	Business service	Transfer (April 19, 2052)	2,350.34	3.53	2.5	300	1,276	
4	Hardware Machinery Electronics Zone B, 1668 New Era Square (Zone A/B/C/D)	XGGY (2013) No.003	GW1-(26)-2	Xi'an China South City Co., Ltd	E. Xingwei Road, S. Gangwu Road	Business service	Transfer (February 15, 2053)	117,729.85	176.60	3.0	16,650	1,414	Hardware Machinery Electronics Zone B has been built; 1668 New Era Square is being built, therein, except the curtain wall project of Building A1, Zone A has been basically completed; Zone C/D is being built (has been capped); Zone B has not been built (empty land to be developed).
5		XGGY (2012) No.002	GW1-(26)-1	Xi'an China South City Co., Ltd	S. Gangwu South Road, W. Gangwu West Road, Xi'an International Trade & Logistics Park	Land for business	Transfer (June 30, 2051)	278,984.40	418.48	3.0	27,700	993	
6	Zone F	XGGY (2014) No.027	GW2-(18)-6	Xi'an China South City Co., Ltd	N. Gangxing Road, W. Bageng Road, E. Gangwu South Road	Land for business	Transfer (August 11, 2054)	196,705.19	295.06	3.5	37,250	1,894	The reserved land of GW2-(18)-6-3 was purchased in 2021, covering 145,015.52 m^2 (217.523 mu), and the purchase price is 93,694.53 ten thousand yuan, and the remaining land area is about 78 mu.

No.	Project	Certificate no.	Land lot no.	User of right	Location of land	Usage	Type and term of use right	Area (m²)	Area (mu)	Floor area ratio	Transfer price (ten thousand yuan)	Transfer land price (yuan/m²)	Remark
7	Hardware Machinery Electronics Zone E1	XGGY (2013) No.025	GW2-(15)-1	Xi'an China South City Co., Ltd	N. Gangwu South Road, E. Planning Road	Business service	Transfer (August 28, 2053)	115,532.51	173.30	2.0	16,300	1,411	Built
8	Hardware Machinery Electronics Zone E2	XGGY (2013) No.026	GW2-(15)-2	Xi'an China South City Co., Ltd	N. Gangwu South Road, W. Bageng Road	Business service	Transfer (August 28, 2053)	115,066.03	172.60	2.0	16,250	1,412	
9	Hardware Machinery Electronics Zone E1	XGGY (2015) No.007	GW2-(15)-3-1	Xi'an China South City Co., Ltd	N. Gangwu South Road, W. Bageng Road	Business service	Transfer (June 29, 2054)	58,812.41	88.22	2.1	22,600	1,918	Built
10	Hardware Machinery Electronics Zone E2	XGGY (2015) No.008	GW2-(15)-3-2	Xi'an China South City Co., Ltd	N. Gangwu South Road, W. Bageng Road	Business service	Transfer (June 29, 2054)	59,038.80	88.56				
11	East area (E3), Zone E	XGGY (2014) No.022	GW2-16-4	Xi'an China South City Co., Ltd	E. Bageng Road, N. Gangwu South Road	Business service	Transfer (July 24, 2054)	63,082.26	94.62	2.1	12,150	1,926	Land not built
12		XGGY (2014) No.021	GW2-16-5	Xi'an China South City Co., Ltd	E. Bageng Road, S. Planning Road	Business service	Transfer (June 29, 2054)	84,955.91	127.44	2.1	16,480	1,940	
13		XGGY (2014) No.020	GW2-(14)-1	Xi'an China South City Co., Ltd	W. Planning Road, N. Gangwu South Road	Business service	Transfer (June 29, 2054)	71,887.13	107.83	2.0	10,530	1,465	
14	Hardware Machinery Electronics Zone D, Huayu Apartment	XGGY (2016) No.004	GW2-(14)-2	Xi'an China South City Co., Ltd	E. Planning Road, N. Gangwu South Road, Xi'an International Trade & Logistics Park	Business service	Transfer (July 24, 2054)	107,717.98	161.58	2.0	16,890	1,568	Built
–		**Total**		–	–	–	–	**1,589,317.83**	**2,384.01**	–	**227,700**	**1,433**	–

Land distribution map:



(II) Basic information of the appraisal object

The object of the appraisal:

(1) The total of 6,489 commercial properties in No.2 Trading Square, Brand Hall, Hardware Machinery Electronics Zone B/D/E of Xi'an China South City, with a total construction area of 402,494.36 square meters; No.2 Trading Square (underground garage) and Hardware Machinery Electronics Zone E2 (aboveground garage) of Xi'an China South City, with a total construction area of 181,229.4 square meters;

(2) Construction in Progress of 1668 New Era Square, including Zone A/B/C/D, in the unsold land of the appraisal, the ground construction area (counted in floor area ratio) is 515,475.24 square meters, the underground construction area (not counted in floor area ratio) is 330,225.26 square meters; the overall construction progress is 50%;

(3) 4 land lots (for business): land GW2-(16)-1, part of the land GW2-(18)-6, land GW2-16-4 and land GW2-16-5 of Xi'an China South City, the total area of land use right is 311,258.34 square meters.

1. Ownership information of appraisal object

The total of 6,489 commercial properties in No.2 Trading Square, Brand Hall, Hardware Machinery Electronics Zone B/D/E of Xi'an China South City; No.2 Trading Square (underground garage) and Hardware Machinery Electronics Zone E2 (aboveground garage) of Xi'an China South City. Please see the table below:

No.	Project	Certificate no.	Land lot no.	User of right	Location of land	Usage	Type and term of use right	Area (m^2)	Floor area ratio	Remark
1	Brand hall, Hardware Machinery Electronics Zone A, No.2 Trading Square	XGGY (2011) No.009	GW2-(18)-1	Xi'an China South City Co., Ltd	S. Gangwu South Road, E. Gangwu West Road, Xi'an International Trade & Logistics Park	Business service	Transfer (August 3, 2051)	205,924.52	2.5	Built
2		XGGY (2012) No.009	GW2-(18)-3	Xi'an China South City Co., Ltd	N. Gangxing Road, W. Planning Road	Business service	Transfer (April 19, 2052)	2,350.34	2.5	
3	Hardware Machinery Electronics Zone B, 1668 New Era Square (Zone A/B/C/D)	XGGY (2013) No.003	GW1-(26)-2	Xi'an China South City Co., Ltd	E. Xingwei Road, S. Gangwu Road	Business service	Transfer (February 15, 2053)	117,729.85	3.0	Hardware Machinery Electronics Zone B has been built; 1668 New Era Square is being built, therein, except the curtain wall project of Building A1, Zone A has been basically completed; Zone C/D is being built (has been capped); Zone B has not been built (empty land to be developed).
4		XGGY (2012) No.002	GW1-(26)-1	Xi'an China South City Co., Ltd	S. Gangwu South Road, W. Gangwu West Road, Xi'an International Trade & Logistics Park	Land for business	Transfer (June 30, 2051)	278,984.40	3.0	
5	Zone F	XGGY (2014) No.027	GW2-(18)-6	Xi'an China South City Co., Ltd	N. Gangxing Road, W. Bageng Road, E. Gangwu South Road	Land for business	Transfer (August 11, 2054)	196,705.19	3.5	The reserved land of GW2-(18)-6-3 was purchased in 2021, covering 145,015.52 m^2 (217.523 mu), and the purchase price is 93,694.53 ten thousand yuan, and the remaining land area is about 78 mu.

No.	Project	Certificate no.	Land lot no.	User of right	Location of land	Usage	Type and term of use right	Area (m^2)	Floor area ratio	Remark
6	Hardware Machinery Electronics Zone E1	XGGY (2013) No.025	GW2-(15)-1	Xi'an China South City Co., Ltd	N. Gangwu South Road, E. Planning Road	Business service	Transfer (August 28, 2053)	115,532.51	2.0	Built
7	Hardware Machinery Electronics Zone E2	XGGY (2013) No.026	GW2-(15)-2	Xi'an China South City Co., Ltd	N. Gangwu South Road, W. Bageng Road	Business service	Transfer (August 28, 2053)	115,066.03	2.0	
8	Hardware Machinery Electronics Zone E1	XGGY (2015) No.007	GW2-(15)-3-1	Xi'an China South City Co., Ltd	N. Gangwu South Road, W. Bageng Road	Business service	Transfer (June 29, 2054)	58,812.41	2.1	Built
9	Hardware Machinery Electronics Zone E2	XGGY (2015) No.008	GW2-(15)-3-2	Xi'an China South City Co., Ltd	N. Gangwu South Road, W. Bageng Road	Business service	Transfer (June 29, 2054)	59,038.80		
10	Hardware Machinery Electronics Zone D, Huayu Apartment	XGGY (2014) No.020	GW2-(14)-1	Xi'an China South City Co., Ltd	W. Planning Road, N. Gangwu South Road	Business service	Transfer (June 29, 2054)	71,887.13	2.0	
11		XGGY (2016) No.004	GW2-(14)-2	Xi'an China South City Co., Ltd	E. Planning Road, N. Gangwu South Road, Xi'an International Trade & Logistics Park	Business service	Transfer (July 24, 2054)	107,717.98	2.0	Built

Because some houses of the project have been sold, the appraisal evaluated the value of the use right of the land shared by the appraisal object.

(1) Construction in Progress of 1668 New Era Square, the total construction area is 845,700.50 square meters; the aboveground construction area is 515,475.24 square meters, the underground construction area is 330,225.26 square meters; the land information is set forth in the table below:

No.	Project	Certificate no.	Land lot no.	User of right	Location of land	Usage	Type and term of use right	Area (m^2)	Floor area ratio	Remark
1	Hardware Machinery Electronics Zone B, 1668 New Era Square (Zone A/B/C/D)	XGGY (2013) No.003	GW1-(26)-2	Xi'an China South City Co., Ltd	E. Xingwei Road, S. Gangwu Road	Business service	Transfer (February 15, 2053)	117,729.85	3.0	Hardware Machinery Electronics Zone B has been built; 1668 New Era Square is being built, therein, except the curtain wall project of Building A1, Zone A has been basically completed; Zone C/D is being built (has been capped); Zone B has not been built (empty land to be developed).
2		XGGY (2012) No.002	GW1-(26)-1	Xi'an China South City Co., Ltd	S. Gangwu South Road, W. Gangwu West Road, Xi'an International Trade & Logistics Park	Land for business	Transfer (June 30, 2051)	278,984.40	3.0	

4 land lots (for business): land GW2-(16)-1, part of the land GW2-(18)-6, land GW2-16-4 and land GW2-16-5 of Xi'an China South City, the total area of land use right is 311,258.34 square meters. The government plans to purchase and reserve the lands. The detailed information is set forth in the table below:

No.	Project	Certificate no.	Land lot no.	User of right	Location of land	Usage	Type and term of use right	Area (m^2)	Floor area ratio	Remark
1	Zone H	XGGY (2011) No.003	GW2-(16)-1	Xi'an China South City Co., Ltd	W. Gangwu Avenue, S. Square South Road, Xi'an International Trade & Logistics Park	Business	Transfer (July 24, 2051)	111,530.50	3.0	Land not built
6	Zone F	XGGY (2014) No.027	GW2-(18)-6	Xi'an China South City Co., Ltd	N. Gangxing Road, W. Bageng Road, E. Gangwu South Road	Land for business	Transfer (August 11, 2054)	196,705.19	3.5	The reserved land of GW2-(18)-6-3 was purchased in 2021, covering 145,015.52 m^2 (217.523 mu), and the purchase price is 93,694.53 ten thousand yuan, and the remaining land area is about 78 mu.
11	East Area (E3), Zone E	XGGY (2014) No.022	GW2-16-4	Xi'an China South City Co., Ltd	E. Bageng Road, N. Gangwu South Road	Business service	Transfer (July 24, 2054)	63,082.26	2.1	Land not built
12		XGGY (2014) No.021	GW2-16-5	Xi'an China South City Co., Ltd	E. Bageng Road, S. Planning Road	Business service	Transfer (June 29, 2054)	84,955.91	2.1	

Therein, the total of 6,489 business properties in No.2 Trading Square, Brand Hall, Hardware Machinery Electronics Zone B/D/E of Xi'an China South City; No.2 Trading Square (underground garage), Zone D Phase II Hotel Apartment (underground garage) and Hardware Machinery Electronics Zone E2 (aboveground garage) of Xi'an China South City. The property basic information is set forth in the table below:

No.	Appraisal object	Suite	Usage	Construction area (m^2)
1	Hardware Machinery Electronics Zone B	6	Business (professional market)	3,808.87
2	Hardware Machinery Electronics Zone D	33	Business (professional market)	4,107.57
3	Brand Hall	34	Business (professional market)	36,473.77
4	Hardware Machinery Electronics Zone E1(with ownership certificate)	7	Business (professional market)	22,192.63
5	Hardware Machinery Electronics Zone E1(without ownership certificate)	48	Business (professional market)	6,063.17
6	Hardware Machinery Electronics Zone E2(with ownership certificate)	450	Business (professional market)	61,474.90
7	Hardware Machinery Electronics Zone E2(without ownership certificate)	298	Business (professional market)	40,509.48
8	No.2 Trading Square	5,613	Business (professional market)	227,863.97
9	No.2 Trading Square (underground garage)	1	Garage	87,613.48
10	Zone D Phase II Hotel Apartment (underground garage)	1	Garage	4,667.46
11	Hardware Machinery Electronics Zone E2(aboveground garage)	1	Garage	88,948.46

The specific room numbers, ownership certificate information, floors are provided in the appraisal result schedule.

(2) Construction in Progress of 1668 New Era Square, including Zone A/B/C/D, in the unsold land of the appraisal, the aboveground construction area is 515,475.24 square meters, the underground construction area is 330,225.26 square meters; the overall construction progress is 50%;

No.	Appraisal object	Suite	Usage	Construction area (m^2)
1	1668 New Era Square Zone A	–	Apartment, business office	10,194.26
2	1668 New Era Square Zone A (hotel)	–	Professional market	21,846.85
3	1668 New Era Square Zone D	–	Apartment, business office	101,634.59
4	1668 New Era Square Zone C	–	Apartment, business office	116,022.16
5	1668 New Era Square Zone D (underground garage)	–	Non-professional market parking space	102,658.07
6	1668 New Era Square Zone A (underground garage)	–	Non-professional market parking space	55,301.25
7	1668 New Era Square Zone C (underground garage)	–	Non-professional market parking space	61,613.23
8	1668 New Era Square Zone B	–	Apartment, business office, hotel, cinema	265,777.38
9	1668 New Era Square Zone B (underground garage)	–	Non-professional market parking space	110,652.71
–	Total	–	–	845,700.50

Construction legal certificate information

(1) *Construction Land Planning Permit* of the land where No.2 Trading Square and Brand Hall are located.

Certificate no.	XGGJGDZ No.(2011) 013
Unit	Xi'an China South City Co., Ltd
Land project name	Xi'an China South City Project, Phase II, Trading Zone 1
Land location	Planning Road on the East, Gangwu West Road on the West, Gangxing Road on the South, Gangwu South Road on the North
Land area	Project land is about 464.771 mu (including road: 96.946 mu, green land: 58.939 mu, net land area: 308.886 mu)
Land nature	Land for business and finance
Construction scale	About 510,000 square meters
Issuing date of permit	September 22, 2011

(2) *Construction Land Planning Permit* of the land where Hardware Machinery Electronics Zone B and 1668 New Era Square are located.

Certificate no.	XGGJGDZ No.(2011) 010	XGGJGDZ No.(2013) 003
Unit	Xi'an China South City Co., Ltd	Xi'an China South City Co., Ltd
Land project name	Xi'an China South City Project, Phase I	Xi'an China South City Project, Phase I, Stage 2
Land location	Gangwu West Road on the East, Xingwei Road on the West, North 3rd Ring, North Auxiliary Road on the South, Gangwu South Road on the North	E. Xingwei Road, S. Gangwu South Road
Land area	Project land area is about 579.090 mu (including road area 92.251 mu, green land 65.362 mu, the net land area 418.477 mu)	247.644 mu (including the net land area 176.595 mu, road area 45.884 mu, green land 25.165 mu)
Land nature	Land for business	Land for business service facility
Construction scale	About 840,000 square meters	aboveground construction area is not more than 353,190 square meters
Issuing date of permit	August 18, 2011	March 4, 2013

(3) *Construction Land Planning Permit* of the land where Hardware Machinery Electronics Zone E2 is located.

Certificate no.	XGGJGDZ No.(2013) 022	XGGJGDZ No.(2014) 05
Unit	Xi'an China South City Co., Ltd	Xi'an China South City Co., Ltd
Land project name	Xi'an China South City Project, Phase III, Hardware Machinery Electronics Zone E	Xi'an China South City Project, Phase I, Stage 2
Land location	N. Gangwu South Road, W. Pangeng Road	E. Xingwei Road, S. Gangwu South Road
Land area	221.352 mu (including the net land 172.599 mu, road area 37.709 mu, green land 11.044 mu)	251.507 mu (including the net land 207.486 mu, road area 39.947 mu, green land 4.074 mu)
Land nature	Land for business service facility	Land for business service facility
Construction scale	Aboveground construction area is not more than 230,132 square meters	Aboveground construction area is not more than 290,482 square meters
Issuing date of permit	March 23, 2013	July 10, 2014

Construction Land Planning Permit of the 4 land lots:

(1) Land lot 1: GW2-(16)-1 (Zone H)

Certificate no.	XGGJGDZ No.(2011) 014
Unit	Xi'an China South City Co., Ltd
Land project name	Xi'an China South City Project, Phase II, merchants office
Land location	Gangwu Avenue on the east, Ludong and Luxi Village on the south, Square South Road on the north
Land area	Project Phase I, land area about 231.266 mu (including road area 29.809 mu, green land 34.161 mu, the net land area 167.296 mu)
Land nature	Land for business and finance
Construction scale	About 330,000 square meters
Issuing date of permit	September 22, 2011

(2) Land lot 2: GW2-(18)-6 (Zone F)

Certificate no.	XGGJGDZ No. (2011) 015
Unit	Xi'an China South City Co., Ltd
Land project name	Xi'an China South City Zone F, State 1
Land location	N. Gangxing Road, W. Bageng Road, S. Gangwu South Road
Land area	349.378 mu (including the net land 295.058 mu, road area 45.523 mu, green land 8.797 mu)
Land nature	Land for business service facility
Construction scale	aboveground construction area is not more than 688,472 square meters
Issuing date of permit	September 26, 2014

(3) Land lot 3: GW2-16-4 (Zone E3, Land 1)

Certificate no.	XGGJGDZ No.(2014) 09
Unit	Xi'an China South City Co., Ltd
Land project name	Xi'an China South City Project, Phase III, Hardware Machinery Electronics Zone E, east area, stage 1
Land location	E. Bageng Road, N. Gangwu South Road
Land area	123.961 mu (including the net land area 94.623 mu, road area 21.86 mu, green land 7.478 mu)
Land nature	Land for business service facility
Construction scale	aboveground construction area is not more than 132,473 square meters
Issuing date of permit	August 10, 2014

(4) Land lot 4: GW2-16-5 (Zone E 3, Land 2)

Certificate no.	XGGJGDZ No.(2014) 06
Unit	Xi'an China South City Co., Ltd
Land project name	Xi'an China South City Project, Phase III, Hardware Machinery Electronics Zone E, east area, stage 2
Land location	E. Bageng Road, S. Planning Road
Land area	154.231 mu (including the net land area 127.434 mu, road area 23.16 mu, green land 3.637 mu)
Land nature	Land for business service facility
Construction scale	aboveground construction area is not more than 178,410 square meters
Issuing date of permit	July 10, 2014

Transfer information of the 4 land lots:

(1) Land lot 1: GW2-(16)-1 (Zone H)

Contract no.	GW-2011-5-206
Transferee	Xi'an China South City Co., Ltd
Land location	W. Gangwu Avenue, S. Square South Road
Land area	111,530.5 square meters
Land usage	Land for business service
Transfer price	124,000,000 yuan
Planning condition	Floor area ratio 3.0, 334,591.5 square meters Building density is not more than 45% Green area ratio is not less than 20%
Signing date of contract	July 25, 2011

(2) Land lot 2: GW2-(18)-6 (Zone F)

Contract no.	30357
Transferee	Xi'an China South City Co., Ltd
Land location	N. Gangxing Road, W. Bageng Road, S. Gangwu South Road
Land area	196,705.19 square meters
Land usage	Land for business service
Transfer price	372,500,000 yuan
Planning condition	Floor area ratio 3.5 Ground construction area is not more than 688,472 square meters. Building density is not more than 35% Green area ratio is not less than 20%
Signing date of contract	August 12, 2014

Remark:

According to the *Compensation Agreement for the Use Right of State-owned Construction Land* signed by Land Reserve Center of Xi'an International Trade & Logistics Park and Xi'an China South City Co., Ltd on September 2, 2021, the number of the land purchased is GW2-18-6-3; it is located at North of Gangxing Road, West of Bageng Road and South of Gangwu South Road; the area of land use right is 145,015.52 square meters; the purchased price is 936,945,300 yuan; so we appraised the remaining area of this land lot, which is 51,689.67 square meters.

(3) Land lot 3: GW2-16-4 (Zone E3, Land 1)

Contract no.	30359
Transferee	Xi'an China South City Co., Ltd
Land location	E. Bageng Road, N. Gangwu South Road
Land area	63,082.26 square meters
Land usage	Land for business service
Transfer price	121,500,000 yuan
Planning condition	Floor area ratio 2.1 aboveground construction area is not more than 132,473 square meters Building density is not more than 50% Green area ratio is not less than 20%
Signing date of contract	July 25, 2014

(4) Land lot 4: GW2-16-5 (Zone E3, Land 2)

Contract no.	30350
Transferee	Xi'an China South City Co., Ltd
Land location	E. Bageng Road, S. Planning Road
Land area	84,955.91 square meters
Land usage	Land for business service
Transfer price	164,800,000 yuan
Planning condition	Floor area ratio 2.1 Ground construction area is not more than 178,410 square meters Building density is not more than 50% Green area ratio is not less than 20%
Signing date of contract	June 30, 2014

Construction Project Planning Permit

(1) *Construction Project Planning Permit* of Comprehensive Trading Exhibition No.1 Hall and Brand Hall

Construction unit (individual)	Xi'an China South City Co., Ltd
Construction project name	Xi'an China South City, Comprehensive Trading Exhibition No.1 Hall and Brand Hall (A1.A10), Trading Exhibition Center Zone 1 (B1-B20)
Construction Planning Permit no.	XGGJGJZ No.(2011) 01
Location	E. Gangwu West Road, N. Gangxing Road, S. Gangwu South Road
Construction scale	Comprehensive Trading Exhibition No.1 Hall, construction area 472,081.6 square meters (including underground area 90,806.07 square meters); Brand Hall (A1-A10), construction area 68,709.09 square meters (including underground 20,008.02 square meters); Trading Exhibition Center Zone 1 (B1.B20), 66,347.2 square meters; total construction area: 607,137.89 square meters.
Issuing date of permit	November 25, 2011

(2) *Construction Project Planning Permit* of Hardware Machinery Electronics Zone B

Construction unit (individual)	Xi'an China South City Co., Ltd	Xi'an China South City Co., Ltd
Construction project name	Xi'an China South City Project, Phase I, Hardware Machinery Electronics Zone B, B1-B32, C1-C22	Xi'an China South City Project, Phase I, Hardware Machinery Electronics Zone B, A1-A36
Construction Planning Permit no.	XGGJGJZ No.(2013) 01	XGGJGJZ No.(2013) 006
Location	E. Xingwei Road, S. Gangwu South Road	E. Xingwei Road, S. Gangwu South Road
Construction scale	Total construction area 160,876.59 square meters (including underground construction area 1,169.61 square meters)	Total construction area 160,876.59 square meters, total construction area 113,430.27 square meters
Issuing date of permit	February 6, 2013	April 25, 2013

(3) *Construction Project Planning Permit* of Hardware Machinery Electronics Zone E2

Construction unit (individual)	Xi'an China South City Co., Ltd	Xi'an China South City Co., Ltd
Construction project name	Xi'an China South City Project, Phase III, Hardware Machinery Electronics Trading Zone E, E1-5-14; E1-18-26; El-30-38; E1-43-52; E1-57-64; E1-70; E1-72; E2-5-14; E2-19-24; E2-29-34; E2-39-48; E2-53-60; E2-65	Xi'an China South City Project, Phase III, Hardware Machinery Electronics Trading Zone E, E2-1-4; E2-15-18; E2-25- 28; E2-35-38; E2-49-52; E2- 61-64
Construction Planning Permit no.	XGGJGJZ No.(2014) 03	XGGJGJZ No.(2014) 013
Location	N. Gangwu South Road, W. Bageng Road	N. Gangwu South Road, W. Bageng Road
Construction scale	Total construction area 454,681.06 square meters (including underground construction area 12,646.56 square meters)	Total construction area 116,065.66 square meters
Issuing date of permit	February 11, 2014	December 11, 2014

(4) *Construction Project Planning Permit* of 1668 New Era Square Zone A

Construction unit(individual)	Xi'an China South City Co., Ltd	Xi'an China South City Co., Ltd
Construction project name	1668 New Era Square Project (A-1# Building)	1668 New Era Square Project (A-2# Building to A-6# Building and Basement)
Construction Planning Permit no.	XGGJGJZ No.(2019) 02	XGGJGJZ No.(2018) 23
Location	N. Gangxing Road, S. Gangwu West Road	N. Gangxing Road, S. Gangwu West Road
Construction scale	Total construction area 55,539.64 square meters (including aboveground construction area 48,102.28 square meters, underground construction area 7,437.36 square meters)	Total construction area 217,983.04 square meters (including aboveground construction area 151,733.59 square meters, underground construction area 66,249.45 square meters)
Issuing date of permit	April 11, 2019	December 11, 2014

(5) *Construction Project Planning Permit* of 1668 New Era Square Zone C

Construction unit (individual)	Xi'an China South City Co., Ltd
Construction project name	1668 New Era Square Project (Zone C)
Construction Planning Permit no.	XGGJGJZ No.(2019) 07
Location	N. Gangxing Road, S. Gangwu West Road
Construction scale	Total construction area 294,842.29 square meters (including aboveground construction area 206,316.9 square meters, underground construction area 88,525.39 square meters)
Issuing date of permit	July 4, 2019

(6) *Construction Project Planning Permit* of 1668 New Era Square Zone D

Construction unit (individual)	Xi'an China South City Co., Ltd
Construction project name	1668 New Era Square Project (Zone)
Construction Planning Permit no.	XGGJGJZ No.(2019) 03
Location	N. Gangxing Road, S. Gangwu West Road
Construction scale	Total construction area 352,520.72 square meters (including aboveground construction area 234,228.72 square meters, underground construction area 118,292 square meters)
Issuing date of permit	April 30, 2019

(7) Pre-sale Certificate information of Hardware Machinery Electronics Zone D

Type of business	Pre-sale date	No.	Construction area in pre-sale certificate
Zone D2	2016/11/4	2016386	116,334.00
	2016/11/4	2016387	24,493.00
	2017/9/14	2017416	74,215.00
	2017/11/28	2017545	17,434.00
	2018/2/2	2018040	37,671.00
	2018/8/17	2018360	37,791.00
	Subtotal		307,938.00

Commercial House Pre-sale Certificate

(1) Pre-sale Certificate information of Hardware Machinery Electronics Zone E

Type of business	Pre-sale date	No.	Construction area in pre-sale certificate
Zone E1	2014/10/10	2014339	37,713.00
	2015/2/27	2015032	71,002.00
	2015/2/27	2015034	83,257.00
	2015/12/1	2015424	44,249.00
	2016/4/11	2016101	26,404.00
	2019/11/22	2019490	34,902.00
	2021/9/6	X2021028	1,129.10
	Subtotal		298,656.10
Zone E2	2015/2/9	2015031	14,786.00
	2015/2/27	2015033	22,179.00
	2015/12/1	2015422	42,453.00
	2015/12/1	2015423	33,198.00
	2016/4/11	2016102	31,260.00
	2016/4/11	2016103	29,240.00
	2016/12/2	2016447	18,094.00
	2016/12/2	2016448	9,308.00
	2017/8/18	2017357	28,235.00
	2021/9/25	2021340	45,900.00
	2021/9/25	2021339	8,700.00
	Subtotal		283,353.00

(2) Pre-sale Certificate information of Trading Square and Brand Hall

Type of business	Pre-sale date	No.	Construction area in pre-sale certificate
Trading Square	2012/2/23	2012007	66,347.00
	2012/3/6	2012013	472,081.00
	Subtotal		538,428.00
Brand Hall	2012/6/14	2012112	15,703.00
	2013/5/24	2013117	32,977.00
	Subtotal		48,680.00

(3) Pre-sale Certificate information of Hardware Machinery Electronics Zone B

Type of business	Pre-sale date	No.	Construction area in pre-sale certificate
Trading Square	2013/6/5	2013135	17,008.00
	2013/3/22	2013053	160,876.00
	2013/6/5	2013134	96,421.00
	Subtotal		274,305.00

(4) Pre-sale Certificate information of 1668 New Era Square Zone A

Type of business	Pre-sale date	No.	Construction area in pre-sale certificate
1668 New Era Square Zone A	2020/1/3	2020004	48,103.00
	2019/3/4	2019067	47,281.00
	2019/1/28	2019039	47,027.00
	2019/6/6	2019195	45,179.00
	2019/8/7	2019287	6,940.00
	Subtotal		194,530.00

(5) Pre-sale Certificate information of 1668 New Era Square Zone C

Type of business	Pre-sale date	No.	Construction area in pre-sale certificate
1668 New Era Square Zone C	2020/6/4	2020154	43,524.30
	2020/6/4	2020155	33,962.94
	2022/9/23	2022350	43,460.00
	2022/9/23	2022351	35,360.00
	2022/9/23	2022353	37,474.00
	2022/9/23	2022352	12,533.00
	Subtotal		206,314.24

(6) Pre-sale Certificate information of 1668 New Era Square Zone D

Type of business	Pre-sale date	No.	Construction area in pre-sale certificate
1668 New Era Square Zone D	2019/8/29	2019321	39,329.00
	2019/11/6	2019442	30,596.00
	2020/12/7	2020488	70,004.00
	2022/9/5	2022309	40,678.00
	Subtotal		180,607.00

2. Information of appraisal object

(1) Basic information of the land of appraisal object

According to the relevant ownership data provided by the client and the site-survey information conducted by the appraisers, the information of the land of the appraisal object is as follows:

1. Land description and analysis

Table 1

Name (location)		**Brand Hall, Comprehensive Trading Exhibition Center No.1 Hall (No.2 Trading Square)**	
Land status	Land no.	GW2-(18)-1	GW2-(18)-3
	Land area	205,924.52 m^2	2,350.34 m^2
	Four sides	East: Hechang Road, South: Gangxing Road, West: Ouya Avenue, North: Yuansu Avenue	
	Usage	Land for business service	Land for business service
	Soil, geology, hydrology	The soil has not been polluted; there is no adverse geological phenomenon, the bearing capacity and stability of the foundation is good, the natural drainage condition is good, and the possibility of flood is little.	
	Shape	Regular polygon	Regular polygon
	Topography	The height difference between the land and surrounding land is small; the land terrain is flat.	
	Development degree	Seven major infrastructure facilities have been developed around the land (road, water supply, drainage, electricity, communication, gas and heating) and all the basic facilities are complete. Buildings, roads and other ancillary facilities have been built within red line of the land.	

Table 2

Name (location)		Hardware Machinery Electronics Zone B, Construction in progress of 1668 New Era Square	
Land status	Land no.	GW1-(26)-2	GW1-(26)-1
	Land area	117,729.85 m^2	278,984.40 m^2
	Four sides	East: Ouya Avenue, South: Gangxing Road, West: Zhansheng Road, North: Yuansu Avenue	
	Usage	Land for business service	Land for business
	Soil, geology, hydrology	The soil has not been polluted; there is no adverse geological phenomenon, the bearing capacity and stability of the foundation is good, the natural drainage condition is good, and the possibility of flood is little.	
	Shape	Regular polygon	Regular quadrilateral
	Topography	The height difference between the land and surrounding land is small; the land terrain is flat.	
	Development degree	Seven major infrastructure facilities have been developed around the land (road, water supply, drainage, electricity, communication, gas and heating) and all the basic facilities are complete. Buildings, roads and other ancillary facilities have been built within red line of the land.	

Table 3

Name (location)		**Hardware Machinery Electronics Zone D**	
Land status	Land no.	GW2-(14)-1	GW2-(14)-2
	Land area	71,887.13 m^2	107,717.98 m^2
	Four sides	East: Hechang Road, South: Yuansu Avenue, West: Heshun Road, North: Gangfeng Road	
	Usage	Land for business service	Land for business service
	Soil, geology, hydrology	The soil has not been polluted; there is no adverse geological phenomenon, the bearing capacity and stability of the foundation is good, the natural drainage condition is good, and the possibility of flood is little.	
	Shape	Regular quadrilateral	Regular polygon
	Topography	The height difference between the land and surrounding land is small; the land terrain is flat.	
	Development degree	Seven major infrastructure facilities have been developed around the land (road, water supply, drainage, electricity, communication, gas and heating) and all the basic facilities are complete. Buildings, roads and other ancillary facilities have been built within red line of the land.	

Table 4

Name (location)		Hardware Machinery Electronics Zone E, State 1 (Hardware Machinery Electronics Zone E1)	
Land status	Land no.	GW2-(15)-1	GW2-(15)-3-1
	Land area	115,532.51 m^2	58,812.41 m^2
	Four sides	East: Hexiang Road, South: Yuansu Avenue, West: Hechang Road, North: Gangfeng Road	
	Usage	Land for business service	Land for business service
	Soil, geology, hydrology	The soil has not been polluted; there is no adverse geological phenomenon, the bearing capacity and stability of the foundation is good, the natural drainage condition is good, and the possibility of flood is little.	
	Shape	Regular quadrilateral	Regular polygon
	Topography	The height difference between the land and surrounding land is small; the land terrain is flat.	
	Development degree	Seven major infrastructure facilities have been developed around the land (road, water supply, drainage, electricity, communication, gas and heating) and all the basic facilities are complete. Buildings, roads and other ancillary facilities have been built within red line of the land.	

Table 5

Name (location)		Hardware Machinery Electronics Zone E, State 2 (Hardware Machinery Electronics Zone E2)	
Land status	Land no.	GW2-(15)-2	GW2-(15)-3-2
	Land area	115,066.03 m^2	59,038.80 m^2
	Four sides	East: Xinzhu Road, South: Yuansu Avenue, West: Hexiang Road, North: Gangfeng Road	
	Usage	Land for business service	Land for business service
	Soil, geology, hydrology	The soil has not been polluted; there is no adverse geological phenomenon, the bearing capacity and stability of the foundation is good, the natural drainage condition is good, and the possibility of flood is little.	
	Shape	Regular quadrilateral	Regular polygon
	Topography	The height difference between the land and surrounding land is small; the land terrain is flat.	
	Development degree	Seven major infrastructure facilities have been developed around the land (road, water supply, drainage, electricity, communication, gas and heating) and all the basic facilities are complete. Buildings, roads and other ancillary facilities have been built within red line of the land.	

Table 6

Name (location)		Hardware Machinery Electronics Zone E, State 3 (Hardware Machinery Electronics Zone E3)	
Land status	Land no.	GW2-16-4	GW2-16-5
	Land area	63,082.26 m^2	84,955.91 m^2
	Four sides	East: Hetai Road, South: Qujian Road, West: Xinzhu Road, North: Gangfeng Road	
	Usage	Land for business service	Land for business service
	Soil, geology, hydrology	The soil has not been polluted; there is no adverse geological phenomenon, the bearing capacity and stability of the foundation is good, the natural drainage condition is good, and the possibility of flood is little.	
	Shape	Regular polygon	Regular polygon
	Topography	The height difference between the land and surrounding land is small; the land terrain is flat.	
	Development degree	Seven major infrastructure facilities have been developed around the land (road, water supply, drainage, electricity, communication, gas and heating) and all the basic facilities are complete. Buildings, roads and other ancillary facilities have been built within red line of the land.	

Table 7

Name (location)		**Land GW2-(16)-1 (Zone H)**
Land status	Land no.	GW2-(16)-1
	Land area	111,530.50 m^2
	Four sides	East: Gangwu Avenue, South: Qujian Road, West: Hetai Road, North: Gangfeng Road
	Usage	Land for business
	Soil, geology, hydrology	The soil has not been polluted; there is no adverse geological phenomenon, the bearing capacity and stability of the foundation is good, the natural drainage condition is good, and the possibility of flood is little.
	Shape	Regular polygon
	Topography	The height difference between the land and surrounding land is small; the land terrain is flat.
	Development degree	Seven major infrastructure facilities have been developed around the land (road, water supply, drainage, electricity, communication, gas and heating) and all the basic facilities are complete. Buildings, roads and other ancillary facilities have been built within red line of the land.

Table 8

Name (location)		**Land GW2-(18)-6 (Zone F)**
Land status	Land no.	GW2-(18)-6
	Land area	The area of land use right written in the land certificate is 196,705.19 m^2(the appraisal object is a part of the land with the area of 51,689.67 square meters, the remaining part of the land has been taken back by the government.)
	Four sides	East: Hexiang Road, South: Gangxing Road, West: Hechang Road, North: Yuansu Avenue
	Usage	Land for business
	Soil, geology, hydrology	The soil has not been polluted; there is no adverse geological phenomenon, the bearing capacity and stability of the foundation is good, the natural drainage condition is good, and the possibility of flood is little.
	Shape	Regular polygon
	Topography	The height difference between the land and surrounding land is small; the land terrain is flat.
	Development degree	Seven major infrastructure facilities have been developed around the land (road, water supply, drainage, electricity, communication, gas and heating) and all the basic facilities are complete. Buildings, roads and other ancillary facilities have been built within red line of the land.

(2) Building information of appraisal object

1. Building description and analysis

Table 1

Name		**Brand Hall**
Building status	Location	Northwest Side of the Intersection of Gangxing Road and Gangwu Avenue, Xi'an International Trade & Logistics Park
	Scale	7 buildings with a total area of 36,473.77 square meters
	Usage	Planning usage: business, actual usage: business
	Floors/height	5 floors and B1
	Frontage	South, north
	Structure	Frame structure
	Storey height	About 3-4 meters
	Space layout	Plane layout
	Completion date	The completion time of the appraisal object is about 2013; the newness rate is 85%.
	Facility and equipment	Equipped with monitoring system, fire detection system, fire extinguishing system and other facilities, and fire, water and electricity, toilet facilities are complete.
	Maintenance	Good maintenance

Name		**Brand Hall**
	Interior decoration	
	Exterior wall	Glass curtain wall
	Interior wall Ceiling floor	Aboveground decoration: interior wall: emulsion paint, tile wall, fittings, sprung roof, tile wall
	Door & window	Glass door, solid wood door, aluminum alloy window
	Toilet	Sprung roof, tile wall to the ceiling, tile floor
	Completeness	No non-uniform settlement in the foundation of the appraisal object; the load-bearing structural components and the enclosure walls of the building are intact; the floor is flat; the door & window are opened flexibly; the paint gloss is good; the wall surfaces are smooth, the ceiling surface is intact without peeling phenomenon; equipments and pipes are unobstructed; water, electricity and lighting are complete; and the whole the building is intact.
	Other	The appraisal object: Building A5 is used for marketing center by the property owner itself; building A9 is vacant; building A2, A3, A4 and A7 are for rental.

The rental information table of Brand Hall

No.	Contract no.	Type	Project	Shop no.	Renter	Self-owned property rented (m^2)	Rental term	Starting date	Ending date	Current unit price (yuan/m^2/month)
1	2019002-P	Rental	Brand Hall	A2	Xi'an Victoria Hotel Management Co. Ltd	5,534.84	12	2018/6/28	2030/6/27	26.83
2	2019001-P	Rental	Brand Hall	A3	Shanghai Yaoming Construction Engineering Co. Ltd	5,097.59	10	2018/6/1	2028/5/31	26.74
3	2020001-P	Rental	Brand Hall	A4	Xi'an Dongze Hotel Management Co. Ltd	5,523.09	15	2019/10/1	2034/9/30	21.60
4	2019003-P	Rental	Brand Hall	A7	Shaanxi Huashang Building Materials Co. Ltd	5,532.56	10	2019/4/20	2029/4/19	24.84
5	2020002-P	Rental	Brand Hall	A8	Xi'an Jiangzhe Hotel Management Co. Ltd	5,080.98	10	2019/10/16	2029/10/15	22.68
			Total			**26,769.06**	–	–	–	**24.54**

Remark: The above leasing information is determined by the list provided by Xi'an China South City Co., Ltd, and the rental rate of self-owned properties = construction area leased /total construction area = 73%.

Table 2

Name		**Comprehensive Trading Exhibition Center No.1 Hall (No.2 Trading Square)**
Building status	Location	Northwest Side of the Intersection of Gangxing Road and Gangwu Avenue, Xi'an International Trade & Logistics Park
	Scale	A total of 5,613 aboveground commercial properties, with a total construction area of 227,863.97 square meters. in addition, the underground garage is 87,613.48 square meters
	Usage	The aboveground 6 floors are for business, and the underground is for garage.
	Floors/height	6 floors and B1
	Frontage	South, north
	Structure	Frame structure
	Storey height	about 3-4 meters
	Space layout	Plane layout
	Completion date	The completion time of the appraisal object is about 2013; the newness rate is 85%.
	Facility and equipment	The building is equipped with passenger lifts and escalators, monitoring system, fire detection system, fire extinguishing system, central air conditioning and other facilities, and fire control, water and electricity, toilet facilities are complete.
	Maintenance	Good maintenance

Name		**Comprehensive Trading Exhibition Center No.1 Hall (No.2 Trading Square)**
	Interior decoration	
	Exterior wall	Glass curtain wall
	Interior wall Ceiling Floor	Aboveground decoration: interior wall: emulsion paint, goods shelves; sprung roof, tile floor; underground garage decoration: white interior walls and ceilings, cement floor
	Door & window	Glass door, solid wood door, aluminum alloy window
	Toilet	Sprung roof, tile wall to the ceiling, tile floor
	Completeness	No non-uniform settlement in the foundation of the appraised object; the load-bearing structural components and the enclosure walls of the building are intact; the floor is flat; the door & window are opened flexibly; the paint gloss is good; the wall surfaces are smooth, the ceiling surface is intact without peeling phenomenon; equipments and pipes are unobstructed; water, electricity and lighting are complete; and the whole the building is intact.
	Other	At present, a small part of the self-owned property (excluding parking space) of the appraisal object is operated by Xi'an Huasheng Jiahe Commercial Development Co., Ltd (affiliated company) as a whole, "Huasheng Outlets" and China South City Commercial Management (Xi'an) Co., Ltd (affiliated company) let out the property separately, and the rental rate of the self-owned property (excluding parking space) is about 15%. Underground garage rental rate is average.

The rental information table of Xi'an Huasheng Company No.2 Trading Square

No.	Contract status	Type of business	Shop no.	Renter	area (m^2)	Starting date	Ending date	Rental unit price (yuan/m^2/month) The 1st year	The 2nd year	The 3rd year	The 4th year
1	Being rented	No.2 Trading Square	1/F, East Area	Xi'an Huasheng Jiahe Commercial Development Co., Ltd	30,066.31	2019/10/1	2023/12/20	12	14.52	14.52	15.97

The rental information table of Xi'an Huasheng Company No.2 Trading Square

No.	Contract no.	Type	Project	Shop no.	Renter	Self-owned property rented (m^2)	Rental term (year)	Starting date	Ending date	Current unit price (yuan/m^2/month)
1	2022004-F	Rental	No.2 Hall	47 rooms, 2/F	Shaanxi Dingtuoda Supply Chain Management Co. Ltd	1,624.88	5	2021/6/10	2026/6/9	20.00
2	2022009-F	Rental	No.2 Hall	6 rooms, 1/F, West Area	Bank of Communications: Shaanxi Branch	333.23	5	2022/3/1	2027/2/28	120.00
3	2022010-F	Rental	No.2 Hall	32 rooms, 6/F, East Area	Shaanxi Shangshi Industrial Co., Ltd	809.80	5	2021/12/20	2026/12/16	10.00
4	2022011-F	Rental	No.2 Hall	340612	Xi'an Yihangxin Enterprise Service Co. Ltd	30.51	1	2021/11/1	2022/10/31	20.00
5	2022012-F	Rental	No.2 Hall	17 rooms, 1/F, East Area	Xi'an Free Rebirth Trade Co., Ltd	1,110.08	5	2021/12/1	2026/11/30	38.50
6	2023001-F	Rental	No.2 Hall	460605	CHANG Cheng	47.76	0.5	2022/5/15	2022/11/14	13.00
7	2023002-F	Rental	No.2 Hall	460608	CHEN Qiang	48.48	1	2022/6/1	2023/5/31	13.00
8	2023003-F	Rental	No.2 Hall	450523	DAN Wenpeng	52.63	0.25	2022/7/15	2022/10/14	13.00
9	2023005-F	Rental	No.2 Hall	34 rooms, 6/F	Xi'an Kangkang Trading Co., Ltd	668.91	3	2022/7/15	2025/7/14	5.00
–	2021029-C	Venue	No.2 Hall	DJ-EH-GC-006 Outer square	Xi'an Lintong Lusen Automobile Service Co., Ltd	625.00	7	2020/12/1	2027/11/30	12.00

No.	Contract no.	Type	Project	Shop no.	Renter	Self-owned property rented (m^2)	Rental term (year)	Starting date	Ending date	Current unit price (yuan/m^2/month)
–	2021038-C	Venue	No.2 Hall	EH-B1F-B1, 05-06	Xi'an Western Publications Trading Center Co. Ltd	2,725.90	5	2020/10/10	2025/10/9	11.00
–	2021074-C	Venue	No.2 Hall	West area, North Square, No.2 Hall	Shaanxi Kangcaotang Medical Technology Co., Ltd	2,800.00	3	2021/6/15	2023/9/30	64.28
–	2022015-C	Venue	No.2 Hall	EH-B1F-B1	Xi'an Bexinmei Automobile Maintenance Service Co., Ltd	396.00	1	2021/12/1	2022/11/30	11.00
–	2023004-KD	Venue	No.2 Hall	EH-1F-003 foyer -1E North	HOU Lukui	81.00	1	2022/6/1	2023/5/31	30.00
–	2023005-KD	Venue	No.2 Hall	EH-1F-001 shop window	FENG Xiaogang	68.83	1	2022/7/10	2023/7/9	58.11
–	2023006-KD	Venue	No.2 Hall	EH-1F-006 foyer 1 south	CHENG Ning	80.00	1	2022/8/1	2023/7/31	50.00
–	2023011-KD	Venue	No.2 Hall	DJ-XZL-001 outer square	Shaanxi Xinxing Pipeline Technology Co. Ltd	800.00	1	2022/8/20	2023/8/19	6.25
–	2023012-KD	Venue	No.2 Hall	EH-GC-007 Gouter square	CHA Long	6.00	0.25	2022/8/10	2022/11/9	72.00
–	2021035-1C	Venue	No.2 Hall	EH-X1F-001 foyer-1J south\ EH-EH-X1F-002GD	Xi'an Guangao Automobile Maintenance Co., Ltd	88.39	5	2021/2/19	2026/2/18	46.50
–	2021035-2C	Venue	No.2 Hall	EH-B1F-B1, 11-13	Xi'an Guangao Automobile Maintenance Co., Ltd	567.56	5	2021/2/19	2026/2/18	11.50
–	2023006-FKD	Venue	No.2 Hall	EH-B1F-B1, 08	WANG Jie	200.00	0.25	2022/7/20	2022/10/19	16.00

No.	Contract no.	Type	Project	Shop no.	Renter	Self-owned property rented (m^2)	Rental term (year)	Starting date	Ending date	Current unit price (yuan/m^2/month)
–	2023007-FKD	Venue	No.2 Hall	EH-B1F- B1, 14	Xi'an Baixintong Telecommunication Technology Co. Ltd	12.00	5	2021/9/1	2026/8/31	34.72
–	2023008-FKD	Venue	No.2 Hall	EH-B1F- B1, 15	QIAO Zhen	500.00	1	2022/6/1	2023/5/31	18.00
–	2023009-FKD	Venue	No.2 Hall	EH-B1F- B1, 03	Xi'an Jiaxin Electromechanical Equipment Co., Ltd	100.00	0.25	2022/8/1	2022/10/31	16.00
–	2023010-FKD	Venue	No.2 Hall	EH-B1F- B1, 02	Xi'an Ruiyuan Industry and Trade Co., Ltd	200.00	0.25	2022/8/1	2022/10/31	16.00
–	2023011-FKD	Venue	No.2 Hall	EH-B1F- B1, 07	Shaanxi Fuland Electromechanical Equipment Co., Ltd	327.00	0.25	2022/8/1	2022/10/31	16.00
–	2023012-FKD	Venue	No.2 Hall	EH-B1F- B1, 10	YU Min	150.00	0.25	2022/8/15	2022/11/14	16.00
				Total		**14,453.96**	–	–	–	**27.50**

Remark: The above leasing information is determined by the list provided by Xi'an China South City Co., Ltd, and the rental rate of self-owned properties = construction area leased /total construction area = 15%.

Table 3

Name		**Hardware Machinery Electronics Zone B**
Building status	Location	Northwest Side of the Intersection of Gangxing Road and Gangwu Avenue, Xi'an International Trade & Logistics Park
	Scale	7 properties of Building 67, 79 with a construction area of 3,808.87 square meters
	Usage	Planning usage: business: actual usage: business
	Floors/height	4 floors in total
	Frontage	South, north
	Structure	Frame structure
	Storey height	about 3-4 meters
	Space layout	Plane layout
	Completion date	The completion time of the appraisal object is about 2013; the newness rate is 85%.
	Facility and equipment	There are passenger lifts in the building; fire control, water, electricity, and toilet facilities are equipped.
	Maintenance	Good maintenance

Name		Hardware Machinery Electronics Zone B
	Interior decoration	
	Exterior wall	Glass curtain wall
	Interior wall Ceiling Floor	Interior wall: emulsion paint, goods shelves; Ceiling: emulsion paint, exposed ceiling; tile floor, cement floor
	Door & window	Glass door, rolling shutter door, aluminum alloy window
	Toilet	Sprung roof, tile wall to the ceiling, tile floor
	Completeness	No non-uniform settlement in the foundation of the appraised object; the load-bearing structural components and the enclosure walls of the building are intact; the floor is flat; the door & window are opened flexibly; the paint gloss is good; the wall surfaces are smooth, the ceiling surface is intact without peeling phenomenon; equipments and pipes are unobstructed; water, electricity and lighting are complete; and the whole the building is intact.
	Other	Some of the properties of the appraisal object are let out.

The rental information table of Hardware Machinery Electronics Zone B

No.	Contract no.	Type	Project	Shop no.	Renter	Self-owned property rented (m^2)	Rental term	Starting date	Ending date	Current unit price (yuan/m^2/month)
1	2020026-B	Rental	Hardware Zone B	67-10102/67-10202/ 67-10302/67-10402	WANG Yangli	1,272.77	3	2020/11/1	2023/10/31	18.00
2	2020031-B	Rental	Hardware Zone B	79-10101/79-10201/ 79-10301	Shaanxi Xinshupeng Building Materials Co. Ltd	1,267.30	3	2020/11/1	2023/10/31	18.00
–	2022013-C	Venue	Hardware Zone B	DJ-SMCB-03	ZHANG Honglong	10.00	1	2021/12/15	2022/12/14	50.00
				Total		**2,550.07**	–	–	–	**18.13**

Remark: The above leasing information is determined by the list provided by Xi'an China South City Co., Ltd, and the rental rate of self-owned properties = construction area leased /total construction area = 65%.

Table 4

Name		**Construction in progress of 1668 New Era Square**
Building status	Location	Northwest Side of the Intersection of Gangxing Road and Gangwu Avenue, Xi'an International Trade & Logistics Park
	Scale	A total area of 845,700.50 square meters, including aboveground area 515,475.24 square meters and underground garage with 330,225.26 square meters
	Usage	Above ground building: planning usage: office, hotel, business; actual usage: office, hotel apartment, business; underground building is for garage.
	Floors/height	B1-2 for garage; aboveground building, 18, 23, 25-30 floors (including podium of 3 floors) for business office, some aboveground building (4 floor) for garage.
	Frontage	South, north
	Structure	Frame shear structure
	Storey height	Single storey height is about 3-5 meters.
	Space layout	Plane layout

Name	**Construction in progress of 1668 New Era Square**
Completion date	
Facility and equipment	
Maintenance	
Interior decoration	1668 New Era Square is being built: Zone A/C/D is being built and Zone B is an empty land to be developed. therein, except the curtain wall project of Building A1, Zone A has been basically completed; Zone C/D is being built (has been capped) and the secondary structure installation project is being carried out; Zone B has not been built (empty land to be developed).
Exterior wall	
Interior wall	
Ceiling	
Floor	
Door & window	
Toilet	
Completeness	
Other	

Table 5

Name		**Hardware Machinery Electronics Zone D**
Building status	Location	Northwest Side of the Intersection of Gangxing Road and Gangwu Avenue, Xi'an International Trade & Logistics Park
	Scale	33 properties of building 1, 16, 31 and 46, with a total area of 4,107.57 square meters
	Usage	Planning usage: business: actual usage: business
	Floors/height	3 floors in total
	Frontage	South, north
	Structure	Frame shear structure
	Storey height	about 3-4 meters
	Space layout	Plane layout
	Completion date	The completion time of the appraisal object is about 2018; the newness rate is 93%.
	Facility and equipment	Fire control, water, electricity and toilet facilities are equipped.
	Maintenance	Good maintenance
	Interior decoration	
	Exterior wall	Glass curtain wall
	Interior wall Ceiling Floor	Professional market: Interior wall: emulsion paint, goods shelves; ceiling: emulsion paint, exposed ceiling, tile floor, cement floor. Underground garage: Interior wall: emulsion paint; ceiling: emulsion paint; floor: floor paint.

Name	**Hardware Machinery Electronics Zone D**
Door & window	Glass door, aluminum alloy window
Toilet	Sprung roof, tile wall to the ceiling, tile floor
Completeness	No non-uniform settlement in the foundation of the appraised object; the load-bearing structural components and the enclosure walls of the building are intact; the floor is flat; the door & window are opened flexibly; the paint gloss is good; the wall surfaces are smooth, the ceiling surface is intact without peeling phenomenon; equipments and pipes are unobstructed; water, electricity and lighting are complete; and the whole the building is intact.
Other	Some of the properties of the appraisal object are let out.

The rental information table of Hardware Machinery Electronics Zone D

No.	Contract no.	Type	Project	Shop no.	Renter	Self-owned property rented (m^2)	Rental term	Starting date	Ending date	Current unit price (yuan/m^2/month)
1	2020008-D-1	Rental	Hardware Zone D	102 rooms, Zone D	Xi'an Huaxun Logistics Co. Ltd	3,111.43	7	2019/7/1	2026/6/30	15.44
–	2021028-C	Venue	Hardware Zone D	DJ-XCD-001/ XCE1-001/ XCE2-001	GUO Xiaoling	225.00	5	2020/8/25	2025/8/24	19.00
–	2021050-C	Venue	Hardware Zone D	DJ-QL-CK-3B-9	Shaanxi Hive Business Operation Management Co. Ltd	80.00	5	2021/4/30	2026/4/29	50.00
				Total		**3,416.43**	–	–	–	**14.09**

Remark: The above leasing information is determined by the list provided by Xi'an China South City Co., Ltd, and the rental rate of self-owned properties = construction area leased /total construction area = 75%.

Table 6

Name		**Hardware Machinery Electronics Zone E, Stage 1 (Hardware Machinery Electronics Zone E1)**
Building status	Location	Northwest Side of the Intersection of Gangxing Road and Gangwu Avenue, Xi'an International Trade & Logistics Park
	Scale	55 properties distributed in building 2, 3, 4, 7, 40, 43, 44, 51, 55, 56, 57, 58, 62, 63, 64, 65 and 66, with a total construction area of 28,255.8 square meters
	Usage	Planning usage: business: actual usage: business
	Floors/height	Each of the building 55, 56, 57, 58, 62, 63, 64, 65 and 66 has 5 floors; the rest of them are 3 floors.
	Frontage	South, north
	Structure	Frame structure
	Storey height	about 3-4 meters
	Space layout	Plane layout
	Completion date	The completion time of the appraisal object is about 2015; the newness rate is 90%.
	Facility & equipment	Fire control, water, electricity and toilet facilities are equipped.
	Maintenance	Good maintenance
	Interior decoration	
	Exterior wall	Glass curtain wall

Name		Hardware Machinery Electronics Zone E, Stage 1 (Hardware Machinery Electronics Zone E1)
	Interior wall Ceiling Floor	Interior wall: emulsion paint, goods shelves; ceiling: emulsion paint, exposed ceiling; tile floor, cement floor.
	Door & window	Glass door, aluminum alloy window
	Toilet	Sprung roof, tile wall to the ceiling, tile floor
	Completeness	No non-uniform settlement in the foundation of the appraised object; the load-bearing structural components and the enclosure walls of the building are intact; the floor is flat; the door & window are opened flexibly; the paint gloss is good; the wall surfaces are smooth, the ceiling surface is intact without peeling phenomenon; equipments and pipes are unobstructed; water, electricity and lighting are complete; and the whole the building is intact.
	Other	Some of the properties of the appraisal object are let out.

The rental information table of Hardware Machinery Electronics Zone E1

No.	Contract no.	Type	Project	Shop no.	Renter	Self-owned property rented (m^2)	Rental term	Starting date	Ending date	Current unit price (yuan/m^2/month)
1	2019004-E1	Rental	Hardware Zone E1	66-10401	Shaanxi Xunzhijie Cleaning Equipment Co., Ltd	779.68	5	2018/7/20	2023/7/19	13.18
2	2019006-E1	Rental	Hardware Zone E1	66-10301- north	LIU Yanchao	780.17	5	2018/8/15	2023/8/14	14.64
3	2019003-E1	Rental	Hardware Zone E1	66-10401	YAN Zenghui	1,140.41	5	2018/5/31	2023/5/30	11.72
4	2019008-E1	Rental	Hardware Zone E1	55-10301- south	CHENG Bangling, GONG Guojun	967.85	5	2018/9/20	2023/9/19	14.64
5	2018014-E1	Rental	Hardware Zone E1	55-10401	Shaanxi Huage Brand Management Co., Ltd	1,919.28	5	2017/11/1	2022/10/30	5.50
6	2018016-E1	Rental	Hardware Zone E1	56-10301- north	HONG Haiqing	1,151.09	5	2017/11/1	2022/10/31	5.50
7	2018017-E1	Rental	Hardware Zone E1	58-10401-2	HE Na	878.74	5	2017/12/20	2022/12/19	5.50
8	2018019-E1	Rental	Hardware Zone E1	55-10301- north	Xi'an Feidiao Electric Appliance Co., Ltd	967.85	5	2018/1/10	2023/1/9	8.79
9	2019001-E1	Rental	Hardware Zone E1	54-10301- east	ZHAO Jiayi	1,068.98	5	2018/4/15	2023/4/14	10.25
10	2019014-E1	Rental	Hardware Zone E1	66-10301- south	YANG Bangjun	1,139.92	5	2019/1/31	2024/1/30	13.31
11	2021001-E1	Rental	Hardware Zone E1	63-10301/401/501/ 64-10301/401/50	Sichuan Suiteng Logistics Co. Ltd	5,764.21	5	2021/1/18	2026/1/17	8.80
12	2021002-E1	Rental	Hardware Zone E1	62-10301/10401/10501	Sichuan Suiteng Logistics Co. Ltd	2,926.53	3	2021/5/1	2024/4/30	10.50
				Total		**19,484.71**	–	–	–	**9.51**

Remark: The above leasing information is determined by the list provided by Xi'an China South City Co., Ltd, and the rental rate of self-owned properties = construction area leased /total construction area = 45%.

Table 7

Name		**Hardware Machinery Electronics Zone E, Stage 2 (Hardware Machinery Electronics Zone E2)**
Building status	Location	Northwest Side of the Intersection of Gangxing Road and Gangwu Avenue, Xi'an International Trade & Logistics Park
	Scale	Professional market: 101,984.38 square meters in total, in addition, aboveground garage: 88,948.46 square meters
	Usage	Planning usage: business, garage; actual usage: business, garage
	Floors/height	Profession market: 3 floors, 5 floors, aboveground garage: 8 floors and B1
	Frontage	South, north
	Structure	Frame structure
	Storey height	about 3-4 meters
	Space layout	Plane layout
	Completion date	The completion time of the appraisal object is about 2017; the newness rate is 92%.
	Facility and equipment	Fire control, water, electricity and toilet facilities are equipped.
	Maintenance	Good maintenance
	Interior decoration	
	Exterior wall	Glass curtain wall, coating material

Name		Hardware Machinery Electronics Zone E, Stage 2 (Hardware Machinery Electronics Zone E2)
	Interior wall Ceiling Floor	Professional market: Interior wall: emulsion paint, goods shelves; ceiling: emulsion paint, exposed ceiling, tile floor, cement floor; aboveground garage: Interior wall: emulsion paint; ceiling: emulsion paint; tile floor, cement floor
	Door & window	Glass door, rolling shutter door, aluminum alloy window
	Toilet	Sprung roof, tile wall to the ceiling, tile floor
	Completeness	No non-uniform settlement in the foundation of the appraised object; the load-bearing structural components and the enclosure walls of the building are intact; the floor is flat; the door & window are opened flexibly; the paint gloss is good; the wall surfaces are smooth, the ceiling surface is intact without peeling phenomenon; equipments and pipes are unobstructed; water, electricity and lighting are complete; and the whole the building is intact.
	Other	Some of the professional market properties of the appraisal object are let out. At present, B1, 7/F and 8/F are for garage; 1/F is for professional market; 2-6 floors are for warehouse.

The rental information table of Hardware Machinery Electronics Zone E2

No.	Contract no.	Type	Project	Shop no.	Renter	Self-owned property rented (m^2)	Rental term	Starting date	Ending date	Current unit price (yuan/m^2/month)
1	2020001-E2	Rental	Hardware Zone E2	60-10301	ZHANG Peng	1,331.32	5	2019/5/10	2024/5/9	10.65
2	2019003-E2	Rental	Hardware Zone E2	166 room-139 room, Zone E2	Shaanxi Huana Jinpeng Commercial Operation Management Co. Ltd	7,441.40	5.5	2018/5/9	2023/11/8	9.10
3	2018001-E2	Rental	Hardware Zone E2	378 rooms, Zone E2	Henan Zheshanglian Investment Group Co. Ltd	34,430.55	5.5	2017/11/8	2023/5/7	9.10
4	2019001-E2	Rental	Hardware Zone E2	60-10301	XU Runzhang	766.69	5	2018/6/18	2023/6/17	13.18
5	2019002-E2	Rental	Hardware Zone E2	60-10501	XU Runzhang	726.16	5	2018/6/18	2023/6/17	13.18
6	2020005-E2	Rental	Hardware Zone E2	60-10401	XUE Tao	941.54	5	2019/7/15	2024/7/14	10.65
7	2020006-E2	Rental	Hardware Zone E2	414 rooms, Zone E2	Xi'an Daming Palace Xifeng Commercial Operation Management Co. Ltd	30,148.94	5	2019/10/1	2024/9/30	15.44
8	2019009-E2	Rental	Hardware Zone E2	60-10501- north	ZHANG Shaoming	854.34	5	2019/4/10	2024/4/9	13.31
9	2019010-E2	Rental	Hardware Zone E2	59-10401- south	Xi'an Xinjie Electromechanical Technology Co., Ltd	774.24	5	2019/3/28	2024/3/27	13.31
10	2019011-E2	Rental	Hardware Zone E2	59-10301- north	Xi'an Xinjie Electromechanical Technology Co., Ltd	781.05	5	2019/3/28	2024/3/27	13.31
11	2019012-E2	Rental	Hardware Zone E2	60-10401- north	ZHENG Guosheng	1,144.16	5	2019/3/31	2024/3/30	13.31

No.	Contract no.	Type	Project	Shop no.	Renter	Self-owned property rented (m^2)	Rental term	Starting date	Ending date	Current unit price (yuan/m^2/month)
12	2019004-E2	Rental	Hardware Zone E2	138 rooms, Zone E2	Shaanxi Huana Jinpeng Commercial Operation Management Co. Ltd	13,842.09	5.5	2018/8/20	2024/2/19	9.10
13	2020013-E2	Rental	Hardware Zone E2, parking building	1-4 floors, parking building	Xi'an Daojian Changhang Real Estate Co. Ltd	30,003.00	10	2020/3/31	2030/3/30	11.40
14	2020017-E2	Rental	Hardware Zone E2	59-10301 (south side)	Xi'an Hanshenshangpin Building Materials Co., Ltd	1,154.65	3	2020/12/15	2023/11/14	10.50
15	2021004-E2	Rental	Hardware Zone E2	59-10401 (north side)	Shaanxi Chaopu Lighting Engineering Co. Ltd	1,145.04	3	2021/1/15	2024/1/14	10.50
16	2023001-E2	Rental	Hardware Zone E2, parking building	5-6 floors, parking building	Xi'an Daojian Changhang Real Estate Co. Ltd	15,928.40	1	2022/2/1	2023/1/31	10.00
				Total		**141,413.57**	–	–	–	**11.42**

Remark: The above leasing information is determined by the list provided by Xi'an China South City Co., Ltd, and the rental rate of self-owned properties = construction area leased /total construction area = 84%.

Conclusion analysis: The land shape of the appraisal object is regular and has no adverse effect on the land layout and utilization. Topography and soil foundation condition have no adverse effect on utilization. Infrastructures are complete and land use status is good, up to the regional average level. The building structure, facilities and equipments and decoration of the appraisal object are at the same level as that of similar properties in the region. There is no non-uniform settlement in the foundation of the appraisal object. The load-bearing structural components and walls of the building are intact; the floor is flat; the doors and windows are opened flexibly; the paint gloss is nice; the wall is smooth; the ceiling surface is intact without peeling phenomenon; the equipment and pipes are in good use; and water, electricity and lighting equipments are complete. The overall use and maintenance condition is good; the building functions meet the use requirements; there are no adverse factors outside the building affecting the building value impairment; no functional depreciation and economic depreciation, and the house is intact and in good condition. Therefore, the appraisal object is in good condition and has no adverse effect on the realization of its market value.

3. Regional status of appraisal object

Regional status mainly includes location, traffic, external supporting facilities, environmental, location status and planning conditions, regional status analysis, etc. The main analysis is as follows:

1. Regional status information of appraisal object

Name		**No.2 Trading Square, Brand Hall, Hardware Machinery Electronics Zone B/D/E, Construction in progress of 1668 New Era Square and 4 land lots (for business service), Xi'an China South City, Northwest Side of the Intersection of Gangxing Road and Gangwu Avenue, Xi'an International Trade & Logistics Park, Shaanxi Province**
Location	Location	Xi'an International Trade & Logistics Park, Shaanxi Province, it is about 20 kilometers away from the downtown of Xi'an.
	Region	Northeast in Xi'an City
	Floor	Multi-storey building
	Frontage	—
	Distance from important places	It is 10 kilometers away from Xi'an North Station, 12 kilometers away from the government of Shaanxi Province

Name		**No.2 Trading Square, Brand Hall, Hardware Machinery Electronics Zone B/D/E, Construction in progress of 1668 New Era Square and 4 land lots (for business service), Xi'an China South City, Northwest Side of the Intersection of Gangxing Road and Gangwu Avenue, Xi'an International Trade & Logistics Park, Shaanxi Province**
Traffic	Road	It is adjacent to Xi'an Ring Highway, Ouya Avenue, Gangxing Road and so on; the traffic is developed well.
	Available means of transportation	The metro station "International Trade & Logistics Park" of line 3 is located in the middle of China South City Project; there are many bus lines passing here; the traffic is very convenient here.
	Traffic control	No vehicle and time restriction on the road here.
	Parking	The appraisal object has parking lots; it is convenient for parking.
Environment	Natural environment	The project is near Ba River, Xi'an Huaxia Cultural Tourism Ocean Park; the natural environment is good here.
	The humane environment	The population quality is high and the public security situation is good.

Name		**No.2 Trading Square, Brand Hall, Hardware Machinery Electronics Zone B/D/E, Construction in progress of 1668 New Era Square and 4 land lots (for business service), Xi'an China South City, Northwest Side of the Intersection of Gangxing Road and Gangwu Avenue, Xi'an International Trade & Logistics Park, Shaanxi Province**
External supporting facility	Infrastructure	Seven major infrastructure facilities have been developed in the area (road, water supply, drainage, electricity, communication, gas and heating); water and power supply is secured, and all the basic facilities are complete. Road: Xi'an Ring Highway, Ouya Avenue, Gangxing Road and so on; the traffic is developed well; Power: municipal power supply, secured power supply; Water supply: municipal water supply, secured water supply; Drainage: unified drainage network laid by the municipal government. Rainwater and sewage are divided, and the drainage system is good; Communication: connected to the municipal communication network, and the communication condition is good; Gas supply: municipal natural gas supply, secured gas supply; Heating: municipal heating supply, secured heating supply.
	Public service facilities	School: Xi'an ITL No.1 Primary School; Hospital: Xi'an Baqiao District People's Hospital; Supermarket: Sand Ship Xi'an Outlets, U Plaza Shopping Center, etc.; Park: Xi'an Huaxia Cultural Tourism Ocean Park, Guangyuntan Park, etc. Bank: BOC, CCB, etc. All the public service facilities are well developed.

Name		**No.2 Trading Square, Brand Hall, Hardware Machinery Electronics Zone B/D/E, Construction in progress of 1668 New Era Square and 4 land lots (for business service), Xi'an China South City, Northwest Side of the Intersection of Gangxing Road and Gangwu Avenue, Xi'an International Trade & Logistics Park, Shaanxi Province**
Market analysis	Apartment	The comprehensive rent range of the surrounding apartments is 30-36 yuan/m^2/month, and the average price of sales price is 8,000-9,000 yuan /m^2. It is expected that the sales price will continue to drop slightly in the future, and the transaction volume will rise steadily. In a short term, the price war will continue, and the sales price is not likely to rise sharply.
	Business	There is no large-scale comprehensive professional market of the same type and scale in the same area. Through the investigation and analysis of the rent of the business area where the appraisal object is located, the comprehensive rent range of the surrounding shops of the same grade is 40-50 yuan/m^2, and the sales price is 12,000-18,000 yuan/m^2. It is expected that the price will fluctuate obviously in the future, and the inventory rises upon the increase of supply. The business property is hard to be sold out in a short time.

2. Analysis of regional status and future development trend of appraisal object

The nature of Xi'an is "the capital of Shaanxi Province, the national central city radiating in northwest, the national famous city of science and technology innovation and modern industry, the international gateway hub city, and the landmark of the inheritance of Chinese civilization".

The *City Plan* proposes to bring out the leading role of the provincial capital, cultivate and build the Xi'an metropolitan area, and promote the coordinated development of the Guanzhong Plain urban agglomeration. We will continuously improve the livable quality of the city and the level of public services, and promote the economic and social development of the province. The integration process of Xi'an and Xianyang should be accelerated to promote the development of Shaanxi and Northwest China in various aspects such as economic development, scientific and technological innovation, opening to the outside world, ecological and cultural protection and utilization. We will build a national (West China) science and technology innovation center and a comprehensive national science center, build a high-standard Xi'an Silk Road Science City, promote the spatial distribution of industries in Qinchuangyuan, and build a national strategic emerging industry base that integrates "double chains". It will build Xi'an international aviation hub and Xi'an assembly center for China-Europe Freight Trains at a high level, and build a multi-level platform for international industrial cooperation, scientific and technological cooperation, logistics organization and cultural exchange. To enrich the connotation of a national historical and cultural city in the new era, highlight Xi'an and highlight the supreme status of Chinese civilization, build a system for protecting and inheriting urban and rural history and culture, and better inherit and extend the Chinese civilization and historical context through creative transformation and innovative development, so that Xi'an can become a display window of Chinese culture and Huaxia civilization.

V. Date of Value

According to *Real Estate Appraisal Entrustment Letter*, the date of value is determined to be November 25, 2022.

VI. Type of Value

(I) Type of value

The type of value of the appraisal is real estate market value and investment value.

(II) Definition of value

Market Value, it refers to the amount for which the appraisal object should exchange on the date of value between a willing buyer and a willing seller in an arm length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion.

Investment value, it is the value measured from the perspective of a specific investor (such as a purchaser), which is the value of the real estate appraised according to a specific investor's own situation.

VII. Principle of Appraisal

The appraisal abides by the following principles:

(I) The principle of independence, objectivity and impartiality

The principle requires the certified appraisers and appraisal agency to stand in a neutral position to evaluate evenhandedly the value or price which is fair and reasonable for every interested party based on facts.

The "independence" means that the certified real estate appraisers and appraisal agency have no interest relationship with the client and interested parties, and are not affected by any units and individuals including the client in the appraisal. They should carry out the appraisal with their own professional knowledge, experience and professional ethics. The "objectivity" is to require certified real estate appraisers and appraisal agency to carry out the appraisal in accordance with the true nature of objects, and to seek truth from facts without their own feelings, likes, dislikes and prejudices. The "impartiality" is to require certified real estate appraisers and real estate appraisal agency to conduct the appraisal fairly and righteously without showing partiality to any of the interested parties.

The appraisal adheres to the principle of independence, objectivity and impartiality. We have established an effective internal audit system to ensure that the appraisal process is standardized and orderly. It is not subject to illegal intervention and influence of other units and individuals, nor does it affect the objectivity of real estate appraisers' analysis and judgment due to their personal likes and dislikes or subjective biases.

(II) The principle of legality

The principle requires that the appraisal value should be the value or price of the appraisal object which is legally judged by laws.

According to laws means not only in accordance with the relevant laws, administrative regulations, relevant judicial interpretations issued by the Supreme People's Court and the Supreme People's Procuratorate, but also in accordance with the relevant local laws and regulations of the place where the appraisal object is located (in ethnic autonomous areas, the relevant autonomous regulations and special regulations shall be followed at the same time), the relevant rules and policies issued by the subordinate department of The State Council, the relevant local rules and policies issued by the people's government of the place where the appraisal object is located, as well as the appraisal object's real estate registration book (house registration book, land registration book), ownership certificate, relevant approvals and contracts (such as planning opinions, bidding documents for the transfer of state-owned construction land use right, state-owned construction land use right transfer contract, real estate transfer contract, house lease contract, etc.).

This appraisal is based on the legitimate use of the appraisal object and the appraisal is carried out according to the legal ownership certificate and other materials provided by the property owner.

(III) The principle of date of value

The principle requires the appraisal value to be the value or price of the appraisal object on a certain time determined according to the appraisal purpose.

The principle of date of value emphasizes that the appraisal conclusion has strong time correlation and timeliness. Firstly, the appraisal conclusion has a strong time correlation, which mainly takes into account the time value of funds. The cash flow occurring at different time points has different impacts on its value. Therefore, there are unified provisions in the real estate appraisal: if the occurrence time point of some money is inconsistent with the value of time point, it should be converted into the present value of the value of time point. At the same time, the appraisal conclusion has a strong timeliness, which mainly takes into account the price fluctuations of the real estate market. The same appraisal object will have different market prices at different time points.

This appraisal is based on the principle of the date of value. According to the principle of the date of value, the appraisal bases such as the release, change and implementation date of the government's laws, regulations, tax policies and appraisal standards concerning real estate are determined. The appraisal result is the market value corresponding to the date of value determined by the appraisal purpose.

In the appraisal, the cost and other parameters of cost method are determined by referring to the similar properties on the date of value in the market, so the appraisal abided by the principle of date of value.

(IV) The principle of substitution

The principle requires the appraisal value of the appraisal object not to deviate significantly from the value or price of similar real estate under the same conditions. i.e., appraisal value shall not stray obviously from the regular price of other similar properties. In the same supply-need scope, the properties, similar in use, layout, level and construction structure, affect each other in price and their prices tend to be consistent.

In the appraisal, the cost and other parameters of cost method are determined by referring to similar properties in the market, so the appraisal abided by the principle of substitution.

(V) The principle of highest and best use principle

The appraisal value shall be the value or price under the condition of the highest and best use of the appraised object. The highest and best use of the appraisal object includes the best use, scale and grade. When selecting the highest and best use of the appraisal object, four conditions should be met at the same time: first, legally allowed; second, technically possible; third, financially feasible; fourth, value maximization. They should be analyzed, screened or determined in turn in appraisal.

In the appraisal report, the highest and best use of the appraisal object are analyzed and judged.

VIII. Bases for Appraisal

(I) Relevant Laws, rules and policies

1. *The Civil Code of the People's Republic of China* (adopted at the third session of the 13th National People's Congress on May 28, 2020; No.45 order of President of People's Republic of China; carried out on January. 1, 2021)

2. *Urban Real Estate Administration Law of the People's Republic of China* (The 3rd revision of the *Decision on Amending the Land Administration Law of the People's Republic of China and the Urban Real Estate Administration Law of the People's Republic of China* adopted at the 12th Meeting of the Standing Committee of the 13th National People's Congress of the People's Republic of China on August 26, 2019, carried out on January 1, 2020)

3. *Land Administration Law of the People's Republic of China* (The 3rd revision of the *Decision on Amending the Land Administration Law of the People's Republic of China and the Urban Real Estate Administration Law of the People's Republic of China* adopted at the 12th Meeting of the Standing Committee of the 13th National People's Congress of the People's Republic of China on August 26, 2019, carried out on January 1, 2020)

4. *Regulation of the Implementation of Land Administration Law of the People's Republic of China* (No.743 order of State Council of the People's Republic of China, carried out on September 1, 2021)

5. *Interim Regulations of the People's Republic of China Concerning the Assignment and Transfer of the Right to the Use of the State-owned Land in the Urban Area* (No.55 order of State Council of the People's Republic of China, carried out on May 19, 1990)

6. *Asset Appraisal Law of the People's Republic of China* (No.46 order of President of P.R.C., carried on Dec. 1, 2016)

7. *Notice of the Ministry of Finance and the State Administration of Taxation on Comprehensively Promoting the Pilot Plan for Levying Value Added Tax in Lieu of Business Tax* (Finance and Taxation [2016] No. 36, Announcement of the *Interim Measures for the Administration of VAT Collection on Real Estate Business Leasing Services Provided by Taxpayer* (State Administration of Taxation, 2016 No. 16), *Notice on the Adjustment of VAT Rate of the Ministry of Finance and the State Administration of Taxation* (Finance and Taxation [2018] No. 32), *Announcement on Relevant Policies of Deepening VAT Reform* (Announcement of the Ministry of Finance, State Administration of Taxation and General Administration of Customs, No. 39, 2019)

(II) Appraisal standards

1. National Standard of the People's Republic of China (GB/T50291- 2015) - *Code for Real Estate Appraisal*

2. National Standard of the People's Republic of China (GB/T50899-2013) - *Standard for Basic Terminology of Real Estate Appraisal*

3. *The HKIS Valuation Standards on Properties*

(III) Relevant materials provided by client and relevant unit

The copies of *State-owned Land Use Certificate*, *Construction Land Planning Permit*, *Construction Project Planning Permit*, *Building Project Construction Permit*, *State-owned Construction Land Use Right Transfer Contract*, *Appraisal Assets List, Real Estate Registration Search Information* and related materials provided by the property owner.

(IV) Materials collected and held by real estate appraisal agency and appraisers

1. Relevant materials got by appraisers through site survey

2. Xi'an real estate market price investigation materials and related information

(V) Relevant legal consequences

1. Those who are subject to criminal punishment due to intentional crimes or negligent crimes in appraisal, financial, accounting or auditing activities, and who are less than five years from the date of completion of the punishment, shall not engage in appraisal business.

2. Those who violate the prohibited act shall be given a warning first, and may be ordered to stop practicing for not less than six months but not more than

one year; confiscation of illegal gains; If the circumstances are serious, he shall be ordered to stop his practicing for not less than one year but not more than five years.

3. Those who sign false appraisal reports are ordered to stop production and business for not less than two years but not more than five years; If there are any illegal gains, the illegal gains shall be confiscated; If the circumstances are serious, he shall be ordered to stop practicing for not less than five years but not more than 10 years; If the case constitutes a crime, he shall be investigated for criminal responsibility according to law and shall not engage in appraisal business for life.

IX. Appraisal Method

After carefully analyzing the materials in hand and conducting the site survey of the appraisal object and surrounding market investigation, according to the features and actual conditions of the appraisal object, abiding by National Standard *Code for Real Estate Appraisal* (GB/T 50291-2015) and *Standard for Basic Terminology of Real Estate Appraisal* (GB/T 50899-2013), the appraisers selected comparison method and cost method as the basic appraisal methods to appraise the value of the appraisal object after repeated study and comprehensive consideration.

Comparison method is to select a certain number of comparable cases, and compare them with the appraisal object; according to the differences thereof, process the transaction prices of comparable cases to calculate the value or price of the appraisal object.

Cost method is to calculate the replacement cost or reconstruction cost and depreciation of the appraisal object on the date of value, then subtract the depreciation from the replacement cost or reconstruction cost to get the value or price of the appraisal object.

X. Appraisal Result

According to the materials and appraisal purpose provided by the client, following the appraisal principles and appraisal procedures, after site survey and market investigation, the appraisal object (No.2 Trading Square, Brand Hall and Hardware Machinery Electronics Zone B/D/E; No. 2 Trading Square (underground garage), Zone D Phase II Hotel Apartment (underground garage) and Hardware Machinery Electronics Zone E2 (aboveground garage) of Xi'an China South City) was appraised and calculated by comparison method; the appraisal object (Construction in progress of 1668 New Era Square of Xi'an China South City) was appraised and calculated by cost method; the appraisal object (4 land lots (for business): land GW2-(16)-1, part of the land GW2-(18)-6, land GW2-16-4 and land GW2-16-5 of Xi'an China South City) was appraised and calculated at 6,461 yuan/square meter, the unit price of the land purchased. We determined that the market value of the appraisal object on the date of value (November 25, 2022) is RMB8,463,199,719 yuan, the number in words: eight billion four hundred and sixty-three million one hundred and ninety-nine thousand seven hundred and nineteen yuan only.

Real Estate Market Appraisal Result Summary Table

Currency: RMB

(1) The property for sale 1

On November 25, 2022

Appraisal object	Project introduction and use term	Use status	Market value upon current use status
The 6,489 suites of commercial real estate of No.2 Trading Square, Brand Hall and Hardware Machinery Electronics Zone B/D/E; No. 2 Trading Square (underground garage) and Hardware Machinery Electronics Zone E2 (aboveground garage) of Xi'an China South City	The details are described above. This part of the appraisal object is distributed in 11 lands in total: land no. GW2-(18)-1, GW2-(18)-3, GW1-(26)-2, GW1-(26)-1, GW2-(18)-6, GW2-(15)-1, GW2-(15)-2, GW2-(15)-3-1, GW2-(15)-3-2, GW2-(14)-1, and GW2-(14)-2. The total land area is 1,329,749.16 square meters; the appraisal evaluated the use right of the shared land; the specific area of the shared land is unknown. 6,489 suites commercial houses, with the total construction area of 402,494.36 square meters; 3 parking lots, with the total construction area of 181,229.4 square meters. The commercial property includes the central shopping mall, comprehensive wholesale market and other business types. The Brand Hall, No.2 Trading Square and Hardware Machinery Electronics Zone Plaza Zone B were completed in 2013, Hardware Machinery Electronics Zone D was completed in 2018, Hardware Machinery Electronics Zone E1 was completed in 2015, and Hardware Machinery Electronics Zone E2 was completed in 2017 The real estate is located in the urban area of Xi'an city with well-developed infrastructures. The business is prosperous in the neighborhood, with convenient transportation. There are no environmental problems and litigation disputes about the appraisal object as commercial property. This part of the real estate has obtained the use right of state-owned land, the land usage is for business, and the termination dates are the different dates from April 19, 2051 to July 24, 2054.	On the date of value, partially leased and partially vacant.	RMB3,449,922,805 yuan

1) According to a total of 11 state-owned land use certificates issued by Xi'an People's Government from September 20, 2011 to June 16, 2016 (see the certificate numbers for details in the text of the report), the land use right with a total area of 1,329,749.16 square meters has been vested in Xi'an China South City Co., Ltd. The land use is for commercial purpose.

2) According to the *Project Planning Permit, Construction Permit, Pre-sale Permit, Real Estate Ownership Certificate, Ownership Registration Household Form, Real Estate Registration Search Information* issued by Xi'an People's Government and the legal opinion issued by Shanghai AllBright Law Offices (Shenzhen) Law Firm, the total of 6,489 commercial houses with a total construction area of 402,494.36 square meters and the ownership of the 3 parking lots with a total construction area of 181,229.4 square meters belong to Xi'an China South City Co., Ltd.

3) According to the business license (Unified Social Credit Code: No. 91610139693839916J), Xi'an China South City Co., Ltd was established as a limited liability company on November 12, 2009, with the registered capital of RMB1,000,000,000 yuan, and the operation period is from November 12, 2009 to non-fixed term.

4) We have got the legal opinion on the appraisal object by Shanghai AllBright Law Offices (Shenzhen) Law Firm, the legal adviser hired by the client, the opinion is as follows:

   (a) Xi'an China South City Co., Ltd is a wholly-owned subsidiary of China South City Group Co., Ltd which is a wholly-owned subsidiary of China South International Industrial Materials City (Shenzhen) Co., Ltd. Xi'an China South City Co., Ltd has obtained a valid business license and was established in accordance with the laws of the People's Republic of China.

   (b) Xi'an China South City Co., Ltd has obtained the State-owned land use Certificate and is the owner of the land use right, which is recognized and protected by the laws of PRC. Xi'an China South City Co., Ltd has the right to use, transfer, lease, mortgage and other methods to deal with the land use right of the property, and the part of the land use right of the property has been leased or mortgaged without being requisitioned or withdrawn by the government, and without any litigation or dispute, and has not been preserved or enforced by the judicial authorities.

   (c) Xi'an China South City Co., Ltd has obtained the relevant legal materials of the property ownership confirmation. As the property owner of the appraisal object, it is recognized and protected by Chinese laws and has the right to use, transfer, lease, mortgage and other methods to deal with the ownership of the property, and part of the property ownership is rented and mortgaged and part is for self-use. The property has not any lawsuit or dispute, and has not been preserved or enforced by judicial authorities, and has not been found to have any other overly harsh or abnormal commitments, terms or conditions of the property; and the actual use of the property is consistent with its approved use.

5) The appraiser WANG Shengchao (about 20 years of experience in domestic real estate valuation in China) has visited and surveyed the property from November 21, 2022 to November 23, 2022.

6) According to the materials provided by the client, the relevant legal documents are as follows

Real Estate Registration Search Information	Yes
State-owned Land Use Permit	Yes
State-owned Construction Land Use Right Transfer Contract	Yes
Construction Land Planning Permit	Yes
Construction Project Planning Permit	Yes
Commercial House Pre-sale Permit	Yes
Business License	Yes

2) The properties being developed

On November 25, 2022

Appraisal object	Project introduction and use term	Use status	Market value upon current use status
Construction in progress of 1668 New Era Square of Xi'an China South City	The details are described above. This part of the appraisal object is lactated in the 2 lands: land no. GW1-(26)-2 and GW1-(26)-1, with a total construction area of 396,714.25 square meters. The appraisal evaluated the use right of the shared land; the specific area of the shared land is unknown. The total of construction area is 845,700.50 square meters; the aboveground construction area (counted in floor area ratio) is 515,475.24 square meters, the underground construction area (not counted in floor area ratio) is 330,225.26 square meters; the overall construction progress is 50%. The aboveground houses are designed for office, hotel and business, and the actual usages are office, hotel apartment and business. The underground houses are for garage. 1668 New Times Square is under construction, Zone A/C/D is under construction, and Zone B is to be developed. Except the curtain wall project of Building A1, Zone A has been basically completed. Zone C/D is under construction (has been capped) and the secondary structure installation project is being carried out. Zone B has not been built (empty land to be developed). The project started in May 2019. The property is located in the urban area of Xi'an city with well-developed infrastructures. The business is prosperous in the neighborhood, with convenient transportation. There are no environmental problems and litigation disputes about the appraisal object as commercial property. This part of the real estate has obtained the use right of state-owned land, the land usage is for business, and the termination dates are the different dates from June 30, 2051 to February 15, 2053.	On the date of value, the appraisal object is under construction, and will be completed in June 2025.	RMB3,002,236,778.00 yuan

Remark:

1) According to the two state-owned land use certificates issued by Xi'an People's Government on April 16, 2012 and April 19, 2013 (see the certificate numbers for details in the text of the report), the land use right with a total area of 396,714.25 square meters has been vested in Xi'an China South City Co., Ltd. The land use is for business.

2) According to the State-owned Construction Land Use Right Transfer Contract, Construction Land Planning Permit, Construction Project Planning Permit and Building Project Construction Permit provided by the client, the building engineering of the construction in progress meets the requirements and is approved by the government.

3) The land usage of the appraisal object is for commercial use, the project is an overall development, and part of the real estate has been pre-sold; the construction in progress of the appraisal object is unsold property.

4) According to the materials provided by the client, the total construction cost of the property on the date of value, on November 25, 2022, is RMB239,672.25 ten thousand yuan, and the renewal cost to complete the project on the date of value is RMB294,413.18 ten thousand yuan.

5) The current status of the appraisal object is the construction in progress, and the appraisal result of RMB3,002,236,778 yuan is the market value of the appraisal object under the current status on the date of value, not the value after completion. There are no similar rental and sale cases in the market. Therefore, the appraisal method adopted this time includes the cost of land and the value already invested in the buildings, and does not provide the value of the completed real estate.

6) Our valuation is based on the following assumptions:

   (a) The relevant cost of the land, possible supporting costs, demolition and resettlement costs have all been paid.

   (b) Related plans have been approved by the government.

   (c) The appraisal object may be transferred normally on the open market.

7) The appraiser WANG Shengchao (about 20 years of experience in domestic real estate valuation in China) has visited and surveyed the property from November 21, 2022 to November 23, 2022.

8) According to the materials provided by the client, the relevant legal documents are as follows

State-owned Land Use Permit	Yes
State-owned Construction Land Use Right Transfer Contract	Yes
Construction Land Planning Permit	Yes
Construction Project Planning Permit	Yes
Commercial House Pre-sale Permit	Yes
Business License	Yes

3) The property 2 for sale

On November 25, 2022

Appraisal object	Project introduction and use term	Use status	Market value upon current use status
4 land lots (for business): land GW2-(16)-1, part of the land GW2-(18)-6, land GW2-16-4 and land GW2-16-5 of Xi'an China South City	The details are described above. The appraisal object includes 4 land lots with a total area of 311,258.34 square meters for commercial use. According to the materials provided by the client, the total planned area (counted in floor area ratio) is 826,388.35 square meters. The appraisal object is located in the urban area of Xi'an city with well-developed infrastructures. The business is prosperous in the neighborhood, with convenient transportation. There are no environmental problems and litigation disputes about the appraisal object as commercial property. The appraisal object has obtained the use right of state-owned land, and the termination dates are the different dates from July 24, 2051 to November, 2054.	On the date of value, the appraisal object is vacant lands.	RMB2,011,040,136 yuan

Remark:

1) According to the 4 state-owned land use certificates issued by Xi'an People's Government from September 9, 2011 to December 12, 2014 (see the certificate numbers for details in the text of the report), the land use right with a total area of 311,258.34 square meters has been vested in Xi'an China South City Co., Ltd. The land use is for commercial purpose.

2) According to the Construction Land Planning Permits issued by International Trade & Logistics Park Branch of Xi'an Planning Bureau: XGGJGDZ No.(2011) 014, XGGJGDZ No.(2011) 015, XGGJGDZ No.(2014) 09, and XGGJGDZ No.(2014) 06, the land project of the appraisal object (total land area of 311,258.34 square meters) meets the requirements of urban and rural planning.

3) According to the State-owned Construction Land Use Right Transfer Contracts issued by Xi'an State-owned Land and Resources Bureau of Shaanxi Province of the People's Republic of China (contract No.: No. GW-2011-5-206, No. 30357, No. 30359, No. 30350), Xi'an China South City Co., Ltd. obtained the land property rights of the appraisal object through transfer.

4) According to the business license (Unified Social Credit Code: No. 91610139693839916J), Xi'an China South City Co., Ltd was established as a limited liability company on November 12, 2009, with the registered capital of RMB1,000,000,000 yuan, and the operation period is from November 12, 2009 to non-fixed term.

5) The area of land use right written in the land certificate of land GW2-(18)-6 is 196,705.19 square meters. According to the *Compensation Agreement for the Use Right of State-owned Construction Land* signed by Land Reserve Center of Xi'an International Trade & Logistics Park and Xi'an China South City Co., Ltd on September 2, 2021, the number of the purchased land is GW2-18-6-3; it is located at North of Gangxing Road, West of Bageng Road and South of Gangwu South Road; the area of land use right is 145,015.52 square meters; the purchased price is 936,945,300 yuan; so we appraised the remaining land area of 51,689.67 square meters.

6) We have got the legal opinion on the appraisal object by Shanghai AllBright Law Offices (Shenzhen) Law Firm, the legal adviser hired by the client, the opinion is as follows:

   (a) Xi'an China South City Co., Ltd is a wholly-owned subsidiary of China South City Group Co., Ltd which is a wholly-owned subsidiary of China South International Industrial Materials City (Shenzhen) Co., Ltd. Xi'an China South City Co., Ltd has obtained a valid business license and was established in accordance with the laws of the People's Republic of China.

   (b) Xi'an China South City Co., Ltd has obtained the State-owned land use Certificate and is the owner of the land use right, which is recognized and protected by the laws of PRC. Xi'an China South City Co., Ltd shall develop, construct and utilize the lands in accordance with the relevant terms (including the agreed amount of investment, planning conditions, etc.) of the transfer contract signed with Xi'an State-owned Land and Resources Bureau of Shaanxi Province of the People's Republic of China, and shall have the right to use the land-use right of the property. With the permission of the Xi'an State-owned Land and Resources Bureau of Shaanxi Province, Xi'an China South City Co., Ltd may transfer, mortgage, exchange, lease and present the land use right of the property, and the land use right of the property has not been leased, mortgaged, requisitioned or withdrawn by the government, has not any lawsuit or dispute, and has not been preserved or enforced by the judicial authorities.

   (c) Xi'an China South City Co., Ltd has obtained the construction land planning permit and the State-owned land use certificate (State-owned land use right), but has not obtained the construction project planning permit, building project construction permit and construction project completion acceptance certificate. According to relevant documents of Xi'an city, the government has planned to purchase and reserve the land.

7) The appraiser WANG Shengchao (about 20 years of experience in domestic real estate valuation in China) has visited and surveyed the property from November 21, 2022 to November 23, 2022.

8) According to the materials provided by the client, the relevant legal documents are as follows

State-owned Land Use Permit	Yes
State-owned Construction Land Use Right Transfer Contract	Yes
Construction Land Planning Permit	Yes
Business License	Yes

XI. Certified Real Estate Appraisers

Name	Registration Certificate No.	Signature	Date
JIN Haiyan	4420090055		
WANG Shengchao	4620000021		

Remark: The qualification certificates of real estate appraisers are uniformly printed by the Ministry of Housing and Urban-Rural Development, and jointly sealed by the Ministry of Housing and Urban-Rural Development and the Ministry of Natural Resources, and issued to individuals by examination authorities of provinces, autonomous regions and municipalities directly under the Central Government. Relevant real estate appraisers who violate the Asset Appraisal Law of the People's Republic of China will be subject to criminal liability and restrictions on their practice, including but not limited to:

1. Those who are subject to criminal punishment due to intentional crimes or negligent crimes in appraisal, financial, accounting or auditing activities, and who are less than five years from the date of completion of the punishment, shall not engage in appraisal business.

2. Those who violate the prohibited act shall be given a warning first, and may be ordered to stop practicing for not less than six months but not more than one year; confiscation of illegal gains; If the circumstances are serious, he shall be ordered to stop his practicing for not less than one year but not more than five years.

3. Those who sign false appraisal reports are ordered to stop production and business for not less than two years but not more than five years; If there are any illegal gains, the illegal gains shall be confiscated; If the circumstances are serious, he shall be ordered to stop practicing for not less than five years but not more than 10 years; If the case constitutes a crime, he shall be investigated for criminal responsibility according to law and shall not engage in appraisal business for life.

XII. Period of Site Survey

November 21, 2022 to November 23, 2022

XIII. Appraisal Performing Period

September 30, 2022 to December 19, 2022

XIV. Valid Period of the Report

December 19, 2022 to March 18, 2023

(The English version of the report is translated from the Chinese report. In the event of discrepancy between the Chinese and English versions, the Chinese version shall prevail.)

Appendixes

I. Appraisal result schedule

II. Real estate appraisal entrustment letter

III. Location map of the appraisal object

IV. Relevant photos and site survey information of the appraisal object

V. Copies of *Real Estate Ownership Certificate, Construction Land Planning Permit, Construction Project Planning Permit, Building Project Construction Permit, State-owned Construction Land Use Right Transfer Contract, Appraisal Object List, Real Estate Ownership Search Information, Ownership Registration Household Form* of the appraisal object

VI. Copies of Business License and Appraisal Qualification Certificate of real estate appraisal agency

VII. Copies of qualification certificate of certified real estate appraisers.

VIII. Relevant appraisal addresses and appraisal experience of certified real estate appraisers

VIII. Relevant appraisal addresses and appraisal experience of certified real estate appraisers

Certified real estate appraiser

Resume of JIN Haiyan

Name	JIN Haiyan	**Gender**	Female
Date of birth	July 12, 1971	**Ancestral place**	Tianjin
Education	Bachelor	**Major**	Chemical engineering
University	China University of Petroleum	**Graduation time**	July 5, 1994
Practice qualification	Certified real estate appraiser		

Work experience

July 2009 to June 2012, Shenzhen Zhongfangdi Land Real Estate Appraisal Co., Ltd

July 2013 to August 2014, Shenzhen Guolianghang Asset Land Real Estate Appraisal Consultancy Co., Ltd

September 2014 to present, Dacheng International Asset Land Real Estate Appraisal (Shenzhen) Co., Ltd

Appraised project and experience

1. Market value appraisal of State-owned construction land use right of the commercial and financial land with 12,058.71 square meters, located at south of Lanchi Second Road, north of Lanyi Road, east of Qinyuan Seventh Road and west of Lanyi Road, Xixian New District, Shaanxi Province, signed by the appraiser, JIN Haiyan.

2. Market value appraisal of two properties (4B, Building 2, Mingcuiju, Waterside Pavilion Huadu (Phase III), Xiangmi Lake, intersection of Xiangmei Road and Hongli Road, Futian District, Shenzhen and so on).

3. Appraisal of Neihai World Apartment 418, Dameisha Area, Yantian District, Shenzhen (understand the market value).

4. Market value appraisal (understand market value) of two properties (Mingcui Garden, Longgang District, Shenzhen and so on).

5. The real estate market value appraisal of No. 3 Gangjian Road, Xingang Town, Dongyuan County, Heyuan City.

Professional ability

Engaged in appraisal work for more than 10 years, familiar with the working process of appraisal companies, master the appraisal technical methods of various types of real estate, with rich practical experience. Have long-term experience in evaluating non-performing assets of big and complex financial institutions, familiar with the disposal process of property.

Certified real estate appraiser

Resume of WANG Shengchao

Name	WANG Shengchao	**Gender**	Male
Date of birth	August 12, 1971	**Ancestral place**	Hainan
Education	Bachelor	**Major**	Accounting
University	Zhongnan University of Economics and Law	**Graduation time**	1994

Practice qualification Certified real estate appraiser, Certified land appraiser

Work experience

1998, Engaged in real estate appraisal in Hainan Guojia Real Estate Transaction Appraisal Co., Ltd.

1999, Obtained the qualification certificate of real estate appraiser and in 2001 obtained the qualification certificate of land appraiser.

2001 to 2011, Shenzhen Dezhengxin Assets Appraisal Co., Ltd., Shenzhen Dehengxin Real Estate Appraisal Co., Ltd. (Legal representative)

2012 to November 2013, Shenzhen Zhongchengda Land Real Estate Appraisal Consulting Co. Ltd

December 2013 to April 2016, legal representative and technical director in Shenzhen Heda Real Estate Appraisal Consulting Co., Ltd

June 2016 to present, Technical leader, Dacheng International Asset Land Real Estate Appraisal (Shenzhen) Co., Ltd

Appraised project and experience

1. In charge of Market value appraisal project of State-owned construction land use right of the commercial and financial land with 12,058.71 square meters, located at south of Lanchi Second Road, north of Lanyi Road, east of Qinyuan Seventh Road and west of Lanyi Road, Xixian New District, Shaanxi Province.

2. Restructuring assets appraisal project of Shenzhen Urban Construction Group Co., Ltd.

3. Restructuring assets appraisal project of Shenzhen Construction Industry Group Co., Ltd

4. Asset acquisition appraisal project of Fanhai Holdings Co., Ltd

5. 2005, in charge of Fuyong Town area appraisal project of Shenzhen urbanization transfer land expropriation.

Professional ability Engaged in appraisal work for more than 20 years, familiar with the working process of appraisal companies, responsible for and involved in a variety of large-scale real estate appraisal projects, master the appraisal technical methods of various types of real estate, with rich practical experience. Have long-term experience in evaluating non-performing assets of big and complex financial institutions, familiar with the disposal process of 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 Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they had taken or were deemed to have taken under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules, were as follows:

		Number of Shares held					
Name of Directors	Class of Shares	Corporate interest	Personal interest	Family interest	Share Options	Total	Approximate percentage of the Company's total number of issued Shares(5)
Cheng Chung Hing	Ordinary Shares	2,306,553,791(1)	–	–	–	2,306,553,791	20.16 %
Cheng Tai Po	Ordinary Shares	588,984,145(2)	4,936,000	–	–	593,920,145	5.19 %
Geng Mei	Share Options	–	–	–	30,000,000(3)	30,000,000	0.37 %
Cheng Ka Man Carman	Share Options	–	–	–	7,800,000(3)	7,800,000	0.09 %
Li Wai Keung	Share Options	–	–	–	2,000,000(4)	2,000,000	0.02 %
Leung Kwan Yuen Andrew	Share Options	–	–	–	2,000,000(4)	2,000,000	0.02 %
Hui Chiu Chung	Share Options	–	–	–	2,000,000(4)	2,000,000	0.02 %

Notes:

(1) Mr. Cheng is interested in 100% of the issued share capital of Accurate Gain Developments Limited which in turn was deemed to have interests in 2,306,553,791 Shares. Mr. Cheng is the father of Ms. Cheng Ka Man Carman and the younger brother of Mr. Cheng Tai Po.

(2) Mr. Cheng Tai Po is interested in 100% of the issued share capital of Proficient Success Limited which in turn holds 588,984,145 Shares and is therefore deemed to be interested in the aforesaid 588,984,145 Shares. Mr. Cheng Tai Po is the elder brother of Mr. Cheng Chung Hing and the uncle of Ms. Cheng Ka Man Carman.

(3) The relevant interests are share options granted Ms. Geng Mei and Ms. Cheng Ka Man Carman pursuant to the Company's 2019 Share Option Scheme adopted on 13 September 2019.

(4) The relevant interests are share options granted to Mr. Leung Kwan Yuen Andrew, Mr. Li Wai Keung and Mr. Hui Chiu Chung pursuant to the Company's 2009 Share Option Scheme adopted on 4 September 2009.

(5) The percentage shareholding is calculated on the basis of 11,441,892,848 Shares issued as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of the Directors, none of the Directors nor the chief executive of the Company had any interests or 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: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS

Name	Long/Short Positions	Notes	Nature of interest	Number of Shares held	Percentage of the Company's issued share capital[(3)]
Shenzhen SEZ Construction and Development Group Co., Ltd.	Long	(1)	Deemed interest in controlled corporation	3,350,000,000	29.28%
SEZ Construction & Development International (Hong Kong) LIMITED	Long	(1)(2)	Deemed interest in controlled corporation	3,350,000,000	29.28%
SEZ Construction & Development Investment Holding LIMITED	Long	(2)	Beneficial owner	3,350,000,000	29.28%
Accurate Gain Developments Limited	Long	(3)	Beneficial owner	2,306,553,791	20.16%
Tencent Holdings Limited	Long	(4)	Deemed interest in controlled corporation	955,936,666	8.35%
THL H Limited	Long	(4)	Beneficial owner	955,936,666	8.35%
Proficient Success Limited	Long	(2)	Beneficial owner	588,984,145	5.15%

Notes:

(1) SEZ Construction & Development International (Hong Kong) LIMITED is wholly owned by Shenzhen SEZ Construction and Development Group Co., Ltd.

(2) SEZ Construction & Development Investment Holding LIMITED is wholly owned by SEZ Construction & Development International (Hong Kong) LIMITED.

(3) Mr. Cheng Chung Hing owns 100% of the issued share capital of Accurate Gain Developments Limited.

(4) THL H Limited is wholly owned by Tencent Holdings Limited.

(5) Mr. Cheng Tai Po owns 100% of the issued share capital of Proficient Success Limited.

(6) The percentage shareholding is calculated on the basis of 11,441,892,848 Shares issued as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of the Directors or chief executive of the Company, no other person (other than a Director or chief executive of the Company) had, or were deemed or taken to have interest or short position in the Shares or underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with any member of the Group other than contracts expiring or determinable by the relevant employer within one year without payment of any compensation (except statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates was considered by the Company to have interests in businesses which compete, or might compete, either directly or indirectly, with the business of the Group.

6. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any interests, either directly or indirectly, in any assets which had been, since 31 March 2022, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any of the Directors was materially interested and which was significant in relation to the business of the Group.

7. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following material contracts (not being contracts entered into in the ordinary course of business and which are material to the Group) have been entered into by the members of the Group within the two years immediately preceding the issue of this circular:

(a) the Investment Agreement;

(b) the Shareholders' Agreement;

(c) the equity transfer agreement dated 15 July 2022 in respect of the sale and purchase of the 50% equity interest in Shenzhen First Asia Pacific Property Management Company Limited (深圳第一亞太物業管理有限公司) for the consideration of RMB1,256,600,000 entered into among First Asia Pacific Group Company Limited (第一亞太集團有限公司) (an indirect wholly-owned subsidiary of the Company, as seller), SZCDG (as purchaser) and the Company; and

(d) the subscription agreement dated 30 December 2021 in respect of the subscription of 3,350,000,000 new Shares by SZCDG or its wholly owned subsidiary for an aggregate consideration of HK$1,909,500,000 entered into between the Company and SZCDG.

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any other member of the Group was engaged in any material litigations or claims and no litigations or claims of material importance is pending or threatened against the Company or any member of the Group.

9. EXPERTS AND CONSENTS

(1) The following are the qualifications of the experts who have given their opinion or advice which is contained in this circular:

Name	**Qualification**
Anglo Chinese Corporate Finance, Limited	A corporation licensed under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Ernst & Young	Certified Public Accountants, Hong Kong
Dacheng International Asset Land Real Estate Appraisal (Shenzhen) Co., Ltd.	Professional valuer

(2) As at the Latest Practicable Date, the above experts did not have any shareholding, direct or indirect, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(3) As at the Latest Practicable Date, none of the experts have any direct or indirect interest in any asset which has been, since 31 March 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

(4) The above experts have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their letters and the reference to their names included herein in the form and context in which they appear.

10. MISCELLANEOUS

(1) The registered office of the Company is located at Suites 3306–08, 33/F., Tower 5, The Gateway, 15 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

(2) The company secretary of the Company is Mr. Chan Hing Chau, who is a member of Hong Kong Institute of Certified Public Accountants.

(3) The share registrar of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(4) In any event of inconsistency, the English version of this circular shall prevail over the Chinese version to the extent of such inconsistency.

11. DOCUMENTS ON DISPLAY

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

(a) the material contracts referred to in paragraphs (a) and (b) of the sub-section headed "7. Material Contracts" in this appendix;

(b) the letters of consent referred to under the sub-section headed "9. Experts and Consents" in this appendix;

(c) the letter from Anglo Chinese Corporate Finance, Limited, the Independent Financial Adviser, the text of which is set out on pages 37 to 77 of this circular;

(d) the accountants' report of the Target Company issued by the Reporting Accountants, the text of which is set out in Appendix II to this circular;

(e) the assurance report on the compilation of the pro forma financial information of the Group issued by the Reporting Accountants, the text of which is set out in Appendix III to this circular;

(f) the letter from the Independent Board Committee, the text of which is set out on pages 35 to 36 of this circular;

(g) the equity valuation report of the Business Equity Value of the Target Company, the text of which is set out in Appendix IV to this circular;

(h) the property valuation report of the Target Company, the text of which is set out in Appendix V to this circular; and

(i) this circular.

China South City Holdings Limited
華南城控股有限公司
(incorporated in Hong Kong with limited liability)
(Stock Code: 1668)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the "**EGM**") of China South City Holdings Limited (the "**Company**") will be held at Garden Room, 2/F., New World Millennium Hong Kong Hotel, 72 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Thursday, 2 February 2023 at 10:00 a.m. for the purposes of considering and, if thought fit, passing with or without modification, the following ordinary resolutions.

Unless otherwise defined, capitalised terms used in this notice shall have the meanings as those defined in the circular of the Company dated 17 January 2023 of which this notice forms part.

Shareholders should note that:

1. "**THAT:**

(a) the Investment Agreement and the Shareholders' Agreement dated 16 December 2022 and entered into among the Seller, China South International, the Subscriber and the Target Company (as amended and/or restated from time to time) and the transactions contemplated thereunder (including, among other things, the Subscription and the grant and the exercise of the Put Option) be hereby approved, ratified and confirmed; and

(b) the Directors be and are hereby authorised to do all such acts and things and execute all such further documents or deeds as he/she may, in his/her absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the Investment Agreement, the Shareholders' Agreement and the transactions contemplated thereunder (including, among other things, the Subscription and the grant and the exercise of the Put Option), and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith."

By Order of the Board
China South City Holdings Limited
LI Wenxiong and CHENG Chung Hing
Co-Chairmen

Hong Kong, 17 January 2023

Notes:

(1) As (i) the Subscription and the grant and the exercise of the Put Option are all transactions contemplated under the Investment Agreement; (ii) the Subscription and the grant and the exercise of the Put Option are part and parcel to the same transactions which have been negotiated and agreed by the Group and the Subscriber simultaneously; and (iii) the approval of each of the Subscription and the grant and the exercise of the Put Option is interdependent on, and cannot proceed without, the approval of the other, the Company will seek Independent Shareholders' approval for each of the Subscription and the grant and the exercise of the Put Option under the same single resolution at the EGM. As a result, Independent Shareholders which exercise their rights to vote will be either voting in favour of the one single resolution which includes both of the Subscription and the grant and the exercise of the Put Option, or voting against it.

(2) Reference is made to the announcement of the Company dated 11 January 2023 in relation to the closure of the register of members of the Company. For the purpose of determining Shareholders who are entitled to attend and vote at the EGM to be held on Thursday, 2 February 2023, the registers of members of the Company will be closed from Monday, 30 January 2023 to Thursday, 2 February 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, Shareholders are reminded to ensure that all share transfer documents accompanied by the relevant share certificates are lodged for registration with the share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on Friday, 27 January 2023.

(3) A member entitled to attend and vote at the above meeting convened by the above notice, is entitled to appoint one or more than one proxy to attend and to vote in his stead. A proxy need not be a member of the Company.

(4) A form of proxy for the meeting is enclosed. The form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power of attorney or authority, must be deposited at the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time for holding meeting or adjourned meeting thereof, and in defaults the form of proxy shall not be treated as valid.

(5) Completion and return of the form of proxy will not preclude members from attending and voting in person at the above meeting or any adjourned meeting thereof should they so wish. In such case, such form of proxy shall be deemed to be revoked.

(6) Where there are joint holders of any Shares, the vote of the senior who tenders a vote whether is person, or by proxy, shall be accepted to the exclusion of the votes of other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company.