THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Peking University Resources (Holdings) Company Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.

资源控股
RESOURCES HOLDINGS

Peking University Resources (Holdings) Company Limited
北大資源(控股)有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00618)

VERY SUBSTANTIAL ACQUISITION
IN RELATION TO THE PROPOSED ACQUISITION OF
(1) 49% OF THE EQUITY INTEREST IN CHONGQING YAYUAN HENGHUI;
(2) 49% OF THE EQUITY INTEREST IN CHONGQING YINGHE YIYUAN;
AND
(3) APPROXIMATELY 31.53% OF THE EQUITY INTEREST
IN ZHEJIANG RESOURCES BY WAY OF THE DEBT SETTLEMENT
AND
NOTICE OF SPECIAL GENERAL MEETING

Financial adviser

首控集團
CHINA FIRST CAPITAL GROUP

FIRST CAPITAL INTERNATIONAL FINANCE LIMITED

A notice convening the SGM to be held at Room 2303, 23/F, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong, at 10:00 a.m., on Friday, 10 March 2023 is set out on pages SGM-1 to SGM-5 in this circular.

A form of proxy for the SGM is enclosed with this circular. Such form of proxy is also published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.pku-resources.com). As set out in the section headed "Special Arrangements for the SGM" of this circular, the SGM will be conducted virtually by way of video-conference. As Shareholders will not be permitted to attend the SGM in person, Shareholders who wish to vote at the SGM shall appoint the chairman of the SGM as their proxy by completing the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM, i.e. Wednesday, 8 March 2023 at 10:00 a.m. (Hong Kong time), or any adjournment thereof (as the case may be).

17 February 2023

CONTENTS

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

NO PHYSICAL ATTENDANCE AT THE SGM

The SGM will be conducted virtually via electronic means (the "**Virtual SGM**"). The Shareholders and/or their proxies will NOT be able to attend the Virtual SGM in person, and can only participate in, communicate, view and listen to the Virtual SGM by way of video-conference.

The Virtual SGM will be broadcasted from the SGM venue in Hong Kong (the "**SGM Venue**") and only a limited number of Directors or staff of the Company who are Shareholders or proxies will be physically present at the SGM venue. Other Directors will participate by way of electronic means.

Shareholders will be able to participate in, communicate, view and listen to the Virtual SGM by way of video-conference from 10:00 a.m. until the completion of the SGM on Friday, 10 March 2023 on a computer, tablet or any browser enabled device. Please follow the instructions on the landing page on how to access the webcast. Shareholders will need to complete the following steps to be able to access the live webcast of the Virtual SGM of the Company:

Accessing Proceedings of the Virtual SGM by Zoom

For Shareholders who would like to participate in, communicate, view and listen to the Virtual SGM live webcast, you will need to register by sending an email to is-enquiries@hk.tricorglobal.com or via telephone hotline at (852) 2980 1333 by providing personal particulars as follows:

(a) Full name;

(b) Registered address;

(c) Number of Shares held;

(d) Hong Kong Identity Card Number or passport number (in case of natural person)/company registration number (in case of body corporate);

(e) Contact telephone number; and

(f) Email address

no later than 10:00 a.m. on Thursday, 9 March 2023 (being not less than twenty-four (24) hours before the time appointed for holding the Virtual SGM) to enable the Company to verify the Shareholders' status.

Authenticated Shareholders will receive an email confirmation by Friday, 10 March 2023 which contains a link to join the live webcast of the Virtual SGM. Shareholders MUST NOT forward the link to other persons who are not the Shareholders and who are not entitled to attend the Virtual SGM.

Vote by appointing the chairman of the SGM as your proxy

All resolutions at the SGM will be decided on a poll. Shareholders will still be able to vote by doing so in advance of the SGM by proxy. If you wish to vote on any resolution at the SGM, you must appoint the chairman of the SGM as your proxy to exercise your right to vote at the SGM in accordance with your instructions. If you appoint a person who is not the chairman of the SGM as your proxy, that person will not be permitted entry to the SGM and will not be able to exercise your vote.

The proxy form for use at the SGM is enclosed with this circular. The proxy form can be downloaded from the "Investor Relations – Announcements" section of the Company's website (www.pku-resources.com/investor/notice.html). If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of a proxy.

The proxy form should be returned to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the Virtual SGM.

Questions from Shareholders

Shareholders may submit any questions they may have in advance in relation to any resolution set out in the notice of SGM by 10:00 a.m. on Thursday, 9 March 2023 (being not less than twenty-four (24) hours before the time appointed for holding the Virtual SGM) via email to is-enquiries@hk.tricorglobal.com or via telephone hotline at (852) 2980 1333 providing personal particulars as follows for verification purposes:

(a) Full name;

(b) Registered address;

(c) Number of Shares held;

(d) Hong Kong Identity Card Number or passport number (in case of natural person)/company registration number (in case of body corporate);

(e) Contact telephone number; and

(f) Email address.

Shareholders can also submit questions during the Virtual SGM through the webcast link provided.

The Board will arrange for as many of the questions asked to be answered as possible at the Virtual SGM.

Changes to arrangements

The Company is closely monitoring the impact of the COVID-19 Pandemic in Hong Kong. Should any changes be made to the SGM arrangements, the Company will notify Shareholders via an announcement posted on the Company's website (www.pku-resources.com) and the website of the Stock Exchange (www.hkexnews.hk).

If Shareholders have any questions relating to the SGM, please contact Tricor Tengis Limited, the Company's branch share registrar and transfer office in Hong Kong as follows:

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

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

"2022/23 Interim Financial Statements"	the unaudited consolidated financial statements of the Group for the six months ended 30 September 2022 contained in the interim report of the Company for the six months ended 30 September 2022
"Acquirer(s)"	Wuhan Jinxiang, Chongqing Yingfeng, Wuhan Tianhe Jincheng, and Chongqing Yuefeng, each being the Acquirer in respect of the Debt Settlement Agreements A, B, C and D respectively, together the Acquirers
"Announcement"	the announcement of the Company dated 9 January 2023 in relation to the Debt Settlement
"BG Resources"	Beijing Gangtong Resources Enterprise Management Co., Ltd.* (北京港通資源企業管理有限公司), a company established in the PRC with limited liability, being a wholly-owned subsidiary of HK Huzi, and a debtor of the Acquirers
"Board"	the board of Directors
"Business Day(s)"	a day on which banks are generally open for business in Hong Kong, except a Sunday and a Saturday or a day on which a tropical cyclone warning signal no. 8 or above or a "black" rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
"Chongqing Feidia"	Chongqing Feidia Information Technology Partnership (Limited Partnership)* (重慶飛迪亞信息技術合夥企業(有限合夥)), a limited partnership established in the PRC with limited liability, being owned as to approximately 99.8% by Shiji Jiahe and as to approximately 0.1% by each of Chongqing Heyumei and Chongqing Heyue Yingyu, and being the Vendor in respect of the Debt Settlement Agreement A
"Chongqing Heyue Yingxu"	Chongqing Heyue Yingxu Project Management Co., Ltd.* (重慶合悅盈旭項目管理有限公司), a company established in the PRC with limited liability, being an indirect wholly-owned subsidiary of the Company which holds 51% equity interest of each of Chongqing Yayuan Henghui and Chongqing Yinghe Yiyuan

"Chongqing Heyue Yingyu"	Chongqing Heyue Yingyu Project Management Co., Ltd.* (重慶合悅盈裕項目管理有限公司), a company established in the PRC with limited liability, being an indirect wholly-owned subsidiary of the Company which holds approximately 0.1% interest of each of Chongqing Feidia and Chongqing Longsay, approximately 0.01% interest of Chongqing Minos and approximately 68.47% equity interest of Zhejiang Resources
"Chongqing Heyumei"	Chongqing Heyumei Commercial Information Consultancy Co., Ltd.* (重慶合裕美商務信息諮詢有限公司), a company established in the PRC with limited liability, being an indirect wholly-owned subsidiary of the Company which holds approximately 0.1% interest of each of Chongqing Feidia and Chongqing Longsay, and approximately 0.12% interest of Chongqing Minos
"Chongqing Longsay"	Chongqing Longsay Information Technology Partnership (Limited Partnership)* (重慶朗賽信息科技合夥企業(有限合夥)), a limited partnership established in the PRC with limited liability, being owned as to approximately 99.8% by Shiji Jiahe, and as to approximately 0.1% by each of Chongqing Heyumei and Chongqing Heyue Yingyu, and being the Vendor in respect of the Debt Settlement Agreement B
"Chongqing Minos"	Chongqing Minos Information Technology Partnership (Limited Partnership)* (重慶美諾思信息科技合夥企業(有限合夥)), a limited partnership established in the PRC with limited liability, being owned as to approximately 99.87% by Shiji Jiahe, approximately 0.12% by Chongqing Heyumei and approximately 0.01% by Chongqing Heyue Yingyu, and being the Vendor in respect of the Debt Settlement Agreements C and D
"Chongqing Yayuan Henghui"	Chongqing Yayuan Henghui Information Technology Co., Ltd.* (重慶雅源恒輝信息技術有限公司), a company established in the PRC with limited liability, which is held as to 51% by Chongqing Heyue Yingxu, an indirect wholly-owned subsidiary of the Company, and as to 49% by Chongqing Feidia

"Chongqing Yingfeng"	Chongqing Yingfeng Property Co., Ltd.* (重慶盈豐地產有限公司), a company established in the PRC with limited liability, being an indirect wholly-owned subsidiary of the Company, a creditor of BG Resources, and the Acquirer in respect of the Debt Settlement Agreement B
"Chongqing Yinghe Yiyuan"	Chongqing Yinghe Yiyuan Enterprise Management Co., Ltd.* (重慶盈合益遠企業管理有限公司), a company established in the PRC with limited liability, which is held as to 51% by Chongqing Heyue Yingxu, an indirect wholly-owned subsidiary of the Company, and as to 49% by Chongqing Longsay
"Chongqing Yinghe Yiyuan Group"	Chongqing Yinghe Yiyuan and its subsidiary, namely Chengdu Yinghe Zhiyuan Enterprise Management Co., Ltd.* (成都盈合智遠企業管理有限公司)
"Chongqing Yuefeng"	Chongqing Yuefeng Real Estate Co., Ltd.* (重慶悦豐地產有限公司), a company established in the PRC with limited liability, being an indirect 70%-owned subsidiary of the Company, a creditor of BG Resources, and the Acquirer in respect of the Debt Settlement Agreement D
"Collateral Agreement A"	the collateral agreement dated 31 July 2022 entered into between Wuhan Jinxiang and Chongqing Feidia pursuant to which Wuhan Jinxiang agreed to accept the pledging of collateral by Chongqing Feidia of its 49% equity interest of Chongqing Yayuan Henghui to secure the repayment of the outstanding debt and accrued interest owed by BG Resources to Wuhan Jinxiang
"Collateral Agreement B"	the collateral agreement dated 31 July 2022 entered into between Chongqing Yingfeng and Chongqing Longsay pursuant to which Chongqing Yingfeng agreed to accept the pledging of collateral by Chongqing Longsay of its 49% equity interest of Chongqing Yinghe Yiyuan to secure the repayment of the outstanding debt and accrued interest owed by BG Resources to Chongqing Yingfeng

"Collateral Agreement C"	the collateral agreement dated 31 July 2022 entered into between Wuhan Tianhe Jincheng and Chongqing Minos pursuant to which Wuhan Tianhe Jincheng agreed to accept the pledging of collateral by Chongqing Minos of its approximately 20.59% equity interest of Zhejiang Resources to secure the repayment of the outstanding debt and accrued interest owed by BG Resources to Wuhan Tianhe Jincheng
"Collateral Agreement D"	the collateral agreement dated 31 July 2022 entered into between Chongqing Yuefeng and Chongqing Minos pursuant to which Chongqing Yuefeng agreed to accept the pledging of collateral by Chongqing Minos of its approximately 10.94% equity interest of Zhejiang Resources to secure the repayment of the outstanding debt and accrued interest owed by BG Resources to Chongqing Yuefeng
"Collateral Agreements"	the Collateral Agreement A, the Collateral Agreement B, the Collateral Agreement C and the Collateral Agreement D
"Company"	Peking University Resources (Holdings) Company Limited (北大資源(控股)有限公司), an exempted company incorporated in Bermuda with limited liability, and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 618)
"Completion"	completion of the Debt Settlement Agreements in accordance with the terms and conditions therein
"Completion Date"	the date on which Completion is to take place in accordance with the terms and conditions of the Debt Settlement Agreements
"Conditions"	the conditions specified under the Debt Settlement Agreements as set out in the section headed "Conditions Precedent" in the letter from the Board in this circular
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Consideration"	the consideration of RMB2,308,245,000 in aggregate, subject to adjustments, agreed between the Acquirers and the Vendors attributable to the relevant equity interests of the Target Companies to be transferred by the Vendors to the Acquirers pursuant to the Debt Settlement Agreements and shall be settled by way of the Debt Settlement
"COVID-19"	the Coronavirus (COVID-19)
"Debt Settlement"	the debt settlement of outstanding debts and accrued interest owing by BG Resources to the respective Acquirers contemplated under the Debt Settlement Agreements
"Debt Settlement Agreement(s)"	the Debt Settlement Agreement A, the Debt Settlement Agreement B, the Debt Settlement Agreement C, and the Debt Settlement Agreement D
"Debt Settlement Agreement A"	the debt settlement agreement dated 9 January 2023 entered into between Wuhan Jinxiang, as the Acquirer, and Chongqing Feidia, as the Vendor, in respect of the Debt Settlement and the transfer of 49% equity interest of Chongqing Yayuan Henghui
"Debt Settlement Agreement B"	the debt settlement agreement dated 9 January 2023 entered into between Chongqing Yingfeng, as the Acquirer, and Chongqing Longsay, as the Vendor, in respect of the Debt Settlement and the transfer of 49% equity interest of Chongqing Yinghe Yiyuan
"Debt Settlement Agreement C"	the debt settlement agreement dated 9 January 2023 entered into between Wuhan Tianhe Jincheng, as the Acquirer, and Chongqing Minos, as the Vendor, in respect of the Debt Settlement and the transfer of approximately 20.59% equity interest of Zhejiang Resources
"Debt Settlement Agreement D"	the debt settlement agreement dated 9 January 2023 entered into between Chongqing Yuefeng, as the Acquirer, and Chongqing Minos, as the Vendor, in respect of the Debt Settlement and the transfer of approximately 10.94% equity interest of Zhejiang Resources
"Director(s)"	directors of the Company

"Distribution Business"	the business of distribution of information products of the Group
"Enlarged Group"	the Company and its subsidiaries following Completion
"Founder Data"	Founder Data Corporation International Limited (方正數碼國際有限公司), a former wholly-owned subsidiary of the Company, the entire issued share capital of which was disposed by the Company to Huzi Shareholder on 17 January 2023
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong Dollars, the lawful currency of Hong Kong
"HK Huzi"	Hong Kong Huzi Limited (香港琥諮有限公司), a company incorporated in Hong Kong with limited liability, is beneficially wholly-owned by Huzi Shareholder, a Shareholder interested in 105,000,000 Shares, representing approximately 1.34% of the issued share capital of the Company as at the Latest Practicable Date
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huzi Group"	HK Huzi and its subsidiaries
"Huzi Shareholder"	Ms. Zhao Ge (趙舸), being the sole and beneficial shareholder of HK Huzi as at the Latest Practicable Date
"Latest Practicable Date"	13 February 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	the expiry date of a period of 6 months after the date of the Debt Settlement Agreements
"Pledged Assets"	49% equity interest of Chongqing Yayuan Henghui, 49% equity interest of Chongqing Yinghe Yiyuan and 31.53% equity interest of Zhejiang Resources, being the Pledged Assets under the Previous Collateral Agreements and the Collateral Agreements

"PRC" or "China"	the People's Republic of China which, for the purpose of this circular excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Previous Collateral Agreements"	the collateral agreements entered into by relevant subsidiaries of the Huzi Group and the Group, pursuant to which relevant subsidiaries of the Huzi Group pledged their equity interests in the Target Companies, namely the Pledged Assets to secure the repayment of the outstanding debt and accrued interest owed by BG Resources to the Group
"Real Estate Business"	the property development and property investment business of the Group
"Relevant Litigations"	the ongoing legal proceedings where Zhejiang Resources were involved in as defendants as at the Latest Practicable Date
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, to approve, among other matters, the Debt Settlement Agreements and the transactions contemplated thereunder
"Share(s)"	ordinary share(s) of HK$0.10 each in the issued share capital of the Company
"Shareholder(s)"	the shareholder(s) of the Company
"Shiji Jiahe"	Wuhan Shiji Jiahe Technology Co., Ltd* (武漢世紀佳合科技有限公司), a company established in the PRC with limited liability, being an indirect wholly-owned subsidiary of Wealth Elite and interested in approximately 99.8% equity interest of Chongqing Feidia and Chongqing Longsay, and approximately 99.87% equity interest of Chongqing Minos
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Target Companies"	Chongqing Yayuan Henghui, Chongqing Yinghe Yiyuan and Zhejiang Resources
"Vendor(s)"	Chongqing Feidia, the Vendor in respect of the Debt Settlement Agreements A, Chongqing Longsay, the Vendor in respect of the Debt Settlement Agreement B, and Chongqing Minos, the Vendor in respect of the Debt Settlement Agreements C and D, together the Vendors
"Wealth Elite"	Wealth Elite Group Investment Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Oh Choon Gan, Eric, a third party independent of the Company and its connected persons (as defined under the Listing Rules), being the holding company of Shiji Jiahe
"Wealth Elite Group"	Wealth Elite and its subsidiaries
"Wuhan Jinxiang"	Wuhan Jinxiang Asset Management Co., Ltd.* (武漢錦祥資產管理有限公司), a company established in the PRC with limited liability, being an indirect wholly-owned subsidiary of the Company, a creditor of BG Resources, and the Acquirer in respect of the Debt Settlement Agreement A
"Wuhan Tianhe Jincheng"	Wuhan Tianhe Jincheng Real Estate Development Co., Ltd.* (武漢天合錦程房地產發展有限公司), a company established in the PRC with limited liability, being an indirect 70%-owned subsidiary of the Company, a creditor of BG Resources, and the Acquirer in respect of the Debt Settlement Agreement C
"Zhejiang Resources"	Zhejiang Peking University Resources Real Estate Co., Ltd.* (浙江北大資源地產有限公司), a company established in the PRC with limited liability, which is held as to approximately 68.47% by Chongqing Heyue Yingyu, an indirect wholly-owned subsidiary of the Company, and as to approximately 31.53% by Chongqing Minos
"Zhejiang Resources Group"	Zhejiang Resources and its subsidiary, namely, Hangzhou Yuanen Business Management Co. Ltd.* (杭州緣恩商業管理有限公司)

"%"	per cent.

* *for identification purposes only*

Unless otherwise specified in this circular, amount denominated in HK$ have been converted into RMB at the rate of HK$1.00 = RMB0.87. This exchange rate is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted at the above rate or any other rates.

资源控股
RESOURCES HOLDINGS

Peking University Resources (Holdings) Company Limited
北大資源(控股)有限公司

(Incorporated in Bermuda with limited liability)
(Stock code: 00618)

Executive Directors:
Mr. Wong Kai Ho *(Chairman)*
Mr. Wang Guiwu
Mr. Huang Zhuguang
Mr. Guo Langhua

Independent Non-executive Directors:
Mr. Chin Chi Ho, Stanley
Mr. Chung Wai Man
Mr. Hua Yichun

Registered office:
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

Head office and principal place of business in Hong Kong:
Room 2303, 23/F
COFCO Tower
262 Gloucester Road
Causeway Bay
Hong Kong

17 February 2023

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION
IN RELATION TO THE PROPOSED ACQUISITION OF
(1) 49% OF THE EQUITY INTEREST IN CHONGQING YAYUAN HENGHUI;
(2) 49% OF THE EQUITY INTEREST IN CHONGQING YINGHE YIYUAN;
AND
(3) APPROXIMATELY 31.53% OF THE EQUITY INTEREST
IN ZHEJIANG RESOURCES BY WAY OF THE DEBT SETTLEMENT
AND
NOTICE OF SPECIAL GENERAL MEETING

I. INTRODUCTION

Reference is made to the Announcement. On 9 January 2023 (after trading hours of the Stock Exchange), the Acquirers, all being indirect subsidiaries of the Company, and the Vendors entered into the Debt Settlement Agreements, pursuant to which the Vendors have conditionally agreed to transfer (1) 49% equity interest of Chongqing Yayuan Henghui; (2) 49% equity interest of Chongqing Yinghe Yiyuan; and (3) approximately 31.53% equity interest of the Zhejiang Resources to the Acquirers at the Consideration of RMB2,308,245,000, subject to adjustments, in aggregate. Pursuant to the Debt Settlement Agreements, the Consideration shall be settled by way of the Debt Settlement, namely, off-setting against the outstanding debts and all accrued interest due from BG Resources to the Acquirers.

II. THE DEBT SETTLEMENT AGREEMENTS

Debt Settlement Agreement A

Date

9 January 2023

Parties

(i) Wuhan Jinxiang, an indirect wholly-owned subsidiary of the Company, as the Acquirer; and

(ii) Chongqing Feidia, as the Vendor.

Chongqing Feidia is a limited partnership established on 14 July 2022 and is principally engaged in investment holding. As at the Latest Practicable Date, Shiji Jiahe was interested in approximately 99.8% of Chongqing Feidia, and each of Chongqing Heyumei and Chongqing Heyue Yingyu, both were indirect wholly-owned subsidiaries of the Company, was interested in approximately 0.1% of Chongqing Feidia.

Assets to be acquired

Pursuant to the Debt Settlement Agreement A, Chongqing Feidia has conditionally agreed to transfer 49% equity interest of Chongqing Yayuan Henghui to Wuhan Jinxiang with all rights and interests attaching thereto (including rights to dividends and voting rights). Details of Chongqing Yayuan Henghui are set out in the section headed “IV. Information of the Vendors and the Target Companies” below.

Consideration

The Consideration in respect of the Debt Settlement Agreement A, subject to adjustments, is approximately RMB929,422,000.

Debt Settlement Agreement B

Date

9 January 2023

Parties

(i) Chongqing Yingfeng, an indirect wholly-owned subsidiary of the Company, as the Acquirer; and

(ii) Chongqing Longsay, as the Vendor.

Chongqing Longsay is a limited partnership established on 14 July 2022 and is principally engaged in investment holding. As at the Latest Practicable Date, Shiji Jiahe was interested in approximately 99.8% of Chongqing Longsay, and each of Chongqing Heyumei and Chongqing Heyue Yingyu, both were indirect wholly-owned subsidiaries of the Company, was interested in approximately 0.1% of Chongqing Longsay.

Consideration

The Consideration in respect of the Debt Settlement Agreement B, subject to adjustments, is approximately RMB932,774,000.

Assets to be acquired

Pursuant to the Debt Settlement Agreement B, Chongqing Longsay has conditionally agreed to transfer 49% equity interest of Chongqing Yinghe Yiyuan to Chongqing Yingfeng with all rights and interests attaching thereto (including rights to dividends and voting rights). Details of Chongqing Yinghe Yiyuan are set out in the section headed "IV. Information of the Vendors and the Target Companies" below.

Debt Settlement Agreement C

Date

9 January 2023

Parties

(i) Wuhan Tianhe Jincheng, an indirect 70%-owned subsidiary of the Company, as the Acquirer; and

(ii) Chongqing Minos, as the Vendor.

Chongqing Minos is a limited partnership established on 21 July 2022 and is principally engaged in investment holding. As at the Latest Practicable Date, Shiji Jiahe was interested in approximately 99.87% of Chongqing Minos, and Chongqing Heyumei and Chongqing Heyue Yingyu, both were indirect wholly-owned subsidiaries of the Company, were interested in an aggregate of approximately 0.13% of Chongqing Minos.

Assets to be acquired

Pursuant to the Debt Settlement Agreement C, Chongqing Minos has conditionally agreed to transfer approximately 20.59% equity interest of Zhejiang Resources to Wuhan Tianhe Jincheng with all rights and interests attaching thereto (including rights to dividends and voting rights). Details of Zhejiang Resources are set out in the section headed "IV. Information of the Vendors and the Target Companies" below.

Consideration

The Consideration in respect of the Debt Settlement Agreement C, subject to adjustments, is approximately RMB291,283,000.

Debt Settlement Agreement D

Date

9 January 2023

Parties

(i) Chongqing Yuefeng, an indirect 70%-owned subsidiary of the Company, as the Acquirer; and

(ii) Chongqing Minos, as the Vendor.

Assets to be acquired

Pursuant to the Debt Settlement Agreement D, Chongqing Minos has conditionally agreed to transfer approximately 10.94% equity interest of Zhejiang Resources to Chongqing Yuefeng with all rights and interests attaching thereto (including rights to dividends and voting rights). Details of Zhejiang Resources are set out in the section headed "IV. Information of the Vendors and the Target Companies" below.

Consideration

The Consideration in respect of the Debt Settlement Agreement D, subject to adjustments, is approximately RMB154,766,000.

Consideration

The Consideration, subject to adjustments, is approximately RMB2,308,245,000 in aggregate, and is agreed between the Acquirers and the Vendors attributable to the equity interests of the Target Companies to be transferred by the Vendors to the Acquirers pursuant to the Debt Settlement Agreements having considered the capital contributed by equity holders of the Target Companies and shall be settled by way of the Debt Settlement, namely, off-setting against the outstanding debts and all accrued interest due from BG Resources to the respective Acquirers.

Chongqing Heyue Yingxu, an indirect wholly-owned subsidiary of the Company, holds 51% equity interest of Chongqing Yayuan Henghui and Chongqing Yinghe Yiyuan. As at the Latest Practicable Date, Chongqing Heyue Yingxu has not made any actual capital contribution to Chongqing Yayuan Henghui and Chongqing Yinghe Yiyuan.

Chongqing Heyue Yingyu, an indirect wholly-owned subsidiary of the Company, holds approximately 68.47% equity interest of Zhejiang Resources.

The Wealth Elite Group was interested in 49% equity interest of each of Chongqing Yayuan Henghui and Chongqing Yinghe Yiyuan and approximately 31.53% equity interest of Zhejiang Resources through its interests in the Vendors.

HK Huzi had been a direct wholly-owned subsidiary of the Company until the Company's disposal of the entire issued share capital of HK Huzi to Wealth Elite on 25 March 2022. For details of the disposal of HK Huzi, please refer to the Company's announcement dated 21 January 2022, circular dated 4 March 2022 and announcement dated 28 March 2022. Following the disposal of HK Huzi, the Huzi Group was indebted to the Group for an amount of approximately RMB6,985.8 million. In particular, BG Resources, a company wholly-owned by HK Huzi, is indebted to the Acquirers, all being indirect subsidiaries of the Company. The Company has carefully considered the repayment ability of BG Resources. Prior to the completion of the disposal of HK Huzi to Wealth Elite by the Company on 25 March 2022, relevant subsidiaries of the Huzi Group entered into the Previous Collateral Agreements with the Group, pursuant to which relevant subsidiaries of the Huzi Group pledged their equity interests in the Target Companies, comprising of 49% equity interest of Chongqing Yayuan Henghui, 49% equity interest of Chongqing Yinghe Yiyuan and 31.53% equity interest of Zhejiang Resources, namely the Pledged Assets, to secure the repayment of the outstanding debt and accrued interest owed by BG Resources to the Group.

In July 2022, the Group and Wealth Elite Group continued the discussion regarding possible solutions or measures to secure the repayment of the indebtedness owed by BG Resources to the Group. They agreed to establish the Vendors and transfer the Pledged Assets to the Vendors in order for the Group to obtain control and protect its interests over the Pledged Assets. Following the transfer of the Pledged Assets as mentioned above, the Vendors entered into the Collateral Agreements with the Group on 31 July 2022 to replace the Previous Collateral Agreements, pursuant to which the Vendors pledged their equity interests in the Target Companies to secure the repayment of the outstanding debt and accrued interest owed by BG Resources to the Acquirers. There are no material differences in the terms and conditions between the Previous Collateral Agreements and Collateral Agreements. To reduce the amount due from BG Resources, avoid possible impairment loss due to the irrecoverable amount due from BG Resources and to consolidate the Group's equity interest in the Target Companies, the Company proposed to acquire the interests in the Target Companies and entering into the Debt Settlement Agreements to offset the debts owed by BG Resources to the Acquirers.

As disclosed in the circular of the Company dated 2 December 2022, Wealth Elite disposed the entire issued share capital of HK Huzi to Huzi Shareholder in late September 2022. As the Pledged Assets were subject to the pledge created in favor of the Group, the Pledged Assets were not included in the scope of the assets disposed by Wealth Elite to Huzi Shareholder. Accordingly, the Huzi Group transferred its interests in the Vendors to Shiji Jiahe. As the Collateral Agreements entered into previously were still in effect, the Vendors were effectively securing the repayment of indebtedness owed to the Group by BG Resources, notwithstanding the ownership over BG Resources had been transferred from Wealth Elite to Huzi Shareholder.

As at the Latest Practicable Date, (1) BG Resources remained a subsidiary of HK Huzi, and (2) Shiji Jiahe, an indirect wholly-owned subsidiary of Wealth Elite, held interests in the Vendors and the Target Companies, acknowledging the existence of the Collateral Agreements.

Pursuant to the Debt Settlement Agreements, it has been acknowledged and agreed by the parties thereto that:

(1) As at the date of the Debt Settlement Agreement A, Chongqing Heyue Yingxu, an indirect wholly-owned subsidiary of the Company, holds 51% equity interest of Chongqing Yayuan Henghui. BG Resources is indebted to Wuhan Jinxiang, an indirect wholly-owned subsidiary of the Company, and as at 30 September 2022, the outstanding principal amount of such debt was approximately RMB910.8 million and the accrued interest was approximately RMB227.7 million. On 31 July 2022, Wuhan Jinxiang and Chongqing Feidia entered into the Collateral Agreement A, pursuant to which Wuhan Jinxiang agreed to accept the pledging of collateral by Chongqing Feidia of its 49% equity interest of Chongqing Yayuan Henghui to secure the repayment of the outstanding debt and accrued interest owed by BG Resources to Wuhan Jinxiang. The Debt Settlement Agreement A is to settle the outstanding debt and accrued interest owed by BG Resources to Wuhan Jinxiang by the transfer of the 49% equity interest of Chongqing Yayuan Henghui from Chongqing Feidia to Wuhan Jinxiang.

(2) As at the date of Debt Settlement Agreement B, Chongqing Heyue Yingxu, an indirect wholly-owned subsidiary of the Company, holds 51% equity interest of Chongqing Yinghe Yiyuan. BG Resources is indebted to Chongqing Yingfeng, an indirect wholly-owned subsidiary of the Company, and as at 30 September 2022, the outstanding principal amount of such debt was approximately RMB716.4 million and the accrued interest was approximately RMB277.4 million. On 31 July 2022, Chongqing Yingfeng and Chongqing Longsay entered into the Collateral Agreement B, pursuant to which Chongqing Yingfeng agreed to accept the pledging of collateral by Chongqing Longsay of its 49% equity interest of Chongqing Yinghe Yiyuan to secure the repayment of the outstanding debt and accrued interest owed by BG Resources to Chongqing Yingfeng. The Debt Settlement Agreement B is to settle the outstanding debt and accrued interest owed by BG Resources to Chongqing Yingfeng by the transfer of the 49% equity interest of Chongqing Yinghe Yiyuan from Chongqing Longsay to Chongqing Yingfeng.

(3) As at the date of Debt Settlement Agreement C, Chongqing Heyue Yingyu, an indirect wholly-owned subsidiary of the Company, holds approximately 68.47% equity interest of Zhejiang Resources. BG Resources is indebted to Wuhan Tianhe Jincheng, an indirect 70%-owned subsidiary of the Company, and as at 30 September 2022, the outstanding principal amount of such debt was approximately RMB198.7 million and the accrued interest was approximately RMB117.2 million. On 31 July 2022, Wuhan Tianhe Jincheng and Chongqing Minos entered into the Collateral Agreement C, pursuant to which Wuhan Tianhe Jincheng agreed to accept the pledging of collateral by Chongqing Minos of its approximately 20.59% equity interest of Zhejiang Resources to secure the repayment of the outstanding debt and accrued interest owed by BG Resources to Wuhan Tianhe Jincheng. The Debt Settlement Agreement C is to settle the outstanding debt and accrued interest owed by BG Resources to Wuhan Tianhe Jincheng by the transfer of the approximately 20.59% equity interest of Zhejiang Resources from Chongqing Minos to Wuhan Tianhe Jincheng.

(4) As at the date of Debt Settlement Agreement D, Chongqing Heyue Yingyu, an indirect wholly-owned subsidiary of the Company, holds approximately 68.47% equity interest of Zhejiang Resources. BG Resources is indebted to Chongqing Yuefeng, an indirect 70%-owned subsidiary of the Company, and as at 30 September 2022, the outstanding principal amount of such debt was approximately RMB304.9 million and the accrued interest was approximately RMB30.7 million. On 31 July 2022, Chongqing Yuefeng and Chongqing Minos entered into the Collateral Agreement D, pursuant to which Chongqing Yuefeng agreed to accept the pledging of collateral by Chongqing Minos of its approximately 10.94% equity interest of Zhejiang Resources to secure the repayment of the outstanding debt and accrued interest owed by BG Resources to Chongqing Yuefeng. The Debt Settlement Agreement D is to settle the

outstanding debt and accrued interest owed by BG Resources to Chongqing Yuefeng by the transfer of the approximately 10.94% equity interest of Zhejiang Resources from Chongqing Minos to Chongqing Yuefeng.

The Consideration was determined after arm's length negotiations between the Vendors and the Acquirers with reference to the unaudited net asset values of the Target Companies as at 30 September 2022 as contained in the unaudited management accounts of the Target Companies for the six months ended 30 September 2022. In particular, since Chongqing Heyue Yingxu has not made actual capital contribution to both Chongqing Yayuan Henghui and Chongqing Yinghe Yiyuan, all of the assets of Chongqing Yayuan Henghui and Chongqing Yinghe Yiyuan were derived from the capital contribution made by the Vendors. Therefore, the Board considers that the Consideration for transfer of 49% equity interests in Chongqing Yayuan Henghui and Chongqing Yinghe Yiyuan held by the Vendors shall be 100% of net asset value of Chongqing Yayuan Henghui and Chongqing Yinghe Yiyuan, the Target Companies under the Debt Settlement Agreement A and the Debt Settlement Agreement B, respectively. For details of the Target Companies, please refer to the section headed "IV. Information of the Vendors and the Target Companies" below.

Set out below is the aggregation of the Consideration:

Target Companies (Relevant Debt Settlement Agreement(s))	Net asset values as at 30 September 2022 based on the unaudited management accounts of the Target Companies for the six months ended 30 September 2022 *(RMB million) (approximate)*	Equity interest to be acquired by the Group *(%)*	Percentages of net asset value attributable to the equity interest of the Target Company held by Vendor(s) based on capital contribution by the Vendor(s) as at the Latest Practicable Date *(%)*	Consideration agreed *(RMB million) (approximate)*
Chongqing Yayuan Henghui (Debt Settlement Agreement A)	929.4	49.0%	100.0% (Chongqing Heyue Yingxu has not made any actual capital contribution to Chongqing Yayuan Henghui) *(Note)*	929.4
Chongqing Yinghe Yiyuan Group (Debt Settlement Agreement B)	932.8	49.0%	100.0% (Chongqing Heyue Yingxu has not made any actual capital contribution to Chongqing Yinghe Yiyuan) *(Note)*	932.8
Zhejiang Resources Group (Debt Settlement Agreements C and D)	1,414.7	31.53%	31.53%	446.0
				2,308.2

Note: Since the capital contribution periods as stipulated in the articles of association of both Chongqing Yayuan Henghui and Chongqing Yinghe Yiyuan have not yet expired, Chongqing Heyue Yingxu has not made actual capital contribution to both Chongqing Yayuan Henghui and Chongqing Yinghe Yiyuan. Thus all of the assets of Chongqing Yayuan Henghui and Chongqing Yinghe Yiyuan were derived from the capital contribution made by the Vendors. The Board considers that 100% of net asset value of Chongqing Yayuan Henghui and Chongqing Yinghe Yiyuan shall be attributed to the 49% equity interest in Chongqing Yayuan Henghui and Chongqing Yinghe Yiyuan held by the Vendors.

Parties to the Debt Settlement Agreements have agreed that the Consideration in respect of each Debt Settlement Agreement shall be first applied to the settlement of the accrued interest owing by BG Resources to the respective Acquirers and the remaining balances of the Consideration in respect of each Debt Settlement Agreement shall be applied to the settlement of the outstanding debts owing by BG Resources to the respective Acquirers. If there are remaining outstanding debts owing by BG Resources to the respective Acquirers which are not settled by offsetting the Consideration under the Debt Settlement, such remaining outstanding debts shall continue to be repayable by BG Resources to the relevant Acquirers.

Adjustments to Consideration

Parties to the Debt Settlement Agreements have agreed that the final Consideration in respect of the relevant equity interest of the Target Company under each Debt Settlement Agreement shall be adjusted to the audited net asset value of the relevant Target Company as at 30 September 2022 as audited by the auditor. The net assets value of Zhejiang Resources as at 30 September 2022 shown in the Announcement was based on its unaudited management accounts which recognised an impairment on the receivables with intragroup companies. Having discussed with the auditors, management is of the view that provision for impairment is not required to be made as the amount due from intragroup companies is recoverable, accordingly the Consideration has been adjusted in line with the increase in the net assets value of Zhejiang Resources Group after the audit.

Details of the final Consideration as adjusted in accordance with the Debt Settlement Agreements are as follows:

Target Companies (Relevant Debt Settlement Agreement(s))	**Audited net asset value of the Target Company as at 30 September 2022** *(RMB million) (approximate)*	**Equity interest to be acquired by the Group** *(%)*	**Percentages of net asset value attributable to the equity interest held by the Vendor(s) based on capital contribution by the Vendor(s) as at the Latest Practicable Date** *(%)*	**Final Consideration after adjustments** *(RMB million) (approximate)*
Chongqing Yayuan Henghui (Debt Settlement Agreement A)	980.9	49.0%	100% *(Note)*	980.9
Chongqing Yinghe Yiyuan Group (Debt Settlement Agreement B)	980.8	49.0%	100% *(Note)*	980.8
Zhejiang Resources Group (Debt Settlement Agreements C and D)	1,499.5	31.53%	31.53%	472.8
				2,434.5

Note: Since the capital contribution periods as stipulated in the articles of association of both Chongqing Yayuan Henghui and Chongqing Yinghe Yiyuan have not yet expired, Chongqing Heyue Yingxu has not made actual capital contribution to both Chongqing Yayuan Henghui and Chongqing Yinghe Yiyuan. Thus all of the assets of Chongqing Yayuan Henghui and Chongqing Yinghe Yiyuan were derived from the capital contribution made by Chongqing Feidia and Chongqing Longsay respectively. The Board considers that 100% of net asset value of Chongqing Yayuan Henghui and Chongqing Yinghe Yiyuan shall be attributed to the 49% equity interest in Chongqing Yayuan Henghui and Chongqing Yinghe Yiyuan held by Chongqing Feidia and Chongqing Longsay respectively.

Conditions Precedent

Completion of each Debt Settlement Agreement is conditional upon fulfilment or, as the case may be, waiver of the following Conditions:

(1) the Shareholders (excluding the Shareholders who are required to abstain from voting under the Listing Rules or applicable laws) shall approve the Debt Settlement Agreement and the transactions contemplated thereunder at the SGM;

(2) all necessary consents required to be obtained on the part of the Company and the Acquirer in relation to the Debt Settlement Agreement and the transactions contemplated thereunder having been obtained;

(3) parties to the Debt Settlement Agreement having executed documents in relation to the transfers of equity interests of the Target Company to the satisfaction of the Acquirer;

(4) the shareholders of the Target Company having approved the signing, delivery and performance of the documents in relation to the transfer of the equity interest, waived their pre-emptive rights to purchase and co-sale rights in respect of the relevant equity interest, and amended the articles of association in accordance with the transfer of equity interest; and

(5) the Target Company having completed the registration of the change of the equity interest and filing with relevant government departments in relation to the transfer of the equity interest and provided the Acquirer with relevant supporting documents.

The Debt Settlement Agreements are not inter-conditional with each other.

Neither the Acquirers or the Vendors shall be entitled to waive any of the Conditions (1) to (4) above. If any of the Conditions is not fulfilled or waived by the Long Stop Date, the Acquirers have the right to terminate the Debt Settlement Agreements, neither the Acquirers nor the Vendors shall be obliged to proceed with the Debt Settlement. The Debt Settlement Agreements can be terminated if the parties to the Debt Settlement Agreements mutually agree to terminate the Debt Settlement Agreements. In such circumstances, the provisions of the Debt Settlement Agreements (other than such clauses relating to confidentiality, compensation and governing law, which shall remain in full force and effect) shall have no effect and the Acquirers and the Vendors shall be released from any further obligations without any liability save for any claims arising out of any antecedent breach of the Debt Settlement Agreements.

As at the Latest Practicable Date, none of the Conditions had been fulfilled or satisfied. The Company has no current intention or plan for early termination of the Debt Settlement Agreements. The Company will publish update announcement(s) if any of the Conditions is not fulfilled or waived by the Long Stop Date or upon early termination of the Debt Settlement Agreements.

Completion

Completion shall take place on the Completion Date when all Conditions set out in the Debt Settlement Agreements have been fulfilled or waived (if applicable).

Upon Completion, the Company's equity interest in (1) Chongqing Yayuan Henghui will increase from 51% to 100%; (2) Chongqing Yinghe Yiyuan will increase from 51% to 100%; and (3) Zhejiang Resources will increase from approximately 68.47% to 100% (of which 31.53% will be held through the Company's 70%-owned subsidiaries), and the financial information of the Target Companies will continue to be consolidated into the financial statements of the Group.

Following the registration of the transfer of the ownership of the relevant equity interests under the Debt Settlement Agreements, the Vendors will no longer have any equity interest of the Target Companies and their obligations under the Collateral Agreements will accordingly be extinguished.

III. INFORMATION OF THE GROUP

The Company and the Group

The Company is incorporated in Bermuda with limited liability and its Shares are listed on the Main Board of the Stock Exchange (stock code: 618). The Group is principally engaged in distribution of information products, property development and property investment businesses.

The Acquirers

Wuhan Jinxiang, Chongqing Yingfeng, Wuhan Tianhe Jincheng and Chongqing Yuefeng, each being the Acquirer in respect of the Debt Settlement Agreements A, B, C and D respectively.

Wuhan Jinxiang is a company established in the PRC with limited liability, and an indirect wholly-owned subsidiary of the Company and a creditor of BG Resources. Wuhan Jinxiang is principally engaged in investment holding.

Chongqing Yingfeng is a company established in the PRC with limited liability, and an indirect wholly-owned subsidiary of the Company and a creditor of BG Resources. Chongqing Yingfeng is principally engaged in property development in the PRC.

Wuhan Tianhe Jincheng is a company established in the PRC with limited liability, and an indirect 70%-owned subsidiary of the Company and a creditor of BG Resources. The remaining 30% equity interest of Wuhan Tianhe Jincheng is owned by Wuhan Hetianrui Investment Co., Ltd.* (武漢合天瑞投資有限公司) ("**Wuhan Hetianrui**"), a company owned as to 50% by Mr. Jiang Xiaoping (姜曉平) ("**Mr. Jiang**"), 17% by Mr. Hu Bo (胡波), 17% by Mr. Wu Wei (吳偉), and 16% by Mr. Huang Jian (黃健). Apart from Mr. Jiang who is the deputy chief executive officer of the Company and the president of several subsidiaries of the Company, each of Wuhan Hetianrui's shareholders is a third party independent of the Company and its connected persons. Wuhan Tianhe Jincheng is principally engaged in property development in the PRC.

Chongqing Yuefeng is a company established in the PRC with limited liability, and an indirect 70%-owned subsidiary of the Company and a creditor of BG Resources. The remaining 30% equity interest of Chongqing Yuefeng is owned as to 20% by Chongqing Shengwang Trading Co., Ltd.* (重慶升旺商貿有限公司) ("**Chongqing Shengwang**") and 10% by Chongqing Runyang Investment Co., Ltd.* (重慶潤洋投資有限公司) ("**Chongqing Runyang**"). Chongqing Shengwang is owned as to 90% by Mr. Yang Lixin (楊立新) and 10% by Mr. Cao Jinchuan (曹晉川). Chongqing Runyang is owned as to 50% by Mr. Liu Yang (劉洋) and 50% by Mr. Li Xiaojing (李曉晶). Each of Chongqing Shengwang, Chongqing Runyang and their respective shareholders is a third party independent of the Company and its connected persons. Chongqing Yuefeng is principally engaged in property development in the PRC.

IV. INFORMATION OF THE VENDORS AND THE TARGET COMPANIES

The Vendors

(1) Chongqing Feidia

Chongqing Feidia is a limited partnership established on 14 July 2022 in the PRC and is principally engaged in investment holding. As at the Latest Practicable Date, Shiji Jiahe, as limited partner, was interested in approximately 99.8% of the total interest of Chongqing Feidia, and each of Chongqing Heyumei, as limited partner, and Chongqing Heyue Yingyu, as general partner, both were indirect wholly-owned subsidiaries of the Company, was interested in approximately 0.1% of the total interest of Chongqing Feidia.

(2) Chongqing Longsay

Chongqing Longsay is a limited partnership established on 14 July 2022 in the PRC and is principally engaged in investment holding. As at the Latest Practicable Date, Shiji Jiahe, as limited partner, was interested in approximately 99.8% of the total interest of Chongqing Longsay, and each of Chongqing Heyumei, as limited partner, and Chongqing Heyue Yingyu, as general partner, both were indirect wholly-owned subsidiaries of the Company, was interested in approximately 0.1% of the total interest of Chongqing Longsay.

(3) Chongqing Minos

Chongqing Minos is a limited partnership established on 21 July 2022 in the PRC and is principally engaged in investment holding. As at the Latest Practicable Date, Shiji Jiahe, as limited partner, was interested in approximately 99.87% of the total interest of Chongqing Minos, and Chongqing Heyumei, as limited partner, and Chongqing Heyue Yingyu, as general partner, both were indirect wholly-owned subsidiaries of the Company, were interested in an aggregate of approximately 0.13% of the total interest of Chongqing Minos.

Given that Chongqing Heyue Yingyu, a wholly-owned subsidiary of the Company, is the general partner of each of the Vendors, the Vendors are regarded as subsidiaries of the Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, other than the aforesaid partnership arrangements in respect of each of the Vendors that Chongqing Heyumei and Chongqing Heyue Yingyu, both are indirect wholly-owned subsidiaries of the Company, are limited partner and general partner of the Vendors respectively, other ultimate beneficial owners of the Vendors are third parties independent of the Company and its connected persons.

The Target Companies

(1) Chongqing Yayuan Henghui

Chongqing Yayuan Henghui is a company established on 22 December 2021 in the PRC with limited liability. Chongqing Yayuan Henghui is held as to 51% by Chongqing Heyue Yingxu, an indirect wholly-owned subsidiary of the Company, and as to 49% by Chongqing Feidia, the Vendor in respect of the Debt Settlement Agreement A. The registered capital of Chongqing Yayuan Henghui was contributed by Chongqing Peking University Resources Investment Co., Ltd., being a former wholly-owned subsidiary of the Company.

Chongqing Yayuan Henghui is principally engaged in investment holding and its principal assets are receivables from certain subsidiaries of the Group.

(2) Chongqing Yinghe Yiyuan

Chongqing Yinghe Yiyuan is a company established on 15 December 2021 in the PRC with limited liability and principally engaged in investment holding. Chongqing Yinghe Yiyuan is held as to 51% by Chongqing Heyue Yingxu, an indirect wholly-owned subsidiary of the Company, and as to 49% by Chongqing Longsay, the Vendor in respect of the Debt Settlement Agreement B.

Chongqing Yinghe Yiyuan is principally engaged in investment holding and its principal asset is receivable from certain subsidiary of the Group. Chengdu Yinghe Zhiyuan Enterprise Management Co., Ltd.* (成都盈合智遠企業管理有限公司) ("**Chengdu Yinghe Zhiyuan**"), a wholly-owned subsidiary of Chongqing Yinghe Yiyuan established on 11 July 2022, is principally engaged in property resale and agency activities which mainly involves purchase of real estate properties from independent third parties with a view to resell the same on the market. As at the Latest Practicable Date, Chengdu Yinghe Zhiyuan has 28 commercial properties and one swimming pool in the PRC on its property portfolio, all of which were purchased from independent third parties, and no resale had been completed.

(3) Zhejiang Resources

Zhejiang Resources is a company established on 23 October 2015 in the PRC with limited liability. Zhejiang Resources is held as to approximately 68.47% by Chongqing Heyue Yingyu, an indirect wholly-owned subsidiary of the Company, and as to approximately 31.53% by Chongqing Minos, the Vendor in respect of the Debt Settlement Agreements C and D.

Zhejiang Resources is principally engaged in property development business in the PRC and its principal assets are inventory of properties and receivables from certain subsidiaries of the Group and BG Resources. Hangzhou Yuanen Business Management Co., Ltd.* (杭州緣恩商業管理有限公司) ("**Hangzhou Yuanen**"), a wholly-owned subsidiary of Zhejiang Resources established on 24 November 2021, is principally engaged in property leasing and management. As at the Latest Practicable Date, the properties leased and managed by Hangzhou Yuanen were held by Zhejiang Resources, which encompassed 35 apartments, 178 retail units and 112 car parking spaces, and Hangzhou Yuanen would further sub-let such properties to independent third party sub-tenants.

Set out below are details of inventory of properties held by Zhejiang Resources:

Location in the PRC	Project name	Effective equity interest	Type and number of properties held	Appraised value by the valuer as at 31 December 2022 *(RMB)*
Hangzhou, Zhejiang (浙江杭州)	PKU Resources • Wei Ming Mansion* (北大資源 • 未名府)	100%	35 apartments, 178 retail units and 112 car parking spaces	309,100,000

As at the Latest Practicable Date, 5 out of 35 apartments, 140 out of the 178 retail units, and 111 of 112 car parking spaces were leased out. The valuation report of properties held by Zhejiang Resources, which was issued by Ravia Global Appraisal Advisory Limited is set out in Appendix VI to this circular.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the transactions contemplated under the Debt Settlement Agreements were not related to any of the Company's current material litigations as at the Latest Practicable Date.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, save for the following Relevant Litigations where Zhejiang Resources are involved, the Target Companies were not involved in any other litigations as at the Latest Practicable Date:

(1) a civil legal proceeding filed by China Construction Eighth Engineering Division Corp., Ltd.* (中國建築第八工程局有限公司) against Zhejiang Resources with the Zhejiang Hangzhou Intermediate People's Court* (浙江省杭州市中級人民法院) in respect of outstanding construction project sum with interests and penalties amounting to approximately RMB105.3 million, in relation to a property development project of Zhejiang Resources. As at the Latest Practicable Date, while the hearing has taken place, Zhejiang Resources was unable to estimate the expected date of rendering of judgment;

(2) a civil legal proceeding filed by Western Trust Co., Ltd.* (西部信託有限公司) against Zhejiang Resources with the Shaanxi Xi'an Intermediate People's Court* (陝西省西安市中級人民法院) in respect of outstanding debts with interests and penalties amounting to approximately RMB389.4 million, in relation to a three-year loan provided from the plaintiff to Zhejiang Resources for an aggregate principal amount of approximately RMB300 million with an interest rate of approximately 10.4% per annum and secured by pledging a parcel of land

in Yuhang District, Hangzhou. On 1 April 2022, the court issued the first instance judgment in favour of the plaintiff, ordering Zhejiang Resources to repay the outstanding principal with interests and penalties, and that the plaintiff shall be entitled to the proceeds from the auction or sale of the pledged parcel of land for the purpose of satisfying the judgment sum. Subsequently, Zhejiang Resources appealed to Shaanxi Higher People's Court* (陝西省高級人民法院). As at the Latest Practicable Date, the hearing has taken place, with judgement from the court pending and Zhejiang Resources was unable to estimate the expected date of rendering of judgment;

(3) a civil legal proceeding filed by Beijing PKU Resources Property Management Group Co., Ltd.* (北京北大資源物業經營管理集團有限公司) against Zhejiang Resources with the People's Court of Yuhang District, Hangzhou* (杭州市餘杭區人民法院) in respect of outstanding property management services fees with penalties amounting to approximately RMB6.7 million, in relation to property management services provided to a property project of Zhejiang Resources. As at the Latest Practicable Date, the hearing has taken place, with judgement from the court pending and Zhejiang Resources was unable to estimate the expected date of rendering of judgment;

(4) a civil legal proceeding filed by Peking University Founder Group Company Limited (北大方正集團有限公司) ("**Peking Founder**"), a former controlling shareholder of the Company, against Zhejiang Resources with the No. 1 Intermediate People's Court of Beijing* (北京市第一中級人民法院) in respect of outstanding debts with interests and penalties amounting to approximately RMB8.4 million, in relation to a 12-month loan provided from Peking Founder to Zhejiang Resources for an aggregate principal amount of approximately RMB8 million with an interest rate of approximately 4.66% per annum, for the purpose of providing funds for Zhejiang Resources to pay for construction project sums in relation to a property development project. The court has issued judgement, which ruled that Zhejiang Resources shall repay the outstanding debts. On 19 January 2023, Zhejiang Resources filed an appeal to the judgement. As at the Latest Practicable Date, Zhejiang Resources was unable to estimate the expected date of the appeal hearing;

(5) a civil legal proceeding filed by Peking Founder against Zhejiang Resources with the No. 1 Intermediate People's Court of Beijing* (北京市第一中級人民法院) in respect of outstanding debts with interests and penalties amounting to approximately RMB3.8 million, in relation to a 12-months loan provided from Peking Founder to Zhejiang Resources for an aggregate principal amount of approximately RMB3.6 million with an interest rate of approximately 4.66% per annum, for the purpose of providing funds for Zhejiang Resources to pay for construction project sums in relation to a property development project. The court has issued judgement, which ruled that Zhejiang Resources shall repay the

outstanding debts. On 19 January 2023, Zhejiang Resources filed an appeal to the judgement. As at the Latest Practicable Date, Zhejiang Resources was unable to estimate the expected date of the appeal hearing;

(6) a civil legal proceeding filed by Shenzhen Jianyi Decoration Group Co., Ltd.* (深圳市建藝裝飾集團股份有限公司) against Zhejiang Resources with the People's Court of Yuhang District, Hangzhou* (杭州市餘杭區人民法院) in respect of certain outstanding construction project sums. As at the Latest Practicable Date, the legal proceeding is in a preliminary stage and the precise amount claimed by the plaintiff is still unknown, and Zhejiang Resources was unable to estimate the expected date of hearing;

(7) a civil legal proceeding filed by China Construction Buer Curtain Wall & Decoration Co., Ltd* (中建不二幕牆裝飾有限公司) against Zhejiang Resources with the People's Court of Yuhang District, Hangzhou* (杭州市餘杭區人民法院) in respect of outstanding construction project sum with interests and penalties amounting to approximately RMB9.2 million, in relation to a property development project of Zhejiang Resources. As at the Latest Practicable Date, the hearing has not yet taken place and Zhejiang Resources was unable to estimate the expected date of hearing;

(8) a civil legal proceeding filed by Zhejiang World Trade Decoration Co., Ltd.* (浙江世貿裝飾股份有限公司) against Zhejiang Resources with the People's Court of Yuhang District, Hangzhou* (杭州市餘杭區人民法院) in respect of outstanding construction project sum with interests and penalties, as well as the return of project quality deposits, amounting to approximately RMB1.3 million, in relation to a property development project of Zhejiang Resources. The court has issued judgment ordering Zhejiang Resources to pay the plaintiff in the amount of approximately RMB400,000 with overdue interests. On 19 January 2023, Zhejiang Resources filed an appeal to dispute the amount of overdue interests. As at the Latest Practicable Date, Zhejiang Resources was unable to estimate the expected date of the appeal hearing;

(9) a civil legal proceeding filed by Wanbang Digital Energy Co., Ltd.* (江蘇萬幫德和新能源科技股份有限公司) against Zhejiang Resources with the People's Court of Yuhang District, Hangzhou* (杭州市餘杭區人民法院) in respect of outstanding construction project sum amounting to approximately RMB140,000, in relation to a property development project of Zhejiang Resources. As at the Latest Practicable Date, mediation process is ongoing and the hearing has not yet taken place, and Zhejiang Resources was unable to estimate the expected date of hearing;

(10) a civil legal proceeding filed by Zhejiang New Interactive Culture Media Co., Ltd.* (浙江新互動文化傳媒有限公司) against Zhejiang Resources with the People's Court of Yuhang District, Hangzhou* (杭州市餘杭區人民法院) in

respect of outstanding professional services fee with penalties amounting to approximately RMB20,000. As at the Latest Practicable Date, the hearing has taken place, with judgment from the court pending. The court has issued the judgment in favour of Zhejiang Resources and the plaintiff's claim was dismissed. As at the Latest Practicable Date, Zhejiang Resources received no information as to whether the plaintiff will file any appeal against the judgment;

(11) a civil legal proceeding filed by Hitachi Elevator (China) Hangzhou Engineering Co., Ltd.* (日立電梯(中國)有限公司杭州工程有限公司) against Zhejiang Resources with the People's Court of Yuhang District, Hangzhou* (杭州市餘杭區人民法院) in respect of outstanding construction project sum with penalties amounting to approximately RMB2.3 million, in relation to a property development project of Zhejiang Resources. The court has issued judgment in favour of the plaintiff. On 19 January 2023, Zhejiang Resources filed an appeal against the judgment. As at the Latest Practicable Date, Zhejiang Resources was unable to estimate the expected date of the appeal hearing; and

(12) a civil legal proceeding filed by Beijing PKU Resources Property Management Group Co., Ltd. Hangzhou Branch* (北京北大資源物業經營管理集團有限公司杭州分公司) against Zhejiang Resources with the People's Court of Xihu District, Hangzhou* (杭州市西湖區人民法院) in respect of outstanding property management services fees with penalties amounting to approximately RMB240,000, in relation to property management services provided to a property project of Zhejiang Resources. As at the Latest Practicable Date, the hearing has taken place, with judgment from the court pending and Zhejiang Resources was unable to estimate the expected date of rendering of judgment.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, all the plaintiffs of the Relevant Litigations are third parties independent of the Company and its connected persons.

Despite the Relevant Litigations where Zhejiang Resources are involved in and the contingent liabilities, the Board considers that the acquisition of 31.53% equity interest of Zhejiang Resources is in the interest of the Company and the Shareholders as whole and the Consideration for the acquisition of 31.53% equity interest of Zhejiang Resources is fair and reasonable after taking into account the followings:

(i) as Zhejiang Resources currently is a subsidiary of the Company, the Group has been dealing with the Relevant Litigations all along. Thus, the acquisition of 31.53% equity interest of Zhejiang Resources will not bring additional burden on the Group in terms of the amounts of resources and expenses required for the Group to deal with the Relevant Litigations;

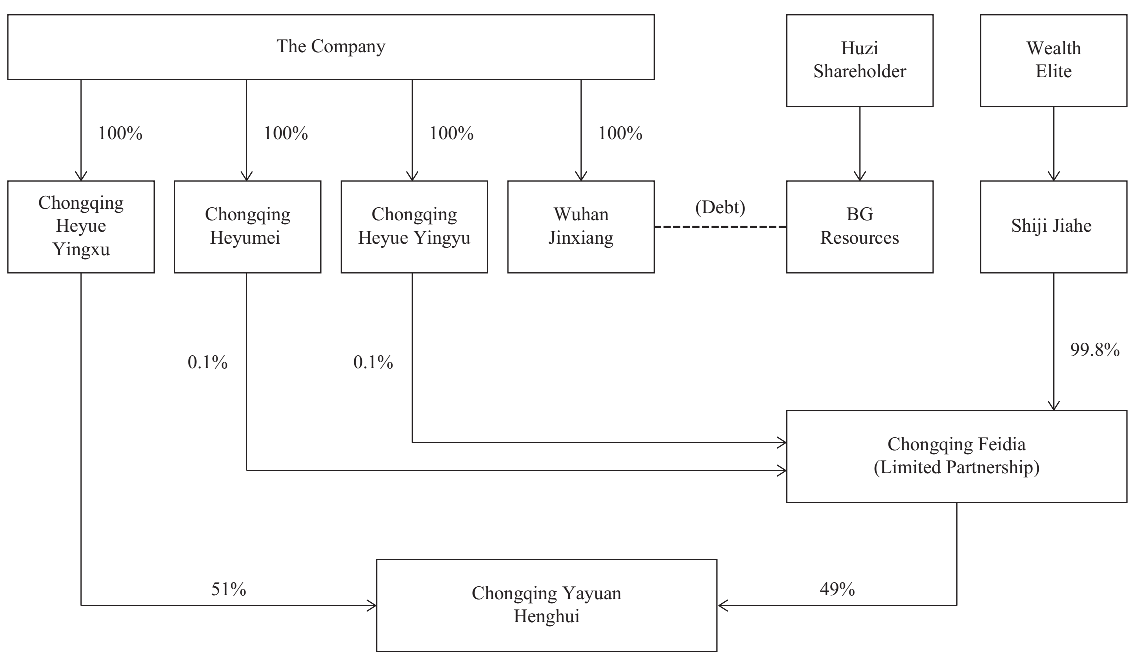
(ii) the Consideration for the acquisition of 31.53% equity interest of Zhejiang Resources shall be adjusted to the percentage of audited net asset value of Zhejiang Resources as at 30 September 2022 attributable to the equity interest acquired as shown in the audited financial statement of Zhejiang Resources, which has already recognized all of the underlying indebtedness relating to, and/or the contingent liabilities resulting from the Relevant Litigations; and

(iii) the acquisition of 31.53% equity interest of Zhejiang Resources to offset the debts owed by BG Resources to the relevant Acquirers is beneficial to the Group, as it effectively reduces the amount due from BG Resources and avoid possible impairment loss due to the irrecoverable amount due from BG Resources.

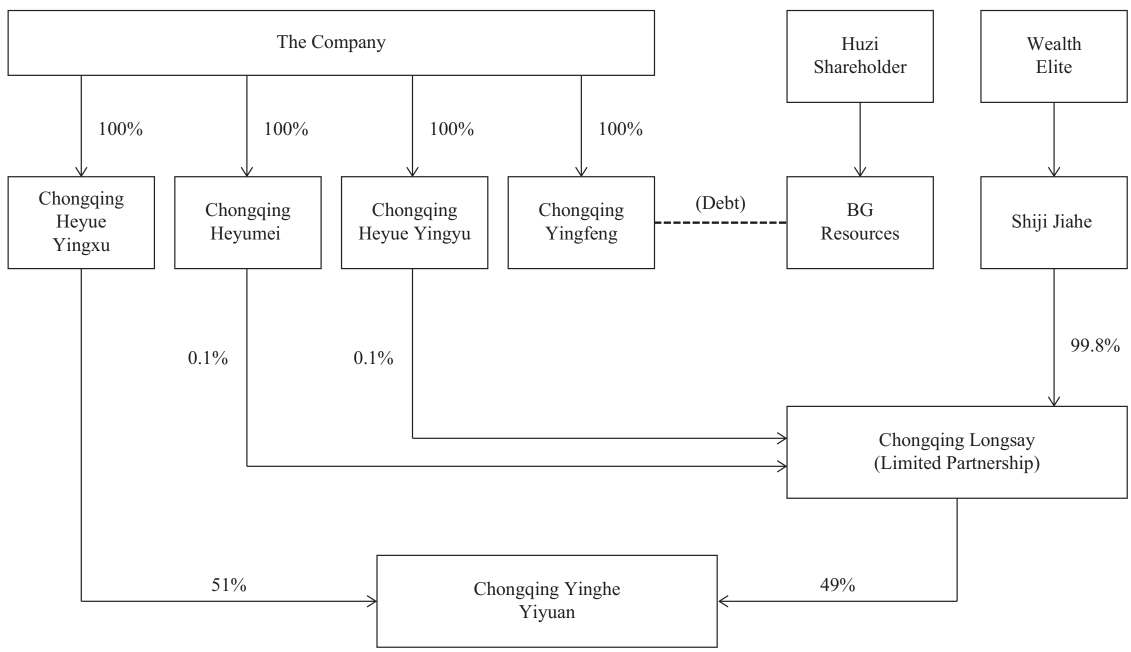
Group structure of the Target Companies

The diagram below depicts the group structure of the Target Companies before Completion:

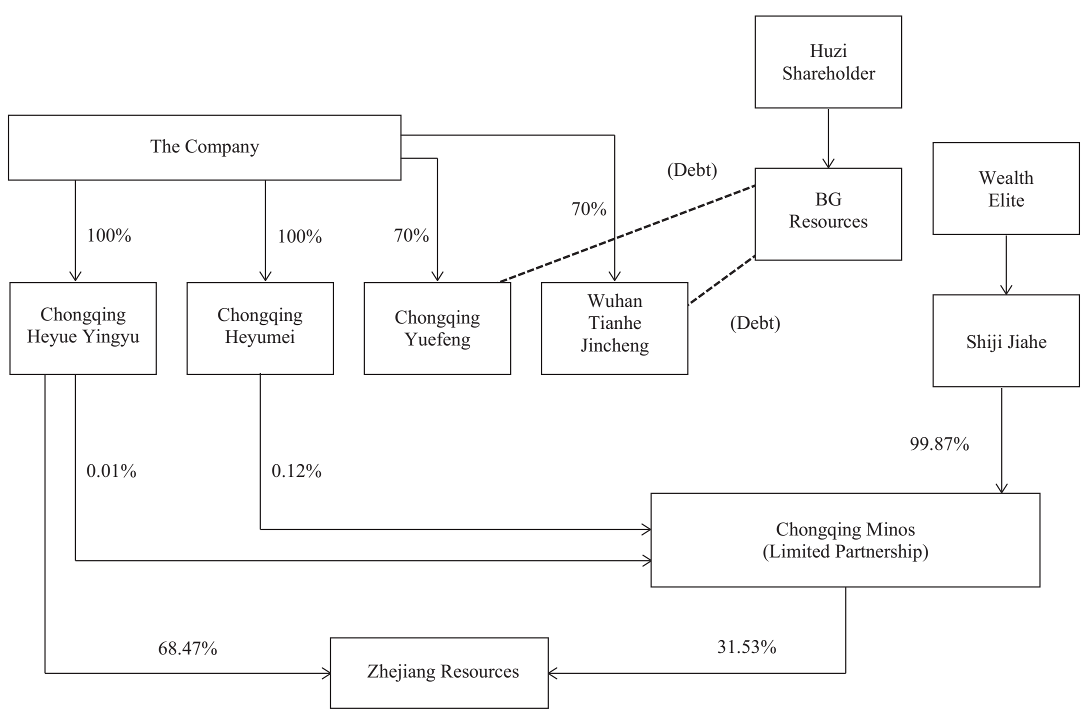
Chongqing Yayuan Henghui



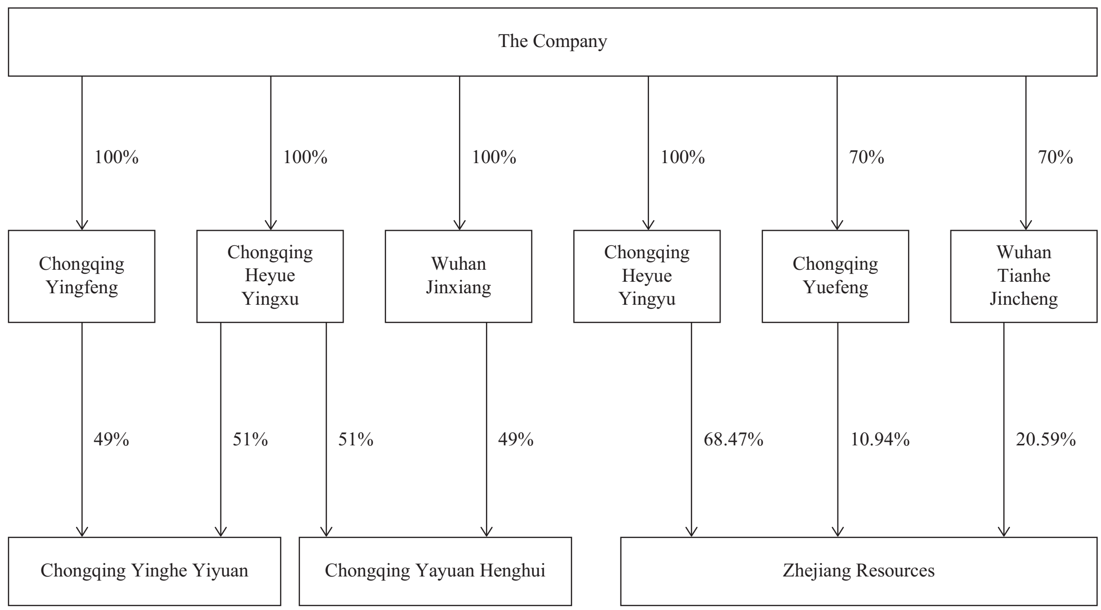
Chongqing Yinghe Yiyuan



Zhejiang Resources



The diagram below depicts the group structure of the Target Companies immediately after Completion:



V. FINANCIAL INFORMATION OF THE TARGET COMPANIES

As disclosed in the announcement of the Company dated 5 January 2022, the financial year end date of the Company was changed from 31 December to 31 March with effect from 5 January 2022, thus the published audited financial statements of the Company covers a 15-month period from 1 January 2021 to 31 March 2022. The financial information of the Target Companies were presented as fifteen months period ended 31 March 2022 to align the year end date of the Company for better understanding of the financial impact to the Group as a whole. Set out below is the audited financial information of the Target Companies for the year ended 31 December 2020, the fifteen months ended 31 March 2022 and the six months ended 30 September 2022 as prepared in accordance with Hong Kong Financial Reporting Standards as extracted from the accountants' report on the Target Companies, contained in Appendix II(A), II(B) and II(C) to this circular:

(1) Chongqing Yayuan Henghui

	For the year ended 31 December 2020 *(RMB million) (approximate)*	**For the fifteen months ended 31 March 2022** *(RMB million) (approximate)*	**For the six months ended 30 September 2022** *(RMB million) (approximate)*
Revenue	–	–	–
Net loss for the year/period before taxation	–	–	0.1
Net loss for the year/period after taxation	–	–	0.1

	As at 31 December 2020 *(RMB million) (approximate)*	**As at 31 March 2022** *(RMB million) (approximate)*	**As at 30 September 2022** *(RMB million) (approximate)*
Total assets	–	981.0	980.9
Total liabilities	–	–	–
Net assets/(liabilities)	–	981.0	980.9

(2) Chongqing Yinghe Yiyuan Group

	For the year ended 31 December 2020 *(RMB million) (approximate)*	For the fifteen months ended 31 March 2022 *(RMB million) (approximate)*	For the six months ended 30 September 2022 *(RMB million) (approximate)*
Revenue	–	–	–
Net loss for the year/period before taxation	–	–	0.2
Net loss for the year/period after taxation	–	–	0.2

	As at 31 December 2020 *(RMB million) (approximate)*	As at 31 March 2022 *(RMB million) (approximate)*	As at 30 September 2022 *(RMB million) (approximate)*
Total assets	–	981.0	987.9
Total liabilities	–	–	7.1
Net assets/(liabilities)	–	981.0	980.8

(3) Zhejiang Resources Group

	For the year ended 31 December 2020 *(RMB million) (approximate)*	For the fifteen months ended 31 March 2022 *(RMB million) (approximate)*	For the six months ended 30 September 2022 *(RMB million) (approximate)*
Revenue	8.4	17.0	5.9
Net loss for the year/period before taxation	56.2	456.5	31.9
Net loss for the year/period after taxation	103.3	461.4	32.3

	As at 31 December 2020 (RMB million) (approximate)	As at 31 March 2022 (RMB million) (approximate)	As at 30 September 2022 (RMB million) (approximate)
Total assets	2,148.9	2,387.4	2,383.6
Total liabilities	794.6	855.5	884.1
Net assets/(liabilities)	1,354.3	1,531.9	1,499.5

The financial information of Target Companies as at 30 September 2022 shown in the Announcement was based on unaudited management accounts, and the audited financial information of Target Companies as at 30 September 2022 shown in the Circular was audited by auditor. The differences were mainly because the financial information of Target Companies in the unaudited management accounts have recognised an impairment on the receivables with intragroup companies. Having discussed with the auditors, management is of the view that provision for impairment is not required to be made as the amount due from intragroup companies is recoverable.

Set out below are the details of the receivables of each of the Target Companies due from the Group as at 30 September 2022:

Target Companies	Subsidiaries of the Group	Total outstanding amount as at 30 September 2022 (RMB million) (approximate)	Time of receivables incurred	Nature
Chongqing Yinghe Yiyuan	Chongqing Yingfeng	870.0	September 2022	*(Note 1)*
Chongqing Yayuan Henghui	Wuhan Hexin Trading Co., Ltd.* (武漢合信商貿有限公司)	120.0	March 2022 to September 2022	*(Note 1)*
Chongqing Yayuan Henghui	Tianjin Ruihesheng Project Management Co., Ltd.* (天津睿和升項目管理有限公司)	150.0	September 2022	*(Note 1)*
Chongqing Yayuan Henghui	Wuhan Jinxiang	205.0	March 2022 to September 2022	*(Note 1)*

Target Companies	Subsidiaries of the Group	Total outstanding amount as at 30 September 2022 *(RMB million)* *(approximate)*	Time of receivables incurred	Nature
Chongqing Yayuan Henghui	Wuhan Jinjing Real Estate Marketing Co., Ltd.* (武漢錦京房地產營銷有限公司)	87.2	March 2022 to September 2022	*(Note 1)*
Chongqing Yayuan Henghui	Wuhan Heliang Investment Development Co., Ltd.* (武漢合良投資發展有限公司)	370.0	March 2022 to September 2022	*(Note 1)*
Zhejiang Resources	Wuhan Tianyi Asset Management Co., Ltd.* (武漢天怡資產管理有限公司)	417.1	March 2022	*(Note 1)*
Zhejiang Resources	Chongqing Ruihesheng Project Management Co., Ltd.* (重慶睿和升項目管理有限公司)	49.3	March 2022	*(Note 1)*
Zhejiang Resources	Yuxi Runya Real Estate Co., Ltd.* (玉溪潤雅置業有限公司) ("**Yuxi Runya**")	1,433.1	March 2022	*(Note 2)*
Zhejiang Resources	Hangzhou Dingda Property Management Co. Ltd.* (杭州鼎達物業管理有限公司)	0.7 *(Note 3)*	April 2022	*(Note 1)*
Total		3,702.4		

Note 1: Lent out capital fund contributed by non-controlling shareholders of the Target Companies. In March 2022, after receipt of funds contributed by non-controlling shareholders of the Target Companies, the Target Companies lent out idle funds to relevant subsidiaries of the Group in support of their normal course of business operations.

Note 2: Lent out the idle funds to finance Yuxi Runya in previous years. As the construction work of the majority of the property projects of Zhejiang Resources had been completed while the construction work of Yuxi Runya's property projects was still ongoing, the sale proceeds received by Zhejiang Resources in relation to its completed property projects became idle funds, and were accordingly lent to Yuxi Runya to finance its ongoing construction work.

Note 3: This amount was not included in the Announcement as it was relatively negligible, and included in the table herein for the purpose of clarity.

Information on Huzi Shareholder

Huzi Shareholder is an individual investor with extensive investment experience in the capital market. As at the Latest Practicable Date, Huzi Shareholder held 105,000,000 Shares, representing approximately 1.34% of the issued share capital of the Company.

On 25 March 2022, the Company completed the disposal of entire issued share capital of HK Huzi to Wealth Elite. Subsequently, the Company was informed that Huzi Shareholder had acquired the entire issued share capital of HK Huzi from Wealth Elite in late September 2022 and became the sole ultimate beneficial owner of HK Huzi. As at 30 September 2022, the Huzi Group was indebted to the Group in the aggregate amount of approximately RMB6,907.5 million.

On 26 September 2022, Huzi Shareholder and Wealth Elite entered into a sale and purchase agreement, pursuant to which Wealth Elite agreed to sell and Huzi Shareholder agreed to purchase the entire issued share capital of HK Huzi. The disposal of HK Huzi (and accordingly, HK Huzi's subsidiaries, which include BG Resources but excluding the Pledged Assets) from Wealth Elite to Huzi Shareholder was completed on the same day. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, save for the aforesaid, there is no other relationship and past business dealings between Huzi Shareholder and Wealth Elite.

On 19 October 2022, the Company and Huzi Shareholder entered into a sale and purchase agreement, pursuant to which the Company shall dispose the entire issued share capital of Founder Data, a company incorporated in the British Virgin Islands with limited liability to Huzi Shareholder. On 10 November 2022, the Company and Huzi Shareholder entered into a supplemental agreement, pursuant to which the completion of certain reorganization was designated as an extra condition precedent to the completion of the said disposal. At the special general meeting of the Company held on 22 December 2022, the Shareholders passed resolutions to approve the disposal and the transactions thereunder. For details, please refer to the Company's announcements dated 19 October 2022, 10 November 2022 and 22 December 2022, and circular dated 2 December 2022.

Although there were past business dealings between Huzi Shareholder and the Company, the Debt Settlement Agreements and the transactions contemplated thereunder have no relationship with the past business dealing between Huzi Shareholder and the Company.

Save for the aforesaid, the Company has no other relationship and past business dealings with Huzi Shareholder.

To the best of the Director's knowledge, information and belief, after having made all reasonable enquiries, Huzi Shareholder is a third party independent of the Company and its connected persons.

Information On Wealth Elite

Wealth Elite is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. Wealth Elite is wholly-owned by Mr. Oh Choon Gan, Eric, who is a Singaporean.

As disclosed in the circular of the Company dated 4 March 2022 in relation to the disposal of HK Huzi, Wealth Elite took part in a restructuring of the debts and assets of the Group. In November 2021, Founder Information (Hong Kong) Limited ("**Founder Information**"), a former controlling Shareholder of the Company, assigned and transferred its interest in outstanding debts of approximately HK$863 million owed by the Group to Founder Information (the "**Founder Information Debt**") to Wealth Elite, thus the Group became indebted to Wealth Elite with respect to the Founder Information Debt. Further, Wealth Elite acquired 63% of the issued share capital of Superb Virtue Limited ("**Super Virtue**") from the Group in November 2021 at the consideration of HK$27 million, which was satisfied by offsetting against part of the Founder Information Debt. After the said acquisition, Wealth Elite repaid certain indebtedness owed by Superb Virtue and its subsidiaries to the Group through a further offsetting against the Founder Information Debt. Following completion of the aforementioned debt and assets restructuring, (i) Wealth Elite holds 63% of the issued share capital of Superb Virtue and (ii) Hong Kong Resources Rui Cheng Property Holdings Limited (香港資源睿成地產控股有限公司) ("**Rui Cheng**"), an indirect wholly-owned subsidiary of the Company, was indebted to Wealth Elite in the aggregate amount of approximately HK$184 million (the "**Rui Cheng Debt**").

On 25 March 2022, the Company has completed the disposal of entire issued share capital of HK Huzi to Wealth Elite at the consideration of HK$20 million, which was satisfied by offsetting in full against part of the Rui Cheng Debt on dollar-for-dollar basis. In addition, the Huzi Group was indebted to the Group in the aggregate amount of approximately RMB6,985.8 million upon the completion of the disposal. According, following the disposal of HK Huzi to Wealth Elite, (i) Rui Cheng, an indirect wholly-owned subsidiary of the Company, was indebted to Wealth Elite in the aggregate amount of approximately HK$164 million; and (ii) the Huzi Group, which was wholly held by Wealth Elite at the material time, was indebted to the Group in the aggregate amount of approximately RMB6,985.8 million.

As disclosed in the section headed "Consideration" of the letter from the Board, prior to the completion of the disposal of HK Huzi to Wealth Elite by the Company, relevant subsidiaries of the Huzi Group entered into the Previous Collateral Agreements with the

Group, pursuant to which relevant subsidiaries of the Huzi Group pledged their equity interests in the Target Companies, namely the Pledged Assets, to secure the repayment of the outstanding debt and accrued interest owed by BG Resources to the Group. The Group and the Wealth Elite Group subsequently established the Vendors and transferred the Pledged Assets to the Vendors in order for the Group to obtain control and protect its interests over the Pledged Assets. Following the transfer of the Pledged Assets as mentioned above, the Vendors entered into the Collateral Agreements with the Group on 31 July 2022 to replace the Previous Collateral Agreements, pursuant to which the Vendors pledged their equity interests in the Target Companies to secure the repayment of the outstanding debt and accrued interest owed by BG Resources to the Acquirers. To reduce the amount due from BG Resources, avoid possible impairment loss due to the irrecoverable amount due from BG Resources and to consolidate the Group's equity interest in the Target Companies, the Company proposed the transactions contemplated hereunder to acquire the interests in the Target Companies and entering into the Debt Settlement Agreements to offset the debts owed by BG Resources to the Acquirers.

On 26 September 2022, Wealth Elite disposed the entire issued share capital of HK Huzi to Huzi Shareholder. As the Pledged Assets were subject to the pledge created in favor of the Group, the Pledged Assets were not included in the scope of the assets disposed by Wealth Elite to Huzi Shareholder. Accordingly, the Huzi Group transferred its interests in the Vendors to Shiji Jiahe and the Collateral Agreements entered into previously were still in effect.

Save for the aforesaid, the Company has no other past business dealings with Wealth Elite and its ultimate beneficial owner, and there is no other relationship between the transactions contemplated hereunder and the past business dealing between Wealth Elite (and its ultimate beneficial owner) and the Company.

VI. REASONS FOR AND BENEFITS OF THE DEBT SETTLEMENT

On 14 December 2022, the Company published its interim report for the six months ended 30 September 2022. As reported in the 2022/23 Interim Financial Statements, the equity attributable to owners of the Company was of approximately RMB56.7 million as at 30 September 2022. The carrying value of "prepayments, other receivables and other assets" amounted to approximately RMB5,356.1 million, of which amount due from the Huzi Group, was approximately RMB3,604.3 million in aggregate (the "**Former Group Companies Receivables**"). The Former Group Companies Receivables accounted for approximately 21.3% of the total assets of the Group of approximately RMB16,923.6 million as at 30 September 2022.

Set out below are the details of the Former Group Companies Receivables as at 30 September 2022:

Subsidiaries of the Company	Former group companies	Principal amount of debt due from former group companies as at 30 September 2022 *(RMB million)* *(approximate)*	Accrued interest as at 30 September 2022 *(RMB million)* *(approximate)*	Total outstanding amount as at 30 September 2022 *(RMB million)* *(approximate)*	Final Consideration under the relevant Debt Settlement Agreements, after adjustments *(RMB million)* *(approximate)*	Outstanding amount owed by former group companies following the Debt Settlement *(RMB million)* *(approximate)*	Time of principal incurred	Maturity date	Nature
Wuhan Jinxiang	BG Resources	910.8	227.7	1,138.5	Debt Settlement Agreement A: 980.9	157.6	October 2015 to June 2020	16 January 2022	*(Note 1)*
Chongqing Yingfeng	BG Resources	716.4	277.4	993.8	Debt Settlement Agreement B: 980.8	13.0	December 2015 to June 2019	30 June 2021	*(Note 1)*
Wuhan Tianhe Jincheng	BG Resources	198.7	117.2	315.9	Debt Settlement Agreement C: 308.8	7.0	July 2016 to June 2020	31 December 2022	*(Note 1)*
Chongqing Yuefeng	BG Resources	304.9	30.7	335.6	Debt Settlement Agreement D: 164.0	171.6	March 2016 to October 2020	1 July 2021	*(Note 1)*
Guiyang Henglong Real Estate Co., Ltd.* (貴陽恒隆置業有限公司)	BG Resources	827.2	156.4	983.6	N/A	983.6	August 2015 to October 2020	1 November 2021	*(Note 1)*
Foshan Peking University Resources Real Estate Co., Ltd.* (佛山北大資源地產有限公司)	BG Resources	392.3	95.5	487.8	N/A	487.8	December 2015 to June 2020	31 December 2022	*(Note 1)*
Ezhou Jinfeng Real Estate Development Co., Ltd.* (鄂州金豐房地產開發有限公司)	BG Resources	328.0	88.7	416.7	N/A	416.7	May 2019 to September 2020	31 December 2024	*(Note 1)*
Zhejiang Resources	BG Resources	328.2	47.5	375.7	N/A	375.7	December 2015 to September 2020	30 November 2021	*(Note 1)*

Subsidiaries of the Company	Former group companies	Principal amount of debt due from former group companies as at 30 September 2022 *(RMB million) (approximate)*	Accrued interest as at 30 September 2022 *(RMB million) (approximate)*	Total outstanding amount as at 30 September 2022 *(RMB million) (approximate)*	Final Consideration under the relevant Debt Settlement Agreements, after adjustments *(RMB million) (approximate)*	Outstanding amount owed by former group companies following the Debt Settlement *(RMB million) (approximate)*	Time of principal incurred	Maturity date	Nature
Tianhe Real Estate Development Co., Ltd.* (天合地產發展有限公司)	BG Resources	–	238.4	238.4	N/A	238.4	December 2015 to June 2020	31 December 2022	*(Note 1)*
Beijing Founder Century Information System Co., Ltd.* (北京方正世紀信息系統有限公司) ("**Founder Century**")	Dongguan Yihui Real Estate Co., Ltd.* (東莞億輝地產有限公司)	1,241.9	368.4	1,610.3	N/A	1,610.3	February 2019	30 November 2019	*(Note 2)*
Others	Certain former group companies			11.2	N/A	11.2			
Total				6,907.5	2,434.5	4,472.9			
Provision provided as at 30 September 2022				(3,303.2) *(Note 3)*		(2,858.6)			
Net carrying balance as at 30 September 2022				3,604.3		1,614.3			

Note 1: Historically, BG Resources was a member of the Group and was an entity responsible for the management and allocation of intra-group funds. For instance, for project companies within the Group whose construction projects had been completed, the sale proceeds from property projects would be lent to BG Resources, and BG Resources would lent out such funds to other project companies within the Group whose construction projects were in initial stage which required financial support.

Note 2: Founder Century borrowed such loan from CITIC Trust Co. Ltd. in 2019. Dongguan Yihui Real Estate Co., Ltd. has pledged certain land property as security for repayment of the loan and has agreed to assume the liabilities of Founder Century to repay such loan. The Company completed the disposal of Founder Data on 17 January 2023. Following such disposal, Founder Century, a wholly-owned subsidiary of Founder Data, also ceased to be a subsidiary of the Company.

Note 3: The provision were made after taking into account on the understanding of the financial position, certain legal proceedings and nature of business of the former group companies.

The outstanding amount owed by former group companies following the Debt Settlement as at 30 September 2022 shown in the Announcement was based on unaudited management accounts, and the outstanding amount owed by former group companies following the Debt Settlement as at 30 September 2022 shown in the Circular was audited by auditor. The differences between the outstanding amount owed by former group companies following the Debt Settlement as at 30 September 2022 in the unaudited management accounts and in the audited accounts are due to audit adjustments made respectively.

The Company considers that it is beneficial to the Group to remove the uncertainties in relation to the debts due from BG Resources. BG Resources is a wholly-owned subsidiary of HK Huzi and is a holding and management company without substantive assets other than receivables and investments holding of equity interests of the other companies in the Huzi Group. As such, there are uncertainties as to recoverability of the debts due from BG Resources. As a result of the Debt Settlement, the Group will consolidate the equity interest of the Target Companies. As noted above, other than the inventory of properties held by Zhejiang Resources, the principal assets of the Target Companies are receivables from certain subsidiaries of the Group. By acquiring the remaining equity interests of the Target Companies, the Group can consolidate the equity interest of the Target Companies, improve the quality of the assets of the Group and reduce the amount of non-controlling interests of the Group.

BG Resources was a subsidiary of HK Huzi and therefore, subsequent to the Company's disposal of HK Huzi to Wealth Elite on 25 March 2022, BG Resources also ceased to be a subsidiary of the Company. Prior to the said disposal, as BG Resources was a member of the Group, the Company was in a position to comprehensively and accurately understand its financial position, including its assets, liabilities and ability to repay its debts. The Company also knew that BG Resources was involved in certain legal proceedings with Peking Founder, a former controlling shareholder of the Company, which involved considerable amounts in dispute and whose outcomes were highly unpredictable. With such knowledge, the Company had doubts in relation to BG Resources' ability to repay the amounts due to the Group post-disposal.

As such, the Company had been using considerable efforts to devise possible solutions or measures to secure the repayment of the indebtedness owed by BG Resources to the Group, including, among others, the entering into of the Previous Collateral Agreements prior to the completion of disposal of BG Resources, and the entering into of the Collateral Agreements in July 2022 to replace the Previous Collateral Agreements, both with the purpose to secure the repayment of the outstanding debt and accrued interest owed by BG Resources to the Group. As explained above, BG Resources is a holding and management company without substantive assets other than receivables and investments holding of equity interest of the other companies in the Huzi Group, and as such, BG Resources does not have any business operations which might generate any income to repay its debts. On the other hand, as explained above, BG Resources is involved in certain legal proceedings, and as such there might be additional judgment creditors in future competing with the Group with respect to the assets of BG Resources. Taking into account the above, instead of taking other debt recovery measures such as bringing legal proceedings against BG Resources, which will be costly, time-consuming and unpredictable, the Company considers the Debt Settlement a more economic, efficient and direct course of action to achieve settlement of part of the debts owed by BG Resources to the Group. For the remaining debts which are not settled by the Debt Settlement, such remaining outstanding debts shall continue to be repayable by BG Resources, and the Company reserves its rights to take any other debt recovery measures in future.

VII. FINANCIAL EFFECT OF THE DEBT SETTLEMENT

Upon Completion, the Company's equity interest in (1) Chongqing Yayuan Henghui will increase from 51% to 100%; (2) Chongqing Yinghe Yiyuan will increase from 51% to 100%; and (3) Zhejiang Resources will increase from approximately 68.47% to 100% (of which 31.53% would be held through the Company's 70%-owned subsidiaries), and the financial information of the Target Companies will continue to be consolidated into the financial statements of the Group.

The unaudited pro forma financial information of the Enlarged Group illustrating the financial impact of the Debt Settlement is set out in Appendix V to this circular. Based on the unaudited pro forma financial information of the Enlarged Group, assuming the Completion had taken place on 1 January 2021, (i) the consolidated total assets of the Enlarged Group would be decreased by approximately RMB2,445.0 million to approximately RMB15,822.4 million; (ii) the consolidated total liabilities of the Enlarged Group would be increased by approximately RMB1.5 million to approximately RMB15,880 million; and (iii) the deficit attributable to owners of the Company would be increased by approximately RMB1.5 million to approximately RMB474.1 million and the non-controlling interests of the Group would be decreased by approximately RMB2,434.5 million to approximately RMB416.1 million. Upon Completion, the actual amount of equity movement of the Enlarged Group, for accounting purpose, will need to be recalculated based on the fair value of the purchase consideration and the carrying amount of 49% equity interest of Chongqing Yayuan Henghui, 49% equity interest of Chongqing Yinghe Yiyuan and approximately 31.53% equity interest of Zhejiang Resources at the date of completion of the Debt Settlement. The actual financial effects may be different on the Completion Date.

In addition, the Directors made a preliminary assessment of the recoverability of the receivable of BG Resources and noted a reversal of provision on the debts due from BG Resources. The amount of the Former Group Companies Receivables will be reduced by approximately RMB1,990.0 million (the reduction in gross carrying amount of receivables from BG Resources by approximately RMB2,434.5 million; netting off a reversal of impairment loss of approximately RMB444.5 million) to approximately RMB1,614.3 million. The reversal of impairment loss of approximately RMB444.5 million has considered (i) the reduced outstanding amount owed by former group companies following the Debt Settlement; (ii) BG Resources' financial position, including its assets, liabilities and ability to repay its debts; (iii) certain legal proceedings with Peking Founder, a former controlling shareholder of the Company, which involved considerable amounts in dispute and whose outcomes were highly unpredictable; and (iv) the nature of business of BG Resources as a holding and management company without substantive assets other than receivables and investments holdings of equity interest of the other companies in the Huzi Group. The Group will record a net gain from the Debt Settlement of approximately RMB444.5 million as the result of the reversal of impairment loss against the receivables of the Acquirers due from BG Resources. Furthermore, the equity attributable to owners of the Company will be increased by approximately RMB444.5 million to approximately RMB501.3 million and the non-controlling interests of the Group will be reduced by approximately RMB2,434.5 million to approximately RMB462.5 million. Although provisions were made, the debts due from the former group companies (including BG Resources) of approximately RMB4,472.9 million remain outstanding and shall continue to the repayable by the former group companies (including BG Resources). The above financial impact is shown for illustrative purpose only and Shareholders shall note that the actual gain or loss as a result of the Acquisition to be recognised in the consolidated financial statements of the Group is subject to review and final audit by the auditors of the Company.

In light of the potential future prospects offered by the Debt Settlement as stated in the section headed "VI. Reasons for and benefits of the Debt Settlement" in this letter from the Board, it is expected that the Debt Settlement would have a positive impact on the Enlarged Group in the future.

VIII. LISTING RULES IMPLICATIONS

The Debt Settlement Agreements and the transactions contemplated thereunder together constitute a very substantial acquisition for the Company under Chapter 14 of the Listing Rules, which is subject to the reporting, announcement and Shareholders' approval requirements. The SGM will be convened and held for the purpose of considering and, if thought fit, approving the resolution(s) in respect of the Debt Settlement Agreements and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, other than Huzi Shareholder, holding 105,000,000 Shares, representing approximately 1.34% of the issued Shares as at the Latest Practicable Date, who has a material interest in the Debt Settlement and shall abstain from voting, no Shareholder has a material interest in the Debt Settlement Agreements and the transactions contemplated thereunder and is required to abstain from voting on the relevant resolution(s) to be proposed at the SGM.

IX. SGM

A notice convening the SGM to be held at 10:00 a.m. on Friday, 10 March 2023 at Room 2303, 23/F, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong is set out on pages SGM-1 to SGM-5 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Such form of proxy is also published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.pku-resources.com). As set out in the section headed "Special Arrangements for the SGM" of this circular, the SGM will be conducted virtually by way of video-conference. As Shareholders will not be permitted to attend the SGM in person, Shareholders who wish to vote at the SGM shall appoint the chairman of the SGM as their proxies by completing the enclosed form of proxy in accordance with the instructions printed thereon and return the same as soon as possible to the Company's branch share registrar and transfer office in Hong Kong, Tricor

Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.

Pursuant to Rule 13.39(4) of the Listing Rules and bye-law 70 of the bye-laws of the Company, each of the resolutions set out in the notice of the SGM will be put to the vote by way of a poll.

X. CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

For the purpose of determination of entitlement to attend and vote at the SGM to be held on 10 March 2023, the register of members of the Company will be closed from 7 March 2023 to 10 March 2023 (both days inclusive), during which period no transfer of the Shares will be registered. In order to qualify for attending and voting at the SGM, all Share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on 6 March 2023.

XI. RECOMMENDATIONS

The Directors consider that the terms of the Debt Settlement Agreements are fair and reasonable, the transactions contemplated under the Debt Settlement Agreements are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole. The Directors recommend the Shareholders to vote in favour of the relevant resolution approving the Debt Settlement and the transactions contemplated thereunder at the SGM.

XII. WARNING NOTICE

As the Completion of the Debt Settlement is subject to the satisfaction of a number of conditions precedent as set out in the Debt Settlement Agreements, the Debt Settlement may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

XIII. GENERAL

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

By order of the Board
Peking University Resources (Holdings) Company Limited
Wong Kai Ho
Chairman

1. FINANCIAL SUMMARY

Details of the financial information of the Group for the years ended 31 December 2019 and 2020, the fifteen months ended 31 March 2022 and the six months ended 30 September 2022 were published on both the website of the Company (www.pku-resources.com) and the website of the Stock Exchange (www.hkexnews.hk) as follows:

- Interim report of the Group for the six months ended 30 September 2022 published on 14 December 2022 (pages 15 to 43) (available on https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1214/2022121400389.pdf)

- Annual report of the Group for the fifteen months ended 31 March 2022 published on 26 July 2022 (pages 75 to 203) (available on https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0726/2022072600035.pdf)

- Annual report of the Group for the year ended 31 December 2020 published on 12 January 2022 (pages 71 to 170) (available on https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0112/2022011201296.pdf)

- Annual report of the Group for the year ended 31 December 2019 published on 29 June 2020 (pages 53 to 156) (available on https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0629/2020062900684.pdf)

2. STATEMENT OF INDEBTEDNESS OF THE ENLARGED GROUP

As at the close of business on 31 December 2022, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had the following indebtedness:

	Notes	*RMB million* (unaudited)
Bank borrowings – unsecured	1	475.8
Other borrowings – secured	2	3,945.1
Other borrowings – unsecured	3	399.6
Lease liabilities		2.6
		4,823.1

Notes:

1. Bank borrowings of approximately RMB475.8 million are unsecured but guaranteed by Peking Founder and/or its subsidiaries.

2. Other borrowings of approximately RMB3,945.1 million are secured by (i) pledging of certain investment properties, properties under development, properties held for sales and inventories owned by the Group, the Huzi Group and Peking Founder and/or its subsidiaries and associate; (ii) pledging of equity interests of certain subsidiaries of the Group and the Huzi Group; (iii) guarantee provided by Peking Founder and/or its subsidiaries and associates; and (iv) pledging of receivables of certain subsidiaries of the Company.

3. Other borrowings of approximately RMB399.6 million are unsecured.

Contingent liabilities or guarantees

Guarantees in respect of mortgage facilities

As at the close of business of 31 December 2022, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities granted by certain banks to certain purchasers of the Group's properties amounting to approximately RMB2,961.1 million. This represented the guarantees in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers and the Group is entitled (but not limited to) to take over the legal titles and possession of these properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which are generally available within one to two years after the purchasers take possession of the relevant properties.

Guarantee in respect of the Dongguan Yihui Loan

In May 2018, a subsidiary of the Company, Yuxi Runya Property Company Limited* (玉溪潤雅置業有限公司) ("**Yuxi Runya**"), executed a guarantee, under which Yuxi Runya has given a guarantee in favour of Minmetals International Trust Co., Ltd.* (五礦國際信託有限公司) ("**Minmetals International**") for the outstanding loan which was granted by Minmetals International to Dongguan Yihui Property Co., Limited* (東莞億輝地產有限公司) ("**Dongguan Yihui**"), which is a subsidiary of Hong Kong Huzi in the principal amount of approximately RMB1,458.5 million (the "**Dongguan Yihui Loan**"). The Group had completed the disposal of 100% shareholding in Hong Kong Huzi on 25 March 2022. Upon the completion of the disposal, the fair value of the guarantee to be payable by the Group was estimated by the management of the Group to be approximately RMB371,303,000 as at 31 December 2022, after having considered the fair value of the assets and liabilities of Dongguan Yihui, including its property development project located in the PRC.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have at the close of business on 31 December 2022 any other debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchase commitments, contingent liabilities or guarantees.

3. MATERIAL ADVERSE CHANGE

Save as disclosed above and in this circular, the Directors confirm that, as at the Latest Practicable Date, there was no material adverse change in the financial or trading position of the Group since 31 March 2022, being the date to which the latest published audited consolidated accounts of the Group were made up.

4. SUFFICIENCY OF WORKING CAPITAL

The Directors are of the opinion that, taking into account the cash flows generated from the operating activities, the financial resources available to the Enlarged Group including internally generated funds, the available credit facilities and the effect of the Debt Settlement, the working capital available to the Enlarged Group is sufficient for the Enlarged Group's requirements for at least twelve months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

The Group is dedicated to a medium to long term development plan of maintaining a satisfactory growth in results and fulfilling its objective to enhance Shareholders' value and will continue to seek outstanding and profitable investment opportunities that are in line with the Group's development strategy. As detailed in the section headed "VI. Reasons for and benefits of the Debt Settlement" in the letter from the Board contained in this circular, the Board considers that the Debt Settlement represents a good opportunity for the Group to remove the uncertainties in relation to the debts due from BG Resources. By acquiring the remaining equity interests of the Target Companies, the Group can consolidate the equity interest of the Target Companies, improve the quality of the assets of the Group and reduce the amount of non-controlling interests of the Group. Following the Completion, the amount of the Former Group Companies Receivables will be reduced by approximately RMB1,990.0 million and the Enlarged Group will record a net gain from the Debt Settlement of approximately RMB444.5 million as the result of the reversal of impairment loss against the receivables of the Acquirers due from BG Resources.

Following the Debt Settlement, the Enlarged Group will continue its principal business of the Distribution Business and the Real Estate Business.

Distribution Business

In accordance with the requirements of the "14th Five Year Plan for the Development of the Digital Economy" promulgated by the State Council of the PRC, the added value of the core industries of digital economy shall account for 10% of GDP by 2025, which shows the top to bottom consensus of developing the digital economy on the market. China attaches great importance to the development of digital economy and continues to put the relevant top-level strategies fully in place, which facilitates the implementation of strategies promoting the digital economy by the industry and locally.

The Board believes that the Debt Settlement will bring positive financial impact to the Enlarged Group by removing uncertainties of its receivables. In the future, the Enlarged Group will continue to monitor its receivables balances on an ongoing basis and actively manage its credit risks. The Enlarged Group will continue to optimize the layout and product structure of the Distribution Business, and expand the scale of its existing Distribution Business at a steady pace, while actively initiating in-depth cooperation with distinguished manufacturers and other partners to secure new source of business growth. Stepping up its effort to improve the profitability of the Distribution Business, the Company will maintain effective control on market risk. At the same time, the Company will continue to strengthen the internal operation management and management of cost and expenses, hence improving both internal operation turnover efficiency and internal cash flow.

Continuing its mission of acting as the leader in China's industrial informatization, the Company will persistently explore the advanced business models of high-end services of information and communications technology ("**ICT**") based on the innovative technologies and new trends of ICT. Through the integration of capital and resources, the Company will step up efforts to introduce new industry ecosystems, thereby fostering an organic system of sharing resources and mutual benefits and developing harmonically. Furthermore, the Company will render more comprehensive and quality products, solutions and services, and empower the digital transformation of the industry and development of digital economy while driving the compound growth of the Distribution Business.

Real Estate Business

Looking forward, the Board consider that the Real Estate Business will continue to be affected by the progress of recovery from the COVID-19 pandemic as well as the development of the property market in the PRC. Since the beginning of 2022, the Central Government and local governments have launched and enhanced the incentive measures in relation to real estates, aiming to resume property sales and get rid of the current bleak conditions of the industry. Notwithstanding any change in the governmental policies on real estate, the Enlarged Group will remain prudent in the prospects of the industry in the first half of 2023.

During the downturn of the industry in the first half of 2022, the Group accumulated precious experience and demonstrated its resilience in operating capacities. In response to the prevailing challenges in the industry, the Enlarged Group will continue to place emphasis on financial security and strengthen the organizational structure and management efficiency. The Enlarged Group pursues the primary business objective of maintaining adequate liquidity for operation, deleveraging and stabilizing debt level.

As disclosed in the announcement of the Company dated 17 October 2022, the Company entered into a memorandum of understanding with The Nibiru Global Limited in relation to developing and constructing a blockchain-based metaverse with digital identities as an interface for users to experience the virtual world of properties. Leveraging the technological platform of metaverse, the Enlarged Group will commence virtual and physical real estate development business and diversified online to offline ("**O2O**") value-added lifestyle service business so as to ensure stability of the core teams of the Enlarged Group, precisely overcome the challenges of the industry, staggering the cyclical effect of the sector and seize the opportunities for future development.

As at 30 September 2022, the Group had 13 projects with planned gross floor area of approximately 2.8 million square meters. Under the new situation and norms of the industry, the Enlarged Group will follow its operating approaches to revitalize inventories, control new projects, reduce costs and enhance efficiency, and maintain the increase in cash flows. In terms of business operation, the Enlarged Group will strive to optimize and expand the product lines to accommodate different customer groups, and actively develop the business of light-asset operation in the post-property era.

The following is the text of a report received from the reporting accountants, CCTH CPA Limited, Certified Public Accountants, for the purpose of incorporation into this circular.

CCTH CPA LIMITED
中正天恆會計師有限公司

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF PEKING UNIVERSITY RESOURCES (HOLDINGS) COMPANY LIMITED

Introduction

We report on the historical financial information of Chongqing Yayuan Henghui Information Technology Co., Ltd. ("**Chongqing Yayuan Henghui**") set out on pages II-4 to II-20, which comprises the statements of financial position of Chongqing Yayuan Henghui as at 31 March 2022 and 30 September 2022 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the period from 22 December 2021 (date of incorporation of Chongqing Yayuan Henghui) to 31 March 2022 and the six months ended 30 September 2022 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-20 forms an integral part of this report, which has been prepared for inclusion in the circular of Peking University Resources (Holdings) Company Limited (the "**Company**") dated 17 February 2023 (the "**Circular**") in connection with the proposed acquisition by the Company's subsidiary of 49% equity interest in Chongqing Yayuan Henghui (the "**Acquisition**").

Directors' responsibility for the Historical Financial Information

The directors of Chongqing Yayuan Henghui 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(a) to the Historical Financial Information, and for such internal control as the directors of Chongqing Yayuan Henghui 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' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of Chongqing Yayuan Henghui, 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 of Chongqing Yayuan Henghui gives, for the purposes of the accountants' report, a true and fair view of the financial position of Chongqing Yayuan Henghui as at 31 March 2022 and 30 September 2022 and of the financial performance and cash flows of Chongqing Yayuan Henghui for the Relevant Periods in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information.

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

Adjustments

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

Dividends

We refer to Note 8 to the Historical Financial Information which states that no dividends have been paid by Chongqing Yayuan Henghui in respect of the Relevant Periods.

CCTH CPA Limited
Certified Public Accountants

Hong Kong, 17 February 2023

David Yim Kai Pung
Practising Certificate Number: P02324

Unit 1510–1517, 15/F., Tower 2
Kowloon Commerce Centre
No. 51 Kwai Cheong Road
Kwai Chung, New Territories, Hong Kong

HISTORICAL FINANCIAL INFORMATION OF CHONGQING YAYUAN HENGHUI

Preparation of Historical Financial Information

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

The financial statements of Chongqing Yayuan Henghui for the Relevant Periods (the "**Underlying Financial Statements**"), on which the Historical Financial Information is based, were audited by CCTH CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the period from 22 December 2021 (date of incorporation) to 31 March 2022 *RMB'000*	For the six months ended 30 September 2022 *RMB'000*
Revenue	4	–	–
Cost of sales		–	(123)
Gross loss		–	(123)
Other income	5	–	45
Loss before tax		–	(78)
Income tax expense	6	–	–
Total comprehensive loss for the period		–	(78)

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 March 2022 RMB'000	As at 30 September 2022 RMB'000
Current assets			
Amounts due from fellow subsidiaries	10	980,994	932,215
Cash and cash equivalents	11	6	48,707
Net assets		981,000	980,922
Equity			
Paid up capital	12(b)	981,000	981,000
Reserves	12	–	(78)
Total equity		981,000	980,922

STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of Chongqing Yayuan Henghui		
	Paid up capital	**Accumulated loss**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Capital contribution of Chongqing Yayuan Henghui on 22 December 2021 (date of its incorporation)	981,000	–	981,000
Profit for the period	–	–	–
At 31 March 2022	981,000	–	981,000
Loss for the period	–	(78)	(78)
At 30 September 2022	981,000	(78)	980,922

STATEMENTS OF CASH FLOWS

	Note	For the period from 22 December 2021 (date of incorporation) to 31 March 2022 *RMB'000*	For the six months ended 30 September 2022 *RMB'000*
Loss before tax		–	(78)
Changes in working capital:			
(Increase)/decrease in amounts due from fellow subsidiaries		(980,994)	48,779
Net cash (used in)/generated from operating activities		(980,994)	48,701
Financing activities			
Proceeds from capital contribution		981,000	–
Cash generated from financing activities		981,000	–
Net increase in cash and cash equivalents		6	48,701
Cash and cash equivalents at beginning of period		–	6
Cash and cash equivalents at end of period	11	6	48,707
Analysis of cash and cash equivalents at the end of the period			
Cash at banks and on hand		6	48,707

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

General information

Chongqing Yayuan Henghui Information Technology Co., Ltd. ("**Chongqing Yayuan Henghui**") was incorporated in the People's Republic of China (the "**PRC**") on 22 December 2021 with limited liability as a wholly foreign-owned enterprise under the PRC law.

The address of the registered office and principal place of business of Chongqing Yayuan Henghui is Floor 3, 1–2, Building 15, No. 94, Jinzhou Avenue, Yuanyang Sub-district, Liangjiang New Area, Chongqing, the PRC.

Chongqing Yayuan Henghui is principally engaged in the investment holding in the PRC.

The immediate holding company of Chongqing Yayuan Henghui is Chongqing Heyue Yingxu Project Management Company Limited, an entity incorporated in the PRC. The directors of Chongqing Yayuan Henghui consider the ultimate holding company of Chongqing Yayuan Henghui to be Peking University Resources (Holdings) Company Limited, an entity incorporated in Bermuda and its shares are listed on the Stock Exchange.

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is the same as the functional currency of Chongqing Yayuan Henghui. All values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA, the accounting principles generally accepted in Hong Kong, and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. All HKFRSs effective for the accounting period commenced from 1 January 2022, together with the relevant transitional provisions, has been early adopted by Chongqing Yayuan Henghui in the preparation of Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared on the historical cost basis.

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, Chongqing Yayuan Henghui determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the degree to which the inputs to the fair value measurements are observable and the significance of the input to the fair value measurement in its entirety) at the end of each reporting period.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of Chongqing Yayuan Henghui. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 3 below.

(b) New and amendments to HKFRSs in issue but not yet effective

Chongqing Yayuan Henghui has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture	To be determined

Chongqing Yayuan Henghui is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Historical Financial Information.

(c) Significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(i) Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that Chongqing Yayuan Henghui manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

Amortised cost and interest income

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

Impairment of financial assets subject to impairment assessment under HKFRS 9

Chongqing Yayuan Henghui performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including amounts due from fellow subsidiaries and cash and cash equivalents) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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

Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

Chongqing Yayuan Henghui regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

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

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

Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

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

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off policy

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

Measurement and recognition of ECL

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

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

Lifetime ECL for amounts due from fellow subsidiaries is considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, Chongqing Yayuan Henghui takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management of the Chongqing Yayuan Henghui to ensure the constituents of each group continue to share similar credit risk characteristics.

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

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Effective interest method

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

Derecognition of financial liabilities

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

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position when, and only when, Chongqing Yayuan Henghui currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(ii) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Chongqing Yayuan Henghui's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where Chongqing Yayuan Henghui is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Chongqing Yayuan Henghui expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Provision for expected credit losses of amounts due from fellow subsidiaries

Chongqing Yayuan Henghui regularly reviews the recoverability of amounts due from fellow subsidiaries based on both quantitative and qualitative criteria. Such analysis typically includes various estimates and assumptions, the intent and ability to hold until forecasted recovery, the financial health, cash flow projections and future prospects of the fellow subsidiaries. Should the bases and assumptions for the assessment of the recoverability adversely change, provision for expected credit losses for amounts due from fellow subsidiaries might be required to be recognised by Chongqing Yayuan Henghui.

The information about expected credit loss of the amounts due from fellow subsidiaries are disclosed in Notes 10 and 13(a).

4. REVENUE

Chongqing Yayuan Henghui has no revenue recognised during the Relevant Periods.

5. OTHER INCOME

An analysis of other income is as follows:

	For the period from 22 December 2021 (date of incorporation) to 31 March 2022	**For the six months ended 30 September 2022**
	RMB'000	*RMB'000*
Bank interest income	–	45

6. INCOME TAX EXPENSE

Chongqing Yayuan Henghui is subject to PRC corporate income tax.

PRC corporate income tax is calculated at the tax rate of 25% on the taxable profits for each of the reporting period. No provision for PRC corporate income tax have been made in the Historical Financial Information as Chongqing Yayuan Henghui has no taxable profit for the Relevant Periods.

No provision for deferred tax assets was recognised in respect of the unused tax losses and temporary differences arising from the impairment loss on the amounts due from fellow subsidiaries due to the unpredictability of future profit stream.

7. DIRECTORS' EMOLUMENTS

No emoluments were paid or are payable to directors of Chongqing Yayuan Henghui for the Relevant Periods and no directors waived or agreed to waive any remuneration during the Relevant Periods.

8. DIVIDENDS

Chongqing Yayuan Henghui has not declared or paid any dividends in respect of the period from 22 December 2021 (date of incorporation) to 31 March 2022 and the six months ended 30 September 2022.

9. EARNING PER SHARE

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

10. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts due from fellow subsidiaries are unsecured, interest free and repayable on demand, detail of which are set out belows:

Name of related companies	As at 31 March 2022 *RMB'000*	As at 30 September 2022 *RMB'000*
天津睿和升項目管理有限公司	–	150,000
重慶睿和升項目管理有限公司	495,225	–
武漢天怡資產管理有限公司	145,218	–
武漢合信商貿有限公司	48,308	120,000
武漢錦茂置業發展有限公司	60,752	–
武漢錦京房地產營銷有限公司	87,200	87,200
武漢合良投資發展有限公司	144,291	370,000
武漢錦祥資產管理有限公司	–	205,015
	980,994	932,215

Name of related companies	Maximum balances outstanding during the year/period As at 31 March 2022 *RMB'000*	As at 30 September 2022 *RMB'000*
天津睿和升項目管理有限公司	–	150,000
重慶睿和升項目管理有限公司	495,225	495,225
武漢天怡資產管理有限公司	145,218	145,218
武漢合信商貿有限公司	48,308	120,000
武漢錦茂置業發展有限公司	60,752	60,752
武漢錦京房地產營銷有限公司	87,200	87,200
武漢合良投資發展有限公司	144,291	370,000
武漢錦祥資產管理有限公司	–	205,015

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	As at 31 March 2022 *RMB'000*	As at 30 September 2022 *RMB'000*
Bank balances and cash	6	48,707

The bank balances and cash were denominated in Renminbi.

12. PAID UP CAPITAL AND RESERVES

(a) Movement of equity

The reconciliation between the opening and closing balances of each component of Chongqing Yayuan Henghui's equity is set out in the statement of changes in equity.

(b) Paid up capital

	As at 31 March 2022 *RMB'000*	As at 30 September 2022 *RMB'000*
Paid up capital	981,000	981,000

Chongqing Yayuan Henghui is registered as a limited liability entity in the PRC with the registered capital of RMB2,000,000,000. On 22 December 2022, the registered capital amounted to RMB981,000,000 was contributed by Chongqing Peking University Resources Investment Co., Ltd.

13. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The financial assets are summarised as follows:

	As at 31 March 2022 *RMB'000*	As at 30 September 2022 *RMB'000*
Financial assets		
At amortised cost		
Amounts due from fellow subsidiaries	980,994	932,215
Cash and cash equivalents	6	48,707
	981,000	980,922

Exposure to credit risks arises in the normal course of Chongqing Yayuan Henghui's business.

Chongqing Yayuan Henghui's exposure to credit risks and the financial risk management policies and practices used by Chongqing Yayuan Henghui to manage these risks are described below.

(a) Credit risk

Chongqing Yayuan Henghui is exposed to credit risk and the maximum exposure to credit risk in relation to financial assets is the carrying amount of the respective recognised financial assets as stated in the statements of financial position.

Chongqing Yayuan Henghui considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, Chongqing Yayuan Henghui compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition, having considered available reasonable and supportive forwarding looking information. Especially the following indicators are incorporated:

– internal credit rating;

– external credit rating;

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change tot the customer's ability to meet its obligations;

– actual or expected significant changes in the operating results of the debtor/customer; and

– significant changes in the expected performance and behaviour of the customers, including changes in the payment status of customer to Chongqing Yayuan Henghui and changes in the operating results of the customer.

Amounts due from fellow subsidiaries

For amounts due from fellow subsidiaries, Chongqing Yayuan Henghui has applied lifetime ECL to measure the loss allowance. In assessing the probability of defaults of amounts due from fellow subsidiaries, management of Chongqing Yayuan Henghui has taken into account the financial position of the counterparty as well as forward looking information that is available without undue cost or effort. The ECL provision of amounts due from fellow subsidiaries is monitored on an ongoing basis.

Cash and cash equivalents

Chongqing Yayuan Henghui has assessed that the expected loss rate for cash and cash equivalents as at 31 March 2022 and 30 September 2022 were immaterial. Thus, no loss allowance for cash and cash equivalents was recognised.

(b) Fair value measurement

All of the Chongqing Yayuan Henghui's financial instruments were carried at amortised cost. Their carrying amounts were not materially different from their respective fair values at 31 March 2022 and 30 September 2022.

14. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Chongqing Yayuan Henghui has been prepared in respect of any period subsequent to 30 September 2022.

The following is the text of a report received from the reporting accountants, CCTH CPA Limited, Certified Public Accountants, for the purpose of incorporation into this circular.

CCTH CPA LIMITED
中正天恆會計師有限公司

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF PEKING UNIVERSITY RESOURCES (HOLDINGS) COMPANY LIMITED

Introduction

We report on the historical financial information of Chongqing Yinghe Yiyuan Enterprise Management Co., Ltd. ("**Chongqing Yinghe Yiyuan**") and its subsidiaries (hereinafter collectively referred to as "**Chongqing Yinghe Yiyuan Group**") set out on pages II-24 to II-44, which comprises the consolidated statements of financial position of Chongqing Yinghe Yiyuan Group as at 31 March 2022 and 30 September 2022 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the period from 15 December 2021 (date of incorporation of Chongqing Yinghe Yiyuan) to 31 March 2022 and the six months ended 30 September 2022 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-24 to II-44 forms an integral part of this report, which has been prepared for inclusion in the circular of Peking University Resources (Holdings) Company Limited (the "**Company**") dated 17 February 2023 (the "**Circular**") in connection with the proposed acquisition by the Company's subsidiary of 49% equity interest in Chongqing Yinghe Yiyuan (the "**Acquisition**").

Directors' responsibility for the Historical Financial Information

The directors of Chongqing Yinghe Yiyuan 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(a) to the Historical Financial Information, and for such internal control as the directors of Chongqing Yinghe Yiyuan 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' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of Chongqing Yinghe Yiyuan, 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 of Chongqing Yinghe Yiyuan Group gives, for the purposes of the accountants' report, a true and fair view of the consolidated financial position of Chongqing Yinghe Yiyuan Group as at 31 March 2022 and 30 September 2022 and of its consolidated financial performance and its consolidated cash flows of Chongqing Yinghe Yiyuan Group for the Relevant Periods in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information.

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

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-24 have been made.

Dividends

We refer to Note 8 to the Historical Financial Information which states that no dividends have been paid by Chongqing Yinghe Yiyuan in respect of the Relevant Periods.

CCTH CPA Limited
Certified Public Accountants

Hong Kong, 17 February 2023

David Yim Kai Pung
Practising Certificate Number: P02324

Unit 1510–1517, 15/F., Tower 2
Kowloon Commerce Centre
No. 51 Kwai Cheong Road
Kwai Chung, New Territories, Hong Kong

HISTORICAL FINANCIAL INFORMATION OF CHONGQING YINGHE YIYUAN GROUP

Preparation of 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 Chongqing Yinghe Yiyuan Group for the Relevant Periods (the "**Underlying Financial Statements**"), on which the Historical Financial Information is based, were audited by CCTH CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

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

	Notes	**For the period from 15 December 2021 (date of incorporation) to 31 March 2022** *RMB'000*	**For the six months ended 30 September 2022** *RMB'000*
Revenue	4	–	–
Cost of sales		–	(228)
Gross loss		–	(228)
Other income	5	–	2
Loss before tax		–	(226)
Income tax expense	6	–	–
Loss and total comprehensive loss for the period		–	(226)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	**As at 31 March 2022** *RMB'000*	**As at 30 September 2022** *RMB'000*
Current assets			
Advance payment for acquisition of properties	10	–	6,877
Amounts due from fellow subsidiaries	11	980,939	870,000
Cash and cash equivalents	12	62	111,027
		981,001	987,904
Current liabilities			
Other payables		1	–
Amount due to a fellow subsidiary	13	–	7,130
		1	7,130
Net current assets		981,000	980,774
Net assets		981,000	980,774
Equity			
Paid up capital	14(b)	981,000	981,000
Reserves	14	–	(226)
Total equity		981,000	980,774

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of Chongqing Yinghe Yiyuan		
	Paid-in capital	**Accumulated loss**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Capital contribution of Chongqing Yinghe Yiyuan on 15 December 2021 (date of its incorporation)	981,000	–	981,000
Profit for the period	–	–	–
At 31 March 2022	981,000	–	981,000
Loss for the period	–	(226)	(226)
At 30 September 2022	981,000	(226)	980,774

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	For the period from 15 December 2021 (date of incorporation) to 31 March 2022	For the six months ended 30 September 2022
		RMB'000	*RMB'000*
Loss before tax		–	(226)
Adjustments for:			
Changes in working capital:			
Increase in advance payment for acquisition of properties		–	(6,877)
(Increase)/decrease in amounts due from fellow subsidiaries		(980,939)	110,939
Increase/(decrease) in other payables		1	(1)
Increase in amount due to a fellow subsidiary		–	7,130
Net cash (used in)/generated from operating activities		(980,938)	110,965
Financing activities			
Proceeds from capital injection		981,000	–
Cash generated from financing activities		981,000	–
Net increase in cash and cash equivalents		62	110,965
Cash and cash equivalents at beginning of period		–	62
Cash and cash equivalents at end of period	12	62	111,027
Analysis of cash and cash equivalents at the end of the period			
Cash at banks and on hand		62	111,027

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

General information

Chongqing Yinghe Yiyuan Enterprise Management Co., Ltd. ("**Chongqing Yinghe Yiyuan**") was incorporated in the People's Republic of China (the "**PRC**") on 15 December 2021 with limited liability as a wholly foreign-owned enterprise under the PRC law.

The address of the registered office and principal place of business of Chongqing Yinghe Yiyuan is 1–2 1st floor, Building 15, No. 94, Jinzhou Avenue, Yuanyang Street, Liangjiang New District, Chongqing, the PRC.

Chongqing Yinghe Yiyuan and its subsidiaries (together "**Chongqing Yinghe Yiyuan Group**") are principally engaged in investment holding in the PRC.

The immediate holding company of Chongqing Yinghe Yiyuan is Chongqing Heyue Yingxu Project Management Company Limited, an entity incorporated in the PRC. The directors of Chongqing Yinghe Yiyuan consider the ultimate holding company of Chongqing Yinghe Yiyuan to be Peking University Resources (Holdings) Company Limited, an entity incorporated in Bermuda and its shares are listed on the Stock Exchange.

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is the same as the functional currency of Chongqing Yinghe Yiyuan. All values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA, the accounting principles generally accepted in Hong Kong, and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. All HKFRSs effective for the accounting period commenced from 1 January 2022, together with the relevant transitional provisions, has been early adopted by Chongqing Yinghe Yiyuan in the preparation of Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared on the historical cost basis.

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, Chongqing Yinghe Yiyuan Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the degree to which the inputs to the fair value measurements are observable and the significance of the input to the fair value measurement in its entirety) at the end of each reporting period.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of Chongqing Yinghe Yiyuan Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 3 below.

For the purpose of preparing and presenting the Historical Financial Information, all new standards, amendments to standards and interpretations, have been consistently applied by Chongqing Yinghe Yiyuan Group throughout the Relevant Periods.

(b) New and amendments to HKFRSs in issue but not yet effective

Chongqing Yinghe Yiyuan Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture	To be determined

Chongqing Yinghe Yiyuan Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Historical Financial Information.

(c) Significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(i) ***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of Chongqing Yinghe Yiyuan and entities (including structured entities) controlled by Chongqing Yinghe Yiyuan and its subsidiaries. Control is achieved when Chongqing Yinghe Yiyuan:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Chongqing Yinghe Yiyuan Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when Chongqing Yinghe Yiyuan Group obtains control over the subsidiary and ceases when Chongqing Yinghe Yiyuan Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Relevant Periods are included in the consolidated statement of profit or loss and other comprehensive income from the date Chongqing Yinghe Yiyuan Group gains control until the date when Chongqing Yinghe Yiyuan Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of Chongqing Yinghe Yiyuan and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Chongqing Yinghe Yiyuan and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with Chongqing Yinghe Yiyuan Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Chongqing Yinghe Yiyuan Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from Chongqing Yinghe Yiyuan Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in Chongqing Yinghe Yiyuan Group's interests in existing subsidiaries

Changes in Chongqing Yinghe Yiyuan Group's interests in subsidiaries that do not result in Chongqing Yinghe Yiyuan Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of Chongqing Yinghe Yiyuan Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between Chongqing Yinghe Yiyuan Group and the non-controlling interests according to Chongqing Yinghe Yiyuan Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of Chongqing Yinghe Yiyuan.

When Chongqing Yinghe Yiyuan Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of Chongqing Yinghe Yiyuan. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if Chongqing Yinghe Yiyuan Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations or asset acquisitions

Optional concentration test

Chongqing Yinghe Yiyuan Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When Chongqing Yinghe Yiyuan Group acquires a group of assets and liabilities that do not constitute a business, Chongqing Yinghe Yiyuan Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by Chongqing Yinghe Yiyuan Group, liabilities incurred by Chongqing Yinghe Yiyuan Group to the former owners of the acquiree and the equity interests issued by Chongqing Yinghe Yiyuan Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of Chongqing Yinghe Yiyuan Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date;

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

(ii) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of Chongqing Yinghe Yiyuan Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in the Relevant Periods, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of the Relevant Periods. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When Chongqing Yinghe Yiyuan Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

(iii) Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that Chongqing Yinghe Yiyuan Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

Amortised cost and interest income

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

Impairment of financial assets subject to impairment assessment under HKFRS 9 *Financial Instruments*

Chongqing Yinghe Yiyuan Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including amounts due from fellow subsidiaries and cash and cash equivalents) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, Chongqing Yinghe Yiyuan 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. In making this assessment, Chongqing Yinghe Yiyuan Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

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

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

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

Chongqing Yinghe Yiyuan Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

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

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

Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

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

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off policy

Chongqing Yinghe Yiyuan Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 2 years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Chongqing Yinghe Yiyuan Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

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

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

Lifetime ECL for certain trade receivables is considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, Chongqing Yinghe Yiyuan Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management of the Chongqing Yinghe Yiyuan Group to ensure the constituents of each group continue to share similar credit risk characteristics.

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

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

All financial liabilities (including other payables and amount due to a fellow subsidiary) are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Effective interest method

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

Derecognition of financial liabilities

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

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position when, and only when, Chongqing Yinghe Yiyuan Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(ii) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Chongqing Yinghe Yiyuan Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where Chongqing Yinghe Yiyuan Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Chongqing Yinghe Yiyuan Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Provision for expected credit losses of amounts due from fellow subsidiaries

Chongqing Yinghe Yiyuan Group regularly reviews the recoverability of amounts due from fellow subsidiaries based on both quantitative and qualitative criteria. Such analysis typically includes various estimates and assumptions, the intent and ability to hold until forecasted recovery, the financial health, cash flow projections and future prospects of the fellow subsidiaries. Should the bases and assumptions for the assessment of the recoverability adversely change, provision for expected credit losses for amounts due from fellow subsidiaries might be required to be recognised by Chongqing Yinghe Yiyuan Group.

The information about expected credit loss of the amounts due from fellow subsidiaries are disclosed in Notes 11 and 15(a).

4. REVENUE

Chongqing Yinghe Yiyuan Group has no revenue recognised during the Relevant Periods.

5. OTHER INCOME

An analysis of other income is as follows:

	For the period from 15 December 2021 (date of incorporation) to 31 March 2022 *RMB'000*	**For the six months ended 30 September 2022** *RMB'000*
Bank interest income	–	2

6. INCOME TAX EXPENSE

Chongqing Yinghe Yiyuan Group is subject to PRC corporate income tax.

PRC corporate income tax is calculated at the tax rate of 25% on the taxable profits for each of the reporting period. No provision for PRC corporate income tax have been made in the Historical Financial Information as Chongqing Yinghe Yiyuan Group has no taxable profit for the Relevant Periods.

No provision for deferred tax assets was recognised in respect of the unused tax losses due to the unpredictability of future profit stream.

7. DIRECTORS' EMOLUMENTS

No directors' emoluments were paid or are payable to directors of Chongqing Yinghe Yiyuan Group for the Relevant Periods and no directors waived or agreed to waive any remuneration during the Relevant Periods.

8. DIVIDENDS

Chongqing Yinghe Yiyuan has not declared or paid any dividends in respect of the period from 15 December 2021 (date of incorporation) to 31 March 2022 and the six months ended 30 September 2022.

9. EARNING PER SHARE

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

10. ADVANCE PAYMENT FOR ACQUISITION OF PROPERTIES

	As at 31 March 2022 *RMB'000*	As at 30 September 2022 *RMB'000*
Advance payments	–	6,877

A subsidiary of Chongqing Yinghe Yiyuan entered into an agreement for acquisition of the property in the PRC. The consideration for the acquisition amounted to RMB6,877,000 which was fully paid by the Chongqing Yinghe Yiyuan Group. As at 30 September 2022, the property was still under the process of transfer of ownership to Chongqing Yinghe Yiyuan Group which will obtain the ownership and gain control of the property upon completion of the transfer process.

11. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts due from fellow subsidiaries are unsecured, interest free and repayable on demand. Detail of the amounts due from fellow subsidiaries are as follows:

Name of fellow subsidiaries	As at 31 March 2022 *RMB'000*	As at 30 September 2022 *RMB'000*
重慶盈豐地產有限公司	–	870,000
重慶睿和升項目管理有限公司	980,939	–
	980,939	870,000

	Maximum balance outstanding during the period	
	31 March 2022 *RMB'000*	**30 September 2022** *RMB'000*
重慶盈豐地產有限公司	–	870,000
重慶睿和升項目管理有限公司	980,939	980,939

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	As at 31 March 2022 *RMB'000*	As at 30 September 2022 *RMB'000*
Bank balances and cash	62	111,027

The bank balances and cash were denominated in Renminbi.

13. AMOUNT DUE TO A FELLOW SUBSIDIARY

The amount due to a fellow subsidiary is unsecured, interest free and repayable on demand.

14. PAID UP CAPITAL AND RESERVES

(a) Movement of equity

The reconciliation between the opening and closing balances of each component of Chongqing Yinghe Yiyuan Group's equity is set out in the consolidated statement of changes in equity.

(b) Paid up capital

	As at 31 March 2022 *RMB'000*	As at 30 September 2022 *RMB'000*
Paid up capital	981,000	981,000

Chongqing Yinghe Yiyuan is registered as a limited liability entity in the PRC with the registered capital of RMB2,000,000,000. On 15 December 2021, the registered capital amounted to RMB981,000,000 was contributed by Chongqing Peking University Resources Investment Co., Ltd.

15. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The financial assets and financial liabilities are summarised as follows:

	As at 31 March 2022 *RMB'000*	As at 30 September 2022 *RMB'000*
Financial assets		
At amortised cost		
Amounts due from fellow subsidiaries	980,939	870,000
Cash and cash equivalents	62	111,027
	981,001	981,027
Financial liabilities		
At amortised cost		
Other payables	1	–
Amount due to a fellow subsidiary	–	7,130
	1	7,130

Exposure to credit risks arises in the normal course of Chongqing Yinghe Yiyuan Group's business.

Chongqing Yinghe Yiyuan Group's exposure to credit risks and the financial risk management policies and practices used by Chongqing Yinghe Yiyuan Group to manage these risks are described below.

(a) Credit risk

Chongqing Yinghe Yiyuan Group is exposed to credit risk and the maximum exposure to credit risk in relation to financial assets is the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

Chongqing Yinghe Yiyuan Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk. Chongqing Yinghe Yiyuan Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition, having considered available reasonable and supportive forwarding looking information. Especially the following indicators are incorporated:

– internal credit rating;

– external credit rating;

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change tot the customer's ability to meet its obligations;

– actual or expected significant changes in the operating results of the debtor/customer; and

– significant changes in the expected performance and behaviour of the customers, including changes in the payment status of customer to Chongqing Yinghe Yiyuan Group and changes in the operating results of the customer.

Amounts due from fellow subsidiaries

For amounts due from fellow subsidiaries, Chongqing Yinghe Yiyuan Group has applied 12m ECL to measure the loss allowance. In assessing the probability of defaults of amounts due from fellow subsidiaries, management of Chongqing Yinghe Yiyuan Group has taken into account the financial position of the counterparty as well as forward looking information that is available without undue cost or effort. The ECL provision of amounts due from fellow subsidiaries is monitored on an ongoing basis.

Cash and cash equivalents

Chongqing Yinghe Yiyuan Group has assessed that the expected loss rate for cash and cash equivalents as at 31 March 2022 and 30 September 2022 were immaterial. Thus, no loss allowance for cash and cash equivalents was recognised.

(b) Liquidity risk management

In the management of the liquidity risk, Chongqing Yinghe Yiyuan Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Chongqing Yinghe Yiyuan Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and other source of funding.

The amounts included below for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variance interest rates differ to those estimates of interest rates determined at the end of the reporting periods.

At 31 March 2022	**On demand or within 1 year**	**Between 1 and 2 years**	**Total undiscounted cash flows**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial liabilities				
Other payables	1	–	1	1

At 30 September 2022	On demand or within 1 year	Between 1 and 2 years	Total undiscounted cash flows	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial liabilities				
Amount due to a fellow subsidiary	7,130	–	7,130	7,130

(c) Fair value measurement

All of the Chongqing Yinghe Yiyuan Group's financial instruments were carried at amortised cost. Their carrying amounts were not materially different from their respective fair values at 31 March 2022 and 30 September 2022.

16. SUBSIDIARY

As set out below are the information regarding Chongqing Yinghe Yiyuan's subsidiary during the Relevant Periods:

Name	Place of incorporation/ registration and business	Registered share capital	Percentage of equity attributable to Chongqing Yinghe Yiyuan — Direct — As at 30 September 2022	Direct — As at 31 March 2022	Indirect — As at 30 September 2022	Indirect — As at 31 March 2022	Principal activities
			%	%	%	%	
成都盈合智遠企業管理有限公司*	PRC/Mainland China	RMB100,000	100	–	–	–	Property agency

* The subsidiary was established on 11 July 2022.

None of the subsidiary had issued any debt securities at the end of the Relevant Periods.

17. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Chongqing Yinghe Yiyuan Group has been prepared in respect of any period subsequent to 30 September 2022.

The following is the text of a report received from the reporting accountants, CCTH CPA Limited, Certified Public Accountants, for the purpose of incorporation into this circular.

CCTH CPA LIMITED
中正天恆會計師有限公司

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF PEKING UNIVERSITY RESOURCES (HOLDINGS) COMPANY LIMITED

Introduction

We report on the historical financial information of Zhejiang Peking University Resources Real Estate Co., Ltd. ("**Zhejiang Resources**") and its subsidiaries (hereinafter collectively referred to as "**Zhejiang Resources Group**") set out on pages II-48 to II-90, which comprises the consolidated statements of financial position of Zhejiang Resources Group as at 31 December 2019, 31 December 2020, 31 March 2022 and 30 September 2022 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the year ended 31 December 2019, the year ended 31 December 2020, the fifteen months ended 31 March 2022 and the six months ended 30 September 2022 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-48 to II-90 forms an integral part of this report, which has been prepared for inclusion in the circular of Peking University Resources (Holdings) Company Limited (the "**Company**") dated 17 February 2023 (the "**Circular**") in connection with the proposed acquisition by the Company's subsidiaries of approximately 31.53% equity interest in Zhejiang Resources (the "**Acquisition**").

Directors' responsibility for the Historical Financial Information

The directors of Zhejiang Resources 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(a) to the Historical Financial Information, and for such internal control as the directors of Zhejiang Resources 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' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of Zhejiang Resources, 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 of Zhejiang Resources Group gives, for the purposes of the accountants' report, a true and fair view of the consolidated financial position of Zhejiang Resources Group as at 31 December 2019, 31 December 2020, 31 March 2022 and 30 September 2022 and of its consolidated financial performance and its consolidated cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Zhejiang Resources 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 nine months ended 30 September 2021 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of Zhejiang Resources are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period 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 Stub Period 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(a) to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-48 have been made.

Dividends

We refer to Note 9 to the Historical Financial Information which states that no dividends have been paid by Zhejiang Resources in respect of the Relevant Periods.

CCTH CPA Limited
Certified Public Accountants

Hong Kong, 17 February 2023

David Yim Kai Pung
Practising Certificate Number: P02324

Unit 1510–1517, 15/F., Tower 2
Kowloon Commerce Centre
No. 51 Kwai Cheong Road
Kwai Chung, New Territories, Hong Kong

I. HISTORICAL FINANCIAL INFORMATION OF ZHEJIANG RESOURCES GROUP

Preparation of 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 Zhejiang Resources Group for the Relevant Periods (the "**Underlying Financial Statements**"), on which the Historical Financial Information is based, were audited by CCTH CPA Limited in accordance with Hong Kong Standards on Auditing issued by HKICPA.

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

	Notes	For the year ended 31 December 2019	2020	For the fifteen months ended 31 March 2022	For the nine months ended 30 September 2021	For the six months ended 30 September 2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	4	426,608	8,427	16,987	5,467	5,934
Cost of sales		(329,262)	(3,290)	(1,292)	(743)	(243)
Gross profit		97,346	5,137	15,695	4,724	5,691
Other income and gains	4	40,581	471	725	455	318
Selling and distribution expenses		(5,223)	(2,334)	(2,129)	(1,263)	(949)
Administrative expenses		(23,482)	(19,947)	(3,006)	(1,413)	(1,390)
Impairment losses on other receivables	14	–	–	(398,671)	–	(3,000)
Other expenses and losses		(10,000)	(2,269)	(34,857)	(132)	(32,535)
Finance costs	6	(9,549)	(37,273)	(34,207)	(23,595)	(4)
Profit/(loss) before tax	5	89,673	(56,215)	(456,450)	(21,224)	(31,869)
Income tax expense	7(a)	(15,516)	(47,119)	(4,924)	(4,924)	(478)
Profit/(loss) and total comprehensive income/(loss) for the year/period		74,157	(103,334)	(461,374)	(26,148)	(32,347)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2019 RMB'000	As at 31 December 2020 RMB'000	As at 31 March 2022 RMB'000	As at 30 September 2022 RMB'000
Non-current assets					
Property, plant and equipment	11	21	15	41	53
Deferred tax assets	24	47,119	–	–	–
		47,140	15	41	53
Current assets					
Properties for sale – completed	12	247,796	245,554	245,534	245,534
Trade receivables	13	–	–	–	268
Prepayments, other receivables and deposits	14	18,839	12,471	13,452	9,549
Amount due from related company	15	1,979,317	24,138	–	–
Amounts due from fellow subsidiaries	16	47,545	1,862,869	2,124,261	1,900,266
Cash and cash equivalents	17(a)	13,294	3,832	4,115	227,963
		2,306,791	2,148,864	2,387,362	2,383,580
Current liabilities					
Trade payables	18	184,148	151,186	150,229	145,902
Other payables and accruals	19	4,108	40,006	103,765	136,881
Contract liabilities	20	10,207	9,629	13,953	13,752
Amounts due to related companies	21	1,558	16,948	–	–
Amounts due to fellow subsidiaries	22	117,345	6	142	107
Interest-bearing other borrowings	23	300,000	300,000	311,644	311,644
Income tax payable		278,904	276,777	275,797	275,821
		896,270	794,552	855,530	884,107
Net current assets		1,410,521	1,354,312	1,531,832	1,499,473
Net assets		1,457,661	1,354,327	1,531,873	1,499,526
Equity					
Capital	25	763,152	763,152	1,114,558	1,114,558
Reserves		694,509	591,175	417,315	384,968
Total equity		1,457,661	1,354,327	1,531,873	1,499,526

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of Zhejiang Resources				
	Paid-in capital	Capital reserve	PRC statutory reserve	Retained earnings	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2019	763,152	–	51,474	568,878	1,383,504
Profit for the year	–	–	–	74,157	74,157
Transfer to statutory reserve	–	–	17,977	(17,977)	–
Balance at 31 December 2019 and 1 January 2020	763,152	–	69,451	625,058	1,457,661
Loss for the year	–	–	–	(103,334)	(103,334)
Balance at 31 December 2020 and 1 January 2021	763,152	–	69,451	521,724	1,354,327
Loss for the period	–	–	–	(461,374)	(461,374)
Capital contribution	351,406	287,514	–	–	638,920
Balance at 31 March 2022 and 1 April 2022	1,114,558	287,514	69,451	60,350	1,531,873
Loss for the period	–	–	–	(32,347)	(32,347)
Balance at 30 September 2022	1,114,558	287,514	69,451	28,003	1,499,526
Balance at 1 January 2021	763,152	–	69,451	521,724	1,354,327
Loss for the period	–	–	–	(26,148)	(26,148)
Balance at 30 September 2021	763,152	–	69,451	495,576	1,328,179

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December 2019 RMB'000	Year ended 31 December 2020 RMB'000	For the fifteen months ended 31 March 2022 RMB'000	For the nine months ended 30 September 2021 RMB'000 (unaudited)	For the six months ended 30 September 2022 RMB'000
Operating activities					
Profit/(loss) before tax	89,673	(56,215)	(456,450)	(21,224)	(31,869)
Adjustments for:					
Depreciation of property, plant and equipment	49	6	1	1	6
Impairment losses on other receivables	–	–	398,671	–	3,000
Finance costs	9,549	37,273	34,207	23,595	4
Interest income	(40,546)	(36)	(15)	(11)	(5)
Operating profit/(loss) before working capital changes	58,725	(18,972)	(23,586)	2,361	(28,864)
Changes in working capital:					
Decrease in properties for sale – completed	124,148	2,242	20	116,816	–
Increase in trade receivables	–	–	–	–	(268)
(Increase)/decrease in prepayments, other receivables and deposits	(8,363)	6,368	(399,652)	(1,859,814)	903
(Increase)/decrease in amount due from related company	(12,458)	1,914,264	24,138	42,292	–
Decrease/(increase) in amounts due from fellow subsidiaries	6,837	(1,815,324)	(261,392)	1,862,869	223,995
Increase/(decrease) in trade payables and other payables and accruals	76,199	(39,973)	28,595	(208,546)	28,789
(Decrease)/increase in contract liabilities	(391,334)	(578)	4,324	53,881	(201)
Decrease in provision	(29,539)	–	–	–	–
Increase/(decrease) amounts due to related companies	1,068	15,390	(16,948)	(16,948)	–
Increase/(decrease) amounts due to fellow subsidiaries	113,093	(117,339)	136	(6)	(35)
Cash (used in)/generated from operations	(61,624)	(53,922)	(644,365)	(7,095)	224,319
Interest received	40,546	44,271	15	11	5
Income tax (paid)/refunded	(265,516)	189	(5,904)	(5,404)	(454)
Net cash (used in)/generated from operating activities	(286,594)	(9,462)	650,254	(12,488)	223,870

	Year ended 31 December 2019 RMB'000	2020 RMB'000	For the fifteen months ended 31 March 2022 RMB'000	For the nine months ended 30 September 2021 RMB'000 (unaudited)	For the six months ended 30 September 2022 RMB'000
Investing activities					
Payment for purchase of property, plant and equipment	(4)	–	(27)	–	(18)
Net cash used in investing activities	(4)	–	(27)	–	(18)
Financing activities					
Proceeds from new other borrowings	300,000	–	11,644	11,644	–
Proceeds from capital contribution	–	–	638,920	–	–
Interest paid	(9,549)	–	–	–	(4)
Net cash generated from/ (used in) financing activities	290,451	–	650,564	11,644	(4)
Net increase/(decrease) in cash and cash equivalents	3,853	(9,462)	283	(844)	223,848
Cash and cash equivalents at the beginning of the year/period	9,441	13,294	3,832	3,832	4,115
Cash and cash equivalents at the end of the year/period	13,294	3,832	4,115	2,988	227,963
Analysis cash and cash equivalents at the end of the year/period					
Cash at bank and on hand	13,294	3,832	4,115	2,988	227,963

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

General information

Zhejiang Peking University Resources Real Estate Co., Ltd ("**Zhejiang Resources**") was incorporated in the People's Republic of China (the "**PRC**") on 23 October 2015 as a wholly foreign-owned enterprise under the PRC law.

The address of the registered office and principal place of business of Zhejiang Resources is Room 22-15, Building 21 and 22, Weishang Mingfu, Wuchang Street, Yuhang District, Hangzhou City, Zhejiang Province, the PRC.

Zhejiang Resources and its subsidiaries (together, "**Zhejiang Resources Group**") are principally engaged in property development in the PRC.

The immediate holding company of Zhejiang Resources is Hong Kong Resources Rui Cheng Property Holdings Limited, an entity incorporated in Hong Kong. The directors of Zhejiang Resources consider the ultimate holding company of Zhejiang Resources to be Peking University Resources (Holdings) Company Limited, an entity incorporated in Bermuda and its shares are listed on the Stock Exchange.

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is the same as the functional currency of Zhejiang Resources. All values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA, the accounting principles generally accepted in Hong Kong, and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. All HKFRSs effective for the accounting period commenced from 1 January 2022, together with the relevant transitional provisions, has been early adopted by Zhejiang Resources in the preparation of Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared on the historical cost basis.

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, Zhejiang Resources Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the degree to which the inputs to the fair value measurements are observable and the significance of the input to the fair value measurement in its entirety) at the end of each reporting period.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of Zhejiang Resources Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 3 below.

For the purpose of preparing and presenting the Historical Financial Information, all new standards, amendments to standards and interpretations, have been consistently applied by Zhejiang Resources Group throughout the Relevant Periods.

(b) New and amendments to HKFRSs in issue but not yet effective

Zhejiang Resources Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendment to HKFRS 16	Lease liability in a sale and leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture	To be determined

Zhejiang Resources Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Historical Financial Information.

(c) Significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(i) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Zhejiang Resources and entities (including structured entities) controlled by Zhejiang Resources and its subsidiaries. Control is achieved when Zhejiang Resources:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Zhejiang Resources Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when Zhejiang Resources Group obtains control over the subsidiary and ceases when Zhejiang Resources Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Relevant Periods are included in the consolidated statement of profit or loss and other comprehensive income from the date Zhejiang Resources Group gains control until the date when Zhejiang Resources Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of Zhejiang Resources and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of Zhejiang Resources and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with Zhejiang Resources Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Zhejiang Resources Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from Zhejiang Resources Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in Zhejiang Resources Group's interests in existing subsidiaries

Changes in Zhejiang Resources Group's interests in subsidiaries that do not result in Zhejiang Resources Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of Zhejiang Resources Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between Zhejiang Resources Group and the non-controlling interests according to Zhejiang Resources Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of Zhejiang Resources.

When Zhejiang Resources Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of Zhejiang Resources. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if Zhejiang Resources Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations or asset acquisitions

Optional concentration test

Zhejiang Resources Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When Zhejiang Resources Group acquires a group of assets and liabilities that do not constitute a business, Zhejiang Resources Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by Zhejiang Resources Group, liabilities incurred by Zhejiang Resources Group to the former owners of the acquiree and the equity interests issued by Zhejiang Resources Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of Zhejiang Resources Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based payment* at the acquisition date;

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16 *Leases*) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

(ii) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of Zhejiang Resources Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in the Relevant Periods, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of the Relevant Periods. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When Zhejiang Resources Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

(iii) Revenue from contracts with customers

Zhejiang Resources Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents goods or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by Zhejiang Resources Group's performance as Zhejiang Resources Group performs;
- Zhejiang Resources Group's performance creates or enhances an asset that the customer controls as Zhejiang Resources Group performs; or
- Zhejiang Resources Group's performance does not create an asset with an alternative use to Zhejiang Resources Group and Zhejiang Resources Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

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

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between Zhejiang Resources Group and the customer at contract inception. When the contract contains a financing component which provides Zhejiang Resources 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 *Revenue from Contract with Customers*.

Property development

Revenue from the sale of properties is recognised on delivery of the properties. For a contract for which the period between the time the customer pays for the goods or property and when Zhejiang Resources Group transfers that promised goods or property to the customer is at least more than one year, such contract will be considered for the effects of a financing component. Contract liabilities will be accrued on the long term advances received based on the length of time between the customer's payment and the delivery of property to the customer and the prevailing interest rates in the market.

Existence of significant financing component

In determining the transaction price, Zhejiang Resources Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or Zhejiang Resources Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, Zhejiang Resources Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which Zhejiang Resources Group adjusts for the promised amount of consideration for a significant financing component, Zhejiang Resources Group applies a discount rate that would be reflected in a separate financing transaction between Zhejiang Resources Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for as interest arising from revenue contracts on the same basis as other borrowing costs.

(iv) 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, for 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 consolidated statement of profit or loss and other comprehensive income 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.

(v) Refund liabilities

Zhejiang Resources Group recognises a refund liability if Zhejiang Resources Group expects to refund some or all of the consideration received from customers.

Sale with a right of return

For a sale of products with a right of return for dissimilar products, Zhejiang Resources Group recognises all of the following:

(a) revenue for the transferred products in the amount of consideration to which Zhejiang Resources Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned);

(b) a refund liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers and are presented as right to returned goods asset.

(vi) Foreign currencies

Each entity in Zhejiang Resources Group determines its own functional currency. Transactions in currencies other than the functional currency (the foreign currency) of that entity are recorded using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the entities in Zhejiang Resources Group, where their functional currencies are not Renminbi, are translated into the presentation currency of Zhejiang Resources Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of Zhejiang Resources Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in Zhejiang Resources Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

(vii) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(viii) Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Retirement benefits to employees in the PRC are provided through a defined contribution plan. Zhejiang Resources Group is required to participate in a central pension scheme operated by the local municipal government and to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the central pension scheme. Zhejiang Resources Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

(ix) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. Zhejiang Resources Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where Zhejiang Resources Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which Zhejiang Resources Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(x) Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When Zhejiang Resources Group makes payments for ownership interests of properties which include both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method as follows:

Office and other equipment	12½%–33⅓% per annum

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(xi) Impairment of non-financial assets

At the end of the reporting period, Zhejiang Resources Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

The recoverable amount of property, plant and equipment are estimated individually. When it is not possible to estimate the recoverable amount individually, Zhejiang Resources Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, Zhejiang Resources Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(xii) Properties for sale

Properties for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, properties for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value presents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which Zhejiang Resources Group must incur to make the sale.

(xiii) Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contract with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

Dividend income which are derived from Zhejiang Resources Group's ordinary course of business are included in other income.

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset is held for trading if:

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

- on initial recognition it is a part of a portfolio of identified financial instruments that Zhejiang Resources Group manages together and has a recent actual pattern of short-term profit-taking; or

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

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

Amortised cost and interest income

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

Impairment of financial assets at amortised cost

Zhejiang Resources Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade receivables, other receivables and deposits, amount due from related company, amounts due from fellow subsidiaries and cash and cash equivalents) which are subject to impairment assessment under HKFRS 9 *Financial Instruments*. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

Zhejiang Resources Group always recognises lifetime ECL for trade receivables.

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

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, Zhejiang Resources 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. In making this assessment, Zhejiang Resources Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

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

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

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

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

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

Zhejiang Resources Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

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

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

Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

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

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off policy

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

Measurement and recognition of ECL

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

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

Lifetime ECL for certain trade receivables is considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, Zhejiang Resources Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities (including trade payables, other payables and accruals, amounts due to related companies, amounts due to fellow subsidiaries and interest-bearing other borrowings) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

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

Derecognition of financial liabilities

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

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, Zhejiang Resources Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Critical accounting judgements in applying Zhejiang Resources Group's accounting policies

In the process of applying Zhejiang Resources Group's accounting policies, management has made the following accounting judgement:

Classification between investment properties and properties for sale

Zhejiang Resources Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation or both. Judgement is made by management in determining whether a property is designated as an investment property or a property held for sale. Zhejiang Resources Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development if the properties are intended for sale after transferred to completed properties held for sale and are stated at cost. Properties under construction are accounted for as investment properties if the properties are intended to be held to earn rentals and/or for capital appreciation after completion.

(b) Estimation uncertainty

Key sources of estimation uncertainty are as follows:

(i) Provision for impairment of properties for sale

Management of Zhejiang Resources Group reviews the market conditions of properties held for sale of Zhejiang Resources Group at the end of each reporting period, and makes provision for any identified impairment of properties held for sale that their net realisable value is lower than cost. Management of Zhejiang Resources Group estimates the net realisable value for properties held for sale based primarily on the latest selling prices and current market conditions. If the condition was to deteriorate so that the actual provision might be higher than expected, Zhejiang Resources Group would be required to revise the basis of making the provision and its future results would be affected.

(ii) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. 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.

(iii) PRC corporate income tax

Zhejiang Resources Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to income taxes have not been confirmed by the local tax bureau, objective estimates and judgements based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

(iv) PRC land appreciation tax

Zhejiang Resources Group is subject to land appreciation tax ("**LAT**") in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the local tax authorities upon the completion of Zhejiang Resources Group's property development projects. Zhejiang Resources Group has not finalised its LAT tax returns and payments with the local tax authorities for its property development projects. When the final outcome is determined, it may be different from the amounts that were initially recorded, and any differences will affect the current income tax expense and LAT provision in the period which LAT is ascertained.

(v) Provision for expected credit losses of trade receivables, amount due from related company and amounts due from fellow subsidiaries

Zhejiang Resources Group uses a provision of matrix to calculate ECLs for trade receivables. The provision matrix is based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the ageing of trade receivable balances, the repayment history of Zhejiang Resources Group's individual customers, current market conditions and customer-specific conditions, all of which involve a significant degree of management judgement. The provision of ECLs is sensitive to changes in circumstances and of customer-specific conditions.

The information about the ECLs and trade receivables are disclosed in note 27(a). If the financial condition of the customers was to deteriorate, actual loss allowance would be higher than estimated.

Zhejiang Resources Group regularly reviews the amounts due from related company and amounts due from fellow subsidiaries based on both quantitative and qualitative criteria. Such analysis typically includes various estimates and assumptions, the intent and ability to hold until forecasted recovery, the financial health, cash flow projections and future prospects of the related company and fellow subsidiaries.

The information about expected credit loss of Zhejiang Resources Group's amount due from related company and amounts due from fellow subsidiaries are disclosed in note 27(a).

4. REVENUE AND SEGMENT INFORMATION AND OTHER INCOME AND GAINS

The directors of Zhejiang Resources (the "**Directors**") are regarded as the chief operating decision-maker. The Directors review Zhejiang Resources Group's internal reporting in order to assess performance and allocate resources. Operating segments were determined based on these reports.

The Directors evaluate the performance of operating segment based on a measure of profit before income tax. Management of Zhejiang Resources Group is of the view that Zhejiang Resources Group has one operating segment – Property development. Accordingly, segment disclosures are not presented. No geographical segment analysis is presented as all of the assets and liabilities and operations of Zhejiang Resources Group are located in the PRC.

An analysis of Zhejiang Resources Group's revenue is as follows:

	For the year ended 31 December		For the fifteen months ended 31 March	For the nine months ended 30 September	For the six months ended 30 September
	2019	**2020**	**2022**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue from contracts with customers					
Sale of properties	426,557	3,944	5,000	–	–
Revenue from other sources					
Gross rental income	51	4,483	11,987	5,467	5,934
	426,608	8,427	16,987	5,467	5,934

Information about Zhejiang Resources Group's performance obligations in relation to revenue from contracts with customers is summarised below:

Sale of properties

The performance obligation is satisfied when the construction of the relevant property has been completed and the property has been delivered to the customer pursuant to the sales agreements. Payment in advance from customers is normally required and the remaining balance is settled no later than the delivery date of the property or in some circumstances, settled within an agreed period upon the delivery of the property as determined on a case-by-case basis.

An analysis of other income and gains is as follows:

	For the year ended 31 December		For the fifteen months ended 31 March	For the nine months ended 30 September	For the six months ended 30 September
	2019	**2020**	**2022**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Bank interest income	514	36	15	11	5
Other interest income from related companies	40,032	–	–	–	–
Others	35	435	710	444	313
	40,581	471	725	455	318

5. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is arrived at after charging:

	For the year ended 31 December 2019	2020	For the fifteen months ended 31 March 2022	For the nine months ended 30 September 2021	For the six months ended 30 September 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Depreciation of property, plant and equipment	49	6	1	1	6
Interest penalty on loan defaults *(Note)*	–	–	29,027	–	31,983

Note: The interest penalty on loan defaults arose from the secured interest bearing other borrowings and is included in other expenses and losses.

6. FINANCE COSTS

	For the year ended 31 December 2019	2020	For the fifteen months ended 31 March 2022	For the nine months ended 30 September 2021	For the six months ended 30 September 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on interest-bearing other borrowings	9,549	37,273	34,207	23,595	4

7. INCOME TAX EXPENSE

(a) Income tax expense in the consolidated statements of profit or loss and other comprehensive income represents:

	For the year ended 31 December		For the fifteen months ended 31 March	For the nine months ended 30 September	For the six months ended 30 September
	2019	2020	2022	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Provision for:					
– PRC corporate income tax	7,154	–	–	–	–
– PRC LAT	16,226	–	4,924	4,924	478
Current tax	23,380	–	4,924	4,924	478
Deferred tax charge	(7,864)	47,119	–	–	–
	15,516	47,119	4,924	4,924	478

PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% on the taxable profits of Zhejiang Resources Group for the Relevant Periods.

PRC LAT

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax (the "**LAT**") (中華人民共和國土地增值税暫行條例) effective from 1 January 1994 and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值税暫行條例實施細則) effective from 27 January 1995, all gains arising from a transfer of real estate property in the PRC effective 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 the sale of properties less deductible expenditures, including borrowing costs and all property development expenditures.

(b) The income tax expense can be reconciled to the profit/loss before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	For the year ended 31 December		For the fifteen months ended 31 March	For the nine months ended 30 September	For the six months ended 30 September
	2019	2020	2022	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit/(loss) before tax	89,673	(56,215)	(456,450)	(21,224)	(31,869)
Notional tax on profit/loss before tax, calculated at the rates applicable to profits for the year/period	22,418	(14,054)	(114,112)	(5,306)	(7,967)
Tax effect of non-deductible expenses	962	14,054	–	10,230	8,445
Tax effect of temporary difference	(7,864)	47,119	119,036	–	–
Income tax expense	15,516	47,119	4,924	4,924	478

8. DIRECTORS' EMOLUMENTS

No emoluments were paid or are payable to directors of Zhejiang Resources for the Relevant Periods and no directors waived or agreed to waive any remuneration during the Relevant Periods.

9. DIVIDENDS

Zhejiang Resources has not declared or paid any dividends during the Relevant Periods.

10. EARNINGS/LOSS PER SHARE

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

11. PROPERTY, PLANT AND EQUIPMENT

	Office and other equipment *RMB'000*
Cost	
At 1 January 2019	262
Additions	4
At 31 December 2019 and 1 January 2020	266
Additions	–
At 31 December 2020 and 1 January 2021	266
Additions	27
Disposals	(4)
At 31 March 2022 and 1 April 2022	289
Additions	18
At 30 September 2022	307
Accumulated depreciation	
At 1 January 2019	196
Charge for the year	49
At 31 December 2019 and 1 January 2020	245
Charge for the year	6
At 31 December 2020 and 1 January 2021	251
Charge for the period	1
Eliminated on disposals	(4)
At 31 March 2022 and 1 April 2022	248
Charge for the period	6
At 30 September 2022	254
Net book value	
At 31 December 2019	21
At 31 December 2020	15
At 31 March 2022	41
At 30 September 2022	53

Zhejiang Resources Group's property, plant and equipment are all located in the PRC.

12. PROPERTIES FOR SALE – COMPLETED

All of Zhejiang Resources Group's completed properties held for sale are situated in the PRC and are stated at lower of cost and net realisable value.

13. TRADE RECEIVABLES

	As at 31 December		As at 31 March	As at 30 September
	2019	**2020**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	–	–	–	268

Zhejiang Resources Group does not allow general credit period to its customers. Trade receivables from sale of properties and lease of properties are settled in accordance with the terms of the respective contracts. Zhejiang Resources Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that Zhejiang Resources Group's trade receivables relate to a large number of diversified customers, there is no significant group concentration of credit risk. Zhejiang Resources Group does not hold any collateral or other credit enhancements over its trade receivables. Trade receivables are non-interest-bearing.

Aged analysis

An ageing analysis of the trade receivables, less loss allowance recognised, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		As at 31 March	As at 30 September
	2019	**2020**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 6 months	–	–	–	268

An impairment analysis is performed at the end of each reporting period 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. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

14. PREPAYMENTS, OTHER RECEIVABLES AND DEPOSITS

	As at 31 December		As at 31 March	As at 30 September
	2019	2020	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	6,024	50	175	381
Other receivables and deposits	12,815	12,421	13,277	12,168
Amounts due from former fellow subsidiaries *(Note (a))*	–	–	375,910	375,910
Amount due from former related company *(Note (b))*	–	–	22,761	22,761
	18,839	12,471	412,123	411,220
Less: impairment loss recognised *(Note (c))*	–	–	(398,671)	(401,671)
	18,839	12,471	13,452	9,549

Notes:

(a) The amounts due from former fellow subsidiaries are unsecured, interest free and repayable on demand.

(b) The former related company was a group company of Zhejiang Resources Group during the Relevant Periods up to October 2021. Subsequent to October 2021, this former related company ceased to be a group company of Zhejiang Resources Group. The amount due from former related company is unsecured, interest free and repayable on demands.

(c) Movements in the loss allowance for impairment loss recognised are as follows:

	As at 31 December		As at 31 March	As at 30 September
	2019	2020	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	–	–	–	398,671
Impairment losses recognised, net	–	–	398,671	3,000
At end of the year/period	–	–	398,671	401,671

In view of significant operating losses sustained by certain former group companies. Management of Zhejiang Resources Group is of the view that it is highly uncertain that the amounts due from these former group companies are recoverable, accordingly, impairment loss on such receivables were recognised.

15. AMOUNT DUE FROM RELATED COMPANY

The amount due from related company is unsecured, interest free and repayable on demand, details of which are set out below:

Name of related company	As at 31 December 2019	As at 31 December 2020	As at 31 March 2022	As at 30 September 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
北大資源集團有限公司("北大資源")	1,979,317	24,138	–	–

北大資源 was a group company of Zhejiang Resources Group during the Relevant Periods up to October 2021. Subsequent to October 2021, 北大資源 ceased to be a group company of Zhejiang Resources Group.

	Maximum balances outstanding during the year/period			
Name of related company	Period from 1 January 2019 to 31 December 2019	Period from 1 January 2020 to 31 December 2020	Period from 1 January 2021 to 31 March 2022	Period from 1 April 2022 to 30 September 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
北大資源集團有限公司	1,979,317	1,979,317	24,138	–

16. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts due from fellow subsidiaries are unsecured, interest free and repayable on demand, details of which are set out below:

Name of fellow subsidiaries	As at 31 December 2019	As at 31 December 2020	As at 31 March 2022	As at 30 September 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
北大資源集團投資有限公司	47,545	1,862,869	–	–
重慶睿和升項目管理有限公司	–	–	52,220	49,260
重慶合悦盈旭項目管理有限公司	–	–	221,800	–
玉溪潤雅置業有限公司	–	–	1,433,121	1,433,121
杭州鼎達物業管理有限公司	–	–	–	765
武漢天怡資產管理有限公司	–	–	417,120	417,120
	47,545	1,862,869	2,124,261	1,900,266

Name of fellow subsidiaries	Maximum balances outstanding during the year/period Period from 1 January 2019 to 31 December 2019 *RMB'000*	Period from 1 January 2020 to 31 December 2020 *RMB'000*	Period from 1 January 2021 to 31 March 2022 *RMB'000*	Period from 1 April 2022 to 30 September 2022 *RMB'000*
北大資源集團投資有限公司	47,545	1,862,869	1,862,869	–
重慶睿和升項目管理有限公司	–	–	52,220	52,220
重慶合悅盈旭項目管理有限公司	–	–	221,800	221,800
玉溪潤雅置業有限公司	–	–	1,433,121	1,433,121
杭州鼎達物業管理有限公司	–	–	–	765
武漢天怡資產管理有限公司	–	–	417,120	417,120

17. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	As at 31 December 2019 *RMB'000*	2020 *RMB'000*	As at 31 March 2022 *RMB'000*	As at 30 September 2022 *RMB'000*
Cash at banks and on hand denominated in Renminbi ("**RMB**")	13,294	3,832	4,115	227,963

The 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. Zhejiang Resources 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 three months and earn interest at the short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

(b) Changes in liabilities arising from financing activities

For the year ended 31 December 2019

	Interest-bearing other borrowings *RMB'000*
At 1 January 2019	–
Cash inflow/(outflow) during the year	
Proceeds from new other borrowings	300,000
Interest on borrowings paid	(9,549)
Interest expense on other borrowings recorded	9,549
At 31 December 2019	300,000

For the year ended 31 December 2020

	Interest-bearing other borrowings *RMB'000*
At 1 January 2020	300,000
Interest expense on other borrowings accrued	37,273
Interest expenses on other borrowings recorded	(37,273)
At 31 December 2020	300,000

For the fifteen months ended 31 March 2022

	Interest-bearing other borrowings *RMB'000*
At 1 January 2021	300,000
Cash inflow during the period	
Proceeds from new other borrowings	11,644
Interest expense on other borrowings accrued	34,207
Interest payable included in other payables and accruals	(34,207)
At 31 March 2022	311,644

For the six months ended 30 September 2022

	Interest-bearing other borrowings *RMB'000*
At 1 April 2022	311,644
Cash outflow during the period	
Interest on borrowings paid	(4)
Interest expense on other borrowings recorded	4
At 30 September 2022	311,644

For the nine months ended 30 September 2021

	Interest-bearing other borrowings *RMB'000*
At 1 January 2021	300,000
Interest expense on other borrowings accrued	23,295
Interest payable included in other payables and accruals	(23,295)
At 30 September 2021	300,000

18. TRADE PAYABLES

	As at 31 December		As at 31 March	As at 30 September
	2019	2020	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	184,148	151,186	150,229	145,902

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

	As at 31 December		As at 31 March	As at 30 September
	2019	2020	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 6 months	182,331	–	–	–
Over 6 months	1,817	151,186	150,229	145,902
	184,148	151,186	150,229	145,902

The credit period on purchase of goods ranged from 45 to 90 days. The trade payables are non-interest bearing.

19. OTHER PAYABLES AND ACCRUALS

	As at 31 December		As at 31 March	As at 30 September
	2019	2020	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables *(Note (a))*	81	26,086	93,559	125,573
Accruals	1,360	5,005	3,200	3,420
Deposits received	2,610	8,792	2,815	3,443
Amount due to former related company *(Note (b))*	–	–	4,109	4,157
Receipt in advance	57	123	82	288
	4,108	40,006	103,765	136,881

Notes:

(a) The other payables include the accrued default and other interests on other borrowings, details of which are set out in Note 23.

(b) The former related company was a group company of Zhejiang Resources Group during the Relevant Periods up to October 2021 and subsequent to October 2021, the related company ceased to be a group company of Zhejiang Resources Group. The amount due to former related company is unsecured, interest free and repayable on demand.

20. CONTRACT LIABILITIES

	As at 31 December		As at 31 March	As at 30 September
	2019	2020	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance payments received from customers	10,207	9,629	13,953	13,752

Note:

Details of contract liabilities are as follows:

	As at 31 December		As at 31 March	As at 30 September
	2019	2020	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance payments received customers:				
Sale of properties	9,793	8,275	10,885	10,885
Lease of properties	414	1,354	3,068	2,867
	10,207	9,629	13,953	13,752

21. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured, interest free and repayable on demand.

The related companies were the group companies of Zhejiang Resources Group during the Relevant Periods up to October 2021 and subsequent to October 2021, the former related companies ceased to be the group companies of Zhejiang Resources Group.

22. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts due to fellow subsidiaries are unsecured, interest free and repayable on demand.

23. INTEREST-BEARING OTHER BORROWINGS

	As at 31 December		As at 31 March	As at 30 September
	2019	2020	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured loans	300,000	300,000	300,000	300,000
Unsecured loans	–	–	11,644	11,644
	300,000	300,000	311,644	311,644

Details of the other borrowings are as follows:

	Effective interest rate *%*	Maturity date	Outstanding balance *RMB'000*
Secured loans as at:			
30 September 2022	10.4	27/10/2021	300,000
31 March 2022	10.4	27/10/2021	300,000
31 December 2020	10.4	27/10/2021	300,000
31 December 2019	10.4	27/10/2021	300,000
Unsecured loans as at:			
30 September 2022	4.66	18/1/2022	11,644
31 March 2022	4.66	18/1/2022	11,644

The secured loans were secured by the pledge of certain completed properties for sale of Zhejiang Resources Group.

The relevant loan agreements contain a repayment on demand clause which can be exercised at the lenders' sole discretion, accordingly, the other borrowings are included in current liabilities of Zhejiang Resources Group.

As at 30 September 2022, 31 March 2022, 31 December 2020 and 31 December 2019, default and other interests on other borrowings amounted to approximately RMB125,034,000, RMB93,051,000, RMB31,200,000 and RMBNil respectively were accrued and included in Zhejiang Resources Group's other payables and accruals.

24. DEFERRED TAX ASSETS

The deferred tax assets are attributable to LAT. Movements of the deferred tax assets are as follows:

	As at 31 December		As at 31 March	As at 30 September
	2019	2020	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at beginning of the year/period	39,255	47,119	–	–
Credit/(charge) to profit or loss *(note 7(a))*	7,864	(47,119)	–	–
Balance at the end of the year/period	47,119	–	–	–

Deferred tax asset has not been recognised in the consolidated financial statements in respect of unused tax losses available for offset against future profits due to the uncertainty of future profit streams.

25. CAPITAL

	As at 31 December		As at 31 March	As at 30 September
	2019	2020	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Paid-in registered capital	763,152	763,152	1,114,558	1,114,558

Zhejiang Resources is registered as a limited liability entity in the PRC with the registered capital of RMB1,114,558,000 as at 30 September 2022.

In December 2021 and February 2022, the equity holders of Zhejiang Resources entered into the capital injection agreements, under which registered capital amounted to a total of RMB351,406,000 was contributed by these equity holders during the fifteen months ended 31 March 2022.

26. 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:

	As at 31 December 2019	As at 31 December 2020	As at 31 March 2022	As at 30 September 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Finance assets				
At amortised cost				
Trade receivables	–	–	–	268
Financial assets including in prepayments, other receivables and deposits	12,815	12,421	13,277	9,168
Amount due from related company	1,979,317	24,138	–	–
Amounts due from fellow subsidiaries	47,545	1,862,869	2,124,261	1,900,266
Cash at banks and on hand	13,294	3,832	4,115	227,963
	2,052,971	1,903,260	2,141,653	2,137,665
Finance liabilities				
At amortised cost				
Trade payables	184,148	151,186	150,229	145,902
Financial liabilities included in other payables and accruals	1,441	31,091	100,868	133,150
Amounts due to related companies	1,558	16,948	–	–
Amounts due to fellow subsidiaries	117,345	6	142	107
Interest-bearing other borrowings	300,000	300,000	311,644	311,644
	604,492	499,231	562,883	590,803

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Zhejiang Resources Group's principal financial instruments comprise trade receivables, financial assets included in prepayments, other receivables and deposits, amount due from related company, amounts due from fellow subsidiaries and cash at bank and on hand, trade payables, financial liabilities included in other payables and accruals, amounts due to related companies, amount due to fellow subsidiaries and inter-bearing other borrowings.

It is, and has been throughout the Relevant Periods under review, Zhejiang Resources Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from Zhejiang Resources Group's financial instruments are credit risk and liquidity risk. The interest rate risk regarding Zhejiang Resources Group is considered low as their borrowings carried interests at fixed interest rates and the cash at banks of Zhejiang Resources Group as short term nature which is expected to be applied in their business operations. The currency risk regarding Zhejiang Resources Group is considered low as their business transactions are mainly denominated in functional currencies of the respective group entities. The board of directors review and agrees policies for managing each of these main risks and they are summarised below.

(a) Credit risk

Zhejiang Resources Group trades only with recognised and creditworthy third parties. It is Zhejiang Resources Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balance are monitored on an ongoing basis.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on Zhejiang Resources Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and staging classification at the end of each of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets.

As at 30 September 2022

	12-month expected credit losses	Lifetime expected credit losses			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Finance assets					
At amortised cost					
Trade receivables*	–	–	–	268	268
Amounts due from fellow subsidiaries**	1,900,266	–	–	–	1,900,266
Financial assets including in prepayments, other receivables and deposits					
– Normal***	9,168	–	–	–	9,168
Cash at banks and on hand					
– Not yet past due	227,963	–	–	–	227,963
	2,137,397	–	–	268	2,137,665

As at 31 March 2022

	12-month expected credit losses	Lifetime expected credit losses			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Finance assets					
At amortised cost					
Amounts due from fellow subsidiaries**	2,124,261	–	–	–	2,124,261
Financial assets including in prepayments, other receivables and deposits					
– Normal***	13,277	–	–	–	13,277
Cash at banks and on hand					
– Not yet past due	4,115	–	–	–	4,115
	2,141,653	–	–	–	2,141,653

As at 31 December 2020

	12-month expected credit losses	Lifetime expected credit losses			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Finance assets					
At amortised cost					
Amount due from related company**	24,138	–	–	–	24,138
Amounts due from fellow subsidiaries**	1,862,869	–	–	–	1,862,869
Financial assets including in prepayments, other receivables and deposits					
– Normal***	12,421	–	–	–	12,421
Cash at banks and on hand					
– Not yet past due	3,832	–	–	–	3,832
	1,903,260	–	–	–	1,903,260

As at 31 December 2019

	12-month expected credit losses	Lifetime expected credit losses			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Finance assets					
At amortised cost					
Amount due from related company**	1,979,317	–	–	–	1,979,317
Amounts due from fellow subsidiaries**	47,545	–	–	–	47,545
Financial assets included in prepayments, other receivables and deposits					
– Normal***	12,815	–	–	–	12,815
Cash and cash equivalents					
– Not yet past due	13,294	–	–	–	13,294
	2,052,971	–	–	–	2,052,971

* Zhejiang Resources Group applies the simplified approach for impairment for trade receivables and assessed that the loss rate is immaterial, thus no loss allowance is recognised.

** The credit quality of the financial assets included in prepayments, other receivables and deposits is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

*** For amount due from related company and amounts due from fellow subsidiaries, Zhejiang Resources Group has applied 12m ECL to measure the loss allowance. In assessing the probability of defaults of amount due from related company and amounts due from fellow subsidiaries, management of Zhejiang Resources Group has taken into account the financial position of the counterparty as well as forward looking information that is available without undue cost or effort. The ECL provision of amounts due from fellow subsidiaries is monitored on an ongoing basis.

(b) Liquidity risk

Zhejiang Resources 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 (e.g., trade receivables) and projected cash flows from operations.

Zhejiang Resources Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings.

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

30 September 2022

	Within one year	**Over one year**	**Total undiscounted cash flows**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	145,902	–	145,902	145,902
Financial liabilities included in other payables and accruals	133,150	–	133,150	133,150
Amounts due to related companies	–	–	–	–
Amounts due to fellow subsidiaries	107	–	107	107
Interest-bearing other borrowings	311,644	–	311,644	311,644
	590,803	–	590,803	590,803

31 March 2022

	Within one year	**Over one year**	**Total undiscounted cash flows**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	150,229	–	150,229	150,229
Financial liabilities included in other payables and accruals	100,868	–	100,868	100,868
Amounts due to fellow subsidiaries	142	–	142	142
Interest-bearing other borrowings	311,644	–	311,644	311,644
	562,883	–	562,883	562,883

31 December 2020

	Within one year *RMB'000*	Over one year *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amount *RMB'000*
Trade payables	151,186	–	151,186	151,186
Financial liabilities included in other payables and accruals	31,091	–	31,091	31,091
Amounts due to related companies	16,948	–	16,948	16,948
Amounts due to fellow subsidiaries	6	–	6	6
Interest-bearing other borrowings	300,000	–	300,000	300,000
	499,231	–	499,231	499,231

31 December 2019

	Within one year *RMB'000*	Over one year *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amount *RMB'000*
Trade payables	184,148	–	184,148	184,148
Financial liabilities included in other payables and accruals	1,441	–	1,441	1,441
Amounts due to related companies	1,558	–	1,558	1,558
Amounts due to fellow subsidiaries	117,345	–	117,345	117,345
Interest-bearing other borrowings	300,000	–	300,000	300,000
	604,492	–	604,492	604,492

(c) Capital management

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

Zhejiang Resources 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, Zhejiang Resources Group may adjust the dividend payment to equity holders, return capital to equity holders or raise capital contribution from equity holders. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

Zhejiang Resources Group monitors capital using a debt to equity ratio, which is total interest-bearing bank and other borrowings divided by total equity attributable to owners of the parent. The debt to equity ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December		As at 31 March	As at 30 September
	2019	2020	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing other borrowings	300,000	300,000	311,644	311,644
Total equity attributable to owners of Zhejiang Resources	1,457,661	1,354,327	1,531,873	1,499,526
Debt to equity ratio	0.61	0.59	0.56	0.59
Gearing ratio	0.21	0.22	0.20	0.21

28. SUBSIDIARY

Set out below is the information regarding Zhejiang Resources's subsidiary during the Relevant Periods:

			Percentage of equity attributable to Zhejiang Resources								
			Direct				Indirect				
Name	Place of incorporation/ registration and business	Registered share capital	As at 31 December 2019	As at 31 December 2020	As at 31 March 2022	As at 30 September 2022	As at 31 December 2019	As at 31 December 2020	As at 31 March 2022	As at 30 September 2022	Principal activities
			%	%	%	%	%	%	%	%	
杭州缘恩商業管理有限公司*	PRC/ Mainland China	RMB10,000,000	N/A	N/A	100	100	N/A	N/A	–	–	Property leasing and management

* The subsidiary was established on 24 November 2021.

The subsidiary had not issued any debt securities at 31 March 2022 and 30 September 2022.

29. SUBSEQUENT FINANCIALS STATEMENTS

No audited financial statements of Zhejiang Resources Group have been prepared in respect of any period subsequent to 30 September 2022.

THE TARGET COMPANIES

(1) Chongqing Yayuan Henghui

Chongqing Yayuan Henghui is a company established on 22 December 2021 in the PRC with limited liability. Chongqing Yayuan Henghui is held as to 51% by Chongqing Heyue Yingxu, an indirect wholly-owned subsidiary of the Company, and as to 49% by Chongqing Feidia, the Vendor in respect of the Debt Settlement Agreement A.

Chongqing Yayuan Henghui is principally engaged in investment holding and its principal assets are receivables from certain subsidiaries of the Group.

(2) Chongqing Yinghe Yiyuan

Chongqing Yinghe Yiyuan is a company established on 15 December 2021 in the PRC with limited liability and principally engaged in investment holding. Chongqing Yinghe Yiyuan is held as to 51% by Chongqing Heyue Yingxu, an indirect wholly-owned subsidiary of the Company, and as to 49% by Chongqing Longsay, the Vendor in respect of the Debt Settlement Agreement B.

Chongqing Yinghe Yiyuan is principally engaged in investment holding and its principal asset is receivable from certain subsidiary of the Group. Chengdu Yinghe Zhiyuan Enterprise Management Co. Ltd.* (成都盈合智遠企業管理有限公司), a wholly-owned subsidiary of Chongqing Yinghe Yiyuan established on 11 July 2022, is principally engaged in property agency activities.

(3) Zhejiang Resources

Zhejiang Resources is a company established on 23 October 2015 in the PRC with limited liability. Zhejiang Resources is held as to approximately 68.47% by Chongqing Heyue Yingyu, an indirect wholly-owned subsidiary of the Company, and as to approximately 31.53% by Chongqing Minos, the Vendor in respect of the Debt Settlement Agreements C and D.

Zhejiang Resources is principally engaged in property development business in the PRC and its principal assets are inventory of properties and receivables from certain subsidiaries of the Group and BG Resources. Hangzhou Yuanen Business Management Co. Ltd.* (杭州緣恩商業管理有限公司), a wholly-owned subsidiary of Zhejiang Resources established on 24 November 2021, is principally engaged in property leasing and management.

Set out below is the management discussion and analysis of the results of (1) Chongqing Yayuan Henghui, for the period from 22 December 2021 (date of incorporation) to 31 March 2022 ("**FY2021/22**"), and for the six months ended 30 September 2022 ("**6M2022**"); (2) the Chongqing Yinghe Yiyuan Group, for the period from 15 December 2021 (date of incorporation) to 31 March 2022 ("**FY2021/22**"), and for the six months ended 30 September 2022

("**6M2022**"); and (3) the Zhejiang Resources Group, for the year ended 31 December 2019 ("**FY2019**"), for the year ended 31 December 2020 ("**FY2020**"), for the fifteen months ended from 1 January 2021 to 31 March 2022 ("**FY2021/22**"), and for the six months ended 30 September 2022 ("**6M2022**") (collectively, the "**Relevant Periods**"). The following financial information is based on the accountants' reports of the Target Companies as set out in Appendix II(A), II(B), & II(C) to this circular.

For FY2019 and FY2020

Zhejiang Resources Group

Business and financial review

The Zhejiang Resources Group is principally engaged in property development business in the PRC. Its revenue comprised the proceeds from the sale of properties and gross rental income. The revenue for FY2020 decreased by 98.0% to approximately RMB8.4 million (FY2019: RMB426.6 million) as a result of the decrease in areas delivered of property development projects. A major property development project was completed in August 2018. The Zhejiang Resource Group delivered a large number of properties in FY2019, so the revenue recognised from sale of properties in FY2019 was significantly higher than the revenue recognised from sale of properties in FY2020.

The inventory of properties held by the Zhejiang Resources Group is a portion of a residential development project known as Wei Shang Ming Fu* (未尚名府) ("**Wei Shang Ming Fu**") comprising 35 apartment units with a total gross floor area ("**GFA**") of approximately 1,465 sq.m., and 178 retail units with a total GFA of approximately 14,713 sq.m. as at 31 December 2019 and 2020, respectively, and 220 and 212 car parking spaces as at 31 December 2019 and 2020, respectively.

The Zhejiang Resources Group reported a loss for FY2020 of approximately RMB103.3 million (FY2019: profit of RMB74.2 million). The loss for FY2020 was mainly due to the net results of:

(i) a decrease in gross profit by approximately 94.7% to approximately RMB5.1 million (FY2019: RMB97.3 million) as a result of decrease in revenue generated from the sale of properties;

(ii) a decrease in other income and gain by approximately 98.8% to approximately RMB471,000 (FY2019: RMB40.6 million) as a result of decrease in other interest income from related companies;

(iii) a decrease in total selling and distribution expenses and administrative expenses by approximately 22.4% to approximately RMB22.3 million (FY2019: RMB28.7 million) attributable to the strict control on expenses imposed by the management; and

(iv) an increase in finance cost by approximately 290.3% to approximately RMB37.3 million (FY2019: RMB9.5 million) attributable to increase in interest expense on the interest-bearing other borrowings.

Liquidity, financial resources and capital structure

The Zhejiang Resources Group's principal financial instruments comprise trade receivables, other receivables and deposits, amount due from related company, amounts due from fellow subsidiaries and cash and cash equivalents trade payables, other payables and accruals, contract liabilities, amounts due to related companies, amounts due to fellow subsidiaries, and inter-bearing other borrowings. The main purpose of these financial instruments is to raise finance for the Zhejiang Resources Group's operations. The Zhejiang Resources Group has various other financial assets and liabilities such as trade and bills receivable and trade payables, which arise directly from its operations. As at 31 December 2019 and 2020, Zhejiang Resources Group recorded net current assets of approximately RMB1,410.5 million and RMB1,354.3 million, respectively. The decrease in net current assets was mainly attributable to decrease in amount due from related company.

As at 31 December 2019 and 2020, the amount due from a related company was approximately RMB1,979.3 million and RMB24.1 million respectively, and was unsecured, interest free and repayable on demand. The decrease in the amount due from a related company was mainly due to the settlement from the related company. The amounts due from fellow subsidiaries were approximately RMB47.5 million and RMB1,862.9 million respectively, and were unsecured, interest free and repayable on demand. The increase in the amounts due from fellow subsidiaries was mainly due to the increase in the amounts due from Resources Investment.

The amounts due to related companies were approximately RMB1.6 million and RMB16.9 million as at 31 December 2019 and 2020, respectively, and were unsecured, interest free and repayable on demand. As at 31 December 2019 and 2020, the amounts due to fellow subsidiaries were approximately RMB117.3 million and RMB6,000, respectively, and were unsecured, interest free and repayable on demand. The decrease in the amounts due to fellow subsidiaries was mainly due to the repayment to fellow subsidiaries.

As at 31 December 2019 and 2020, the interest-bearing other borrowings was approximately RMB300 million and RMB300 million, respectively. The interest-bearing other borrowings were secured, repayable on demand and carry interest 10.4% per annum. The interest-bearing other borrowings were guaranteed by a former shareholder, and secured by the pledge of certain completed properties for sale of the Zhejiang Resources Group. As at 31 December 2019 and 2020, the gearing ratios (defined as interest-bearing other borrowings divided by total equity attributable to owners of Zhejiang Resource) were approximately 0.21 and 0.22, respectively.

Contingent liabilities

With regard to the defaulted loan, the default part of loan and related expenses had been accrued in accordance with the contract, so there was no need to accrue additional estimated liabilities. Therefore, the Zhejiang Resources Group had no material contingent liabilities as at 31 December 2019 and 2020.

Pledge of assets

As at 31 December 2019 and 2020, the Zhejiang Resources Group had pledged certain completed properties for sale with a carrying amount of approximately RMB247.8 million and RMB245.6 million, respectively, to secure interest-bearing other borrowings granted to the Zhejiang Resources Group.

Exposure to fluctuations in exchange rates and related hedges

The Zhejiang Resources Group operates mainly in the PRC, thus most of its revenues and expense are measured in RMB. The conversion of foreign currencies into RMB is subject to the rules and regulations of the foreign exchange controls promulgated by the PRC government. The Zhejiang Resources Group has minimal exposure to exchange rate fluctuation. No financial instrument was used for hedging purposes.

Material investments, acquisitions and disposals

The Zhejiang Resources Group did not have material acquisition, disposal and significant investment during FY2020 and FY2021.

Capital Commitments

The Zhejiang Resources Group had no capital commitments as at 31 December 2019 and 2020.

Employees

The Zhejiang Resources Group has developed its human resources policies and procedures based on performance and contributions of employees. The Zhejiang Resources Group ensures that the remuneration levels of its employees are competitive and employees are rewarded on a performance basis within the general framework of the Zhejiang Resources Group's salary and bonus systems. The Zhejiang Resources Group provides on-the-job training to its employees in addition to retirement benefit schemes and medical insurance. The Zhejiang Resources Group adopts share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of Zhejiang Resources Group who contribute to the success of Zhejiang Resources Group's operations. The Zhejiang Resources Group had not granted any share options to its eligible directors and employees during FY2019 and FY2020.

The Zhejiang Resources Group had 26 employees as at 31 December 2020 (31 December 2019: 64).

FY2021/22

(1) Chongqing Yayuan Henghui

Business and financial review

Chongqing Yayuan Henghui is principally engaged in the investment holding in the PRC. Chongqing Yayuan Henghui was established on 22 December 2021, which has not yet commenced operation. Therefore, there was no revenue and assessable profit generated during FY2021/22.

Liquidity, financial resources and capital structure

As at 31 March 2022, the majority of Chongqing Yayuan Henghui's asset was the amount due from fellow subsidiaries of approximately RMB981.0 million. The amounts were short-term borrowings to fellow subsidiaries, which were unsecured, interest free and repayable on demand, details of which were as follows:

Company Name	**As at 31 March 2022** *RMB'000* *(approximate)*
Chongqing Ruihesheng Project Management Co., Ltd.* (重慶睿和升項目管理有限公司)	495,225
Wuhan Tianyi Asset Management Co., Ltd.* (武漢天怡資產管理有限公司)	145,218
Wuhan Hexin Trading Co., Ltd.* (武漢合信商貿有限公司)	48,308
Wuhan Jinmao Real Estate Development Co., Ltd.* (武漢錦茂置業發展有限公司)	60,752
Wuhan Jinjing Real Estate Marketing Co., Ltd.* (武漢錦京房地產營銷有限公司)	87,200
Wuhan Heliang Investment Development Co., Ltd.* (武漢合良投資發展有限公司)	144,291
Total	980,994

There were no liabilities recorded as at 31 March 2022. Therefore, Chongqing Yayuan Henghui recorded net assets of approximately RMB981.0 million as at 31 March 2022.

Contingent liabilities

Chongqing Yayuan Henghui had no material contingent liabilities as at 31 March 2022.

Pledge of assets

As at 31 March 2022, Chongqing Yayuan Henghui had no pledged assets.

Material investments, acquisitions and disposals

Chongqing Yayuan Henghui did not have material acquisition, disposal and significant investment during FY2021/22.

Capital Commitments

Chongqing Yayuan Henghui had no capital commitments as at 31 March 2022.

Employees

As at 31 March 2022, Chongqing Yayuan Henghui has not yet commenced operation and did not have any employees. Chongqing Yayuan Henghui was managed by Chongqing Heyue Yingyu.

(2) Chongqing Yinghe Yiyuan Group

Business and financial review

The Chongqing Yinghe Yiyuan Group is principally engaged in investment holding in the PRC. The Chongqing Yinghe Yiyuan Group has not yet commenced operation. Therefore, there was no revenue and assessable profit generated during FY2021/22.

Liquidity, financial resources and capital structure

As at 31 March 2022, the majority of the Chongqing Yinghe Yiyuan Group's asset was the amount due from fellow subsidiaries of approximately RMB980.9 million. The amount was short-term borrowings to fellow subsidiaries which was unsecured, interest free and repayable on demand, details of which were as follows:

Company Name	**As at 31 March 2022** *RMB'000* *(approximate)*
Chongqing Ruihesheng Project Management Co. Ltd* (重慶睿和升項目管理有限公司)	980,939
Total	980,939

The Chongqing Yinghe Yiyuan Group recorded net assets of approximately RMB981.0 million as at 31 March 2022.

Contingent liabilities

The Chongqing Yinghe Yiyuan Group had no material contingent liabilities as at 31 March 2022.

Pledge of assets

As at 31 March 2022, the Chongqing Yinghe Yiyuan Group had no pledged assets.

Material investments, acquisitions and disposals

The Chongqing Yinghe Yiyuan Group did not have material acquisition, disposal and significant investment during FY2021/22.

Capital Commitments

The Chongqing Yinghe Yiyuan Group had no capital commitments as at 31 March 2022.

Employees

As at 31 March 2022, Chongqing Yinghe Yiyuan Group has not yet commenced operation and did not have any employees. Chongqing Yinghe Yiyuan Group was managed by Chongqing Heyue Yingyu.

(3) Zhejiang Resources Group

Business and financial review

The Zhejiang Resources Group is principally engaged in property development business in the PRC. During FY2021/22, The Zhejiang Resources Group's revenue increased by 101.5% to approximately RMB17.0 million (FY2020: RMB8.4 million) as a result of the increase in gross rental income. The decrease in cost of sale in FY2021/22 was due to a major property development project was completed in August 2018. The Zhejiang Resource Group delivered a large number of properties in FY2019, so the revenue and cost of sale related to sale of properties recognised in FY2019 was significantly higher than revenue and cost of sale related to sale of properties recognised in FY2020 and FY2021/22.

The inventory of properties held by the Zhejiang Resources Group is a portion of a residential development project known as Wei Shang Ming Fu comprising 35 apartment units with a total GFA of approximately 1,465 sq.m., 178 retail units with a total GFA of approximately 14,713 sq.m., and 116 car parking spaces as at 31 March 2022.

The Zhejiang Resources Group reported a loss of approximately RMB461.4 million during FY2021/22 (FY2020: loss of RMB103.3 million). The increase in loss during FY2021/22 was attributable to the combined effects of the following factors:

(i) a decrease in the aggregate of selling and distribution expenses and administrative expenses by approximately RMB17.1 million to approximately RMB5.1 million (FY2020: RMB22.3 million) attributable to the strict control on expenses imposed by the management;

(ii) an increase in impairment losses on other receivables (net) by approximately RMB398.7 million to approximately RMB398.7 million (FY2020: RMBnil) attributable to impairment losses on receivable with Huzi Group; and

(iii) an increase in other expenses and losses by approximately RMB32.6 million to approximately RMB34.9 million (FY2020: RMB2.3 million) attributable to the interest penalty on loan defaults. The amount of the overdue loan principal was RMB300 million, and the penalty interest was calculated at a rate of 0.05% per day.

Liquidity, financial resources and capital structure

The Zhejiang Resources Group's principal financial instruments comprise trade receivables, other receivables and deposits, amount due from related company, amounts due from fellow subsidiaries and cash and cash equivalents trade payables, other payables and accruals, contract liabilities, amounts due to related companies, amounts due to fellow subsidiaries and inter-bearing other borrowings. The main purpose of these financial instruments is to raise finance for the Zhejiang Resources Group's operations. The Zhejiang Resources Group has various other financial assets and liabilities such as trade and bills receivable and trade payables, which arise directly from its operations. As at 31 March 2022, the Zhejiang Resources Group recorded net current assets of approximately RMB1,531.8 million. The increase in net current assets by approximately RMB177.5 million from approximately RMB1,354.3 million as at 31 December 2020 to approximately RMB1,531.8 million as at 31 March 2022 was mainly attributable to increase in amounts due from fellow subsidiaries.

As at 31 March 2022, the amounts due from fellow subsidiaries were approximately RMB2,124.3 million and were unsecured, interest free and repayable on demand. The amounts due to fellow subsidiaries were approximately RMB142,000 as at 31 March 2022, and were unsecured, interest free and repayable on demand.

As at 31 March 2022, the interest-bearing other borrowings were approximately RMB311.6 million. The interest-bearing other borrowings carried interest range from 4.66%–10.4% per annum and repayable on demand. The interest-bearing other borrowings of approximately RMB300 million, were guaranteed by former shareholder, and secured by the pledge of certain completed properties for sale of the Zhejiang Resources Group. As at 31 March 2022, the gearing ratio (defined as interest-bearing other borrowings divided by total equity attributable to owners of Zhejiang Resource) were approximately 0.20.

Contingent liabilities

With regard to the defaulted loan, the default part of loan and related expenses had been accrued in accordance with the contract, so there was no need to accrue additional estimated liabilities. Therefore, the Zhejiang Resources Group had no material contingent liabilities as at 31 March 2022.

Pledge of assets

As at 31 March 2022, the Zhejiang Resources Group had pledged certain completed properties for sale with a carrying amount of approximately RMB245.5 million to secure interest-bearing other borrowings granted to the Zhejiang Resources Group.

Exposure to fluctuations in exchange rates and related hedges

The Zhejiang Resources Group operates mainly in the PRC, thus most of its revenues and expense are measured in RMB. The conversion of foreign currencies into RMB is subject to the rules and regulations of the foreign exchange controls promulgated by the Chinese government. The Zhejiang Resources Group has minimal exposure to exchange rate fluctuation. No financial instrument was used for hedging purposes.

Material investments, acquisitions and disposals

The Zhejiang Resources Group did not have material acquisition, disposal and significant investment during FY2021/22.

Capital Commitments

The Zhejiang Resources Group had no capital commitments as at 31 March 2022.

Employees

The Zhejiang Resources Group has developed its human resources policies and procedures based on performance and contributions of employees. The Zhejiang Resources Group ensures that the remuneration levels of its employees are competitive and employees are rewarded on a performance basis within the general framework of the Zhejiang Resources Group's salary and bonus systems. The Zhejiang Resources Group provides on-the-job training to its employees in addition to retirement benefit schemes and medical insurance. The Zhejiang Resources Group adopts share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of Zhejiang Resources Group who contribute to the success of Zhejiang Resources Group's operations. The Zhejiang Resources Group had not granted any share options to its eligible directors and employees during FY2021/22.

The Zhejiang Resources Group had 16 employees as at 31 March 2022 (31 December 2020: 26).

For 6M2022

(1) Chongqing Yayuan Henghui

Business and financial review

Chongqing Yayuan Henghui is principally engaged in the investment holding in the PRC. Chongqing Yayuan Henghui was established on 22 December 2021, which has not yet commenced operation. There was no revenue generated during 6M2022. It recorded loss of approximately RMB78,000 for 6M2022. The losses recorded during 6M2022 was attributable to the combined effect of the (i) increase in cost of sale by approximately RMB123,000 attributable to stamp duty incurred for capital contribution and (ii) increase in other income by approximately RMB45,000 attributable to the interest income.

Liquidity, financial resources and capital structure

As at 30 September 2022, the majority of Chongqing Yayuan Henghui's asset was the amount due from fellow subsidiaries of approximately RMB932.2 million. The amounts were short-term borrowings to fellow subsidiaries, which were unsecured, interest free and repayable on demand, details of which were as follows:

Company Name	**As at 30 September 2022** *RMB'000 (approximate)*
Tianjin Ruihesheng Project Management Co., Ltd.* (天津睿和升項目管理有限公司)	150,000
Wuhan Hexin Trading Co., Ltd.* (武漢合信商貿有限公司)	120,000
Wuhan Jinjing Real Estate Marketing Co., Ltd.* (武漢錦京房地產營銷有限公司)	87,200
Wuhan Heliang Investment Development Co., Ltd.* (武漢合良投資發展有限公司)	370,000
Wuhan Jinxiang	205,015
Total	932,215

The cash and cash equivalents of approximately RMB48.7 million. There were no liabilities recorded as at 30 September 2022. Chongqing Yayuan Henghui recorded net assets of approximately RMB980.9 million as at 30 September 2022.

Contingent liabilities

Chongqing Yayuan Henghui had no material contingent liabilities as at 30 September 2022.

Pledge of assets

As at 30 September 2022, Chongqing Yayuan Henghui had no pledged assets.

Material investments, acquisitions and disposals

Chongqing Yayuan Henghui did not have material acquisition, disposal and significant investment during 6M2022.

Capital Commitments

Chongqing Yayuan Henghui had no capital commitments as at 30 September 2022.

Employees

As at 30 September 2022, Chongqing Yayuan Henghui has not yet commenced operation and did not have any employees. Chongqing Yayuan Henghui was managed by Chongqing Heyue Yingyu.

(2) Chongqing Yinghe Yiyuan Group

Business and financial review

The Chongqing Yinghe Yiyuan Group is principally engaged in the investment holding in the PRC. The Chongqing Yinghe Yiyuan Group has not yet commenced operation. Therefore, there was no revenue generated during 6M2022. It recorded loss of approximately RMB226,000 for 6M2022. The losses recorded during 6M2022 was attributable to the combined effect of the (i) increase in cost of sale by approximately RMB228,000 attributable to stamp duty incurred for capital contribution and (ii) increase in other income by approximately RMB2,000 attributable to the interest income.

Liquidity, financial resources and capital structure

As at 30 September 2022, the Chongqing Yinghe Yiyuan Group had cash and cash equivalents of approximately RMB111.0 million, and the amounts due from fellow subsidiaries were approximately RMB870.0 million, which were unsecured, interest free and repayable on demand. As at 30 September 2022, the majority of the Chongqing Yinghe Yiyuan Group's asset was the amount due from fellow subsidiaries of approximately RMB870.0 million. The amount was short-term borrowings to fellow subsidiaries, which was unsecured, interest free and repayable on demand, details of which were as follows:

Company Name	**As at 30 September 2022** *RMB'000* *(approximate)*
Chongqing Yingfeng	870,000
Total	870,000

As at 30 September 2022. the advance payment for acquisition of a property was approximately RMB6.9 million. A subsidiary of Chongqing Yinghe Yiyuan entered into an agreement for acquisition of the property in the PRC. The consideration for the acquisition amounted to RMB6.9 million which was fully paid by Chongqing Yinghe Yiyuan Group. At 30 September 2022, the property was still under the process of transfer of ownership and the Chongqing Yinghe Yiyuan Group would gain control of the property upon completion of the transfer process. As at 30 September 2022, the amount due to a fellow subsidiary was approximately RMB7.1 million, which was unsecured, interest free and repayable on demand.

The Chongqing Yinghe Yiyuan Group recorded net assets of approximately RMB980.8 million as at 30 September 2022. The decrease in net assets by approximately RMB0.2 million from approximately RMB981.0 million as at 31 March 2022 to approximately RMB980.8 million as at 30 September 2022 was mainly attributable to (i) decrease in amounts due from fellow subsidiaries amounting to approximately RMB110.9 million; (ii) increase in advance payment for acquisition of a property amounting to approximately RMB6.9 million; (iii) increase in cash and cash equivalents amounting to approximately RMB110.9 million; and (iv) increase in amount due to a fellow subsidiary amounting to approximately RMB7.1 million.

Contingent liabilities

The Chongqing Yinghe Yiyuan Group had no material contingent liabilities as at 30 September 2022.

Pledge of assets

As at 30 September 2022, Chongqing Yinghe Yiyuan Group had no pledged assets.

Material investments, acquisitions and disposals

The Chongqing Yinghe Yiyuan Group did not have material acquisition, disposal and significant investment during 6M2022.

Capital Commitments

The Chongqing Yinghe Yiyuan Group had no capital commitments as at 30 September 2022.

Employees

As at 30 September 2022, Chongqing Yinghe Yiyuan Group has not yet commenced operation and did not have any employees. Chongqing Yinghe Yiyuan Group was managed by Chongqing Heyue Yingyu.

(3) Zhejiang Resources Group

Business and financial review

The Zhejiang Resources Group is principally engaged in property development business in the PRC. During 6M2022, the Zhejiang Resources Group's revenue increased by approximately 8.5% to approximately RMB5.9 million (nine months ended 30 September 2021: RMB5.5 million) as a result of increase in gross rental income.

The inventory of properties held by the Zhejiang Resources Group is a portion of a residential development known as Wei Shang Ming Fu comprising 35 apartment units with a total GFA of approximately 1,465 sq.m., 178 retail units with a total GFA of approximately 14,713 sq.m., and 112 car parking spaces as at 30 September 2022.

The Zhejiang Resources Group reported a loss of approximately RMB32.3 million during 6M2022 (nine months ended September 2021: loss of RMB26.1 million). The increase in loss during 6M2022 was attributable to the combined effects of the following factors:

(i) an increase in impairment losses on other receivables (net) by approximately RMB3.0 million to approximately RMB3.0 million (nine months ended 30 September 2022: RMBnil);

(ii) an increase in other expenses and losses by approximately RMB32.4 million to approximately RMB32.5 million (nine months ended 30 September 2021: RMB132,000) attributable to increase in the interest penalty on loan defaults; and

(iii) a decrease in finance costs by approximately RMB23.6 million to approximately RMB4,000 (nine months ended 30 September 2021: RMB23.6 million) attributable to decrease in interest on interest-bearing other borrowings.

Liquidity, financial resources and capital structure

The Zhejiang Resources Group's principal financial instruments comprise trade receivables, other receivables and deposits, amount due from related companies, amount due from fellow subsidiaries and cash and cash equivalents trade payables, other payables and accruals, contract liabilities, amount due to related companies, amount due to fellow subsidiaries and inter-bearing other borrowings. The main purpose of these financial instruments is to raise finance for the Zhejiang Resources Group's operations. The Zhejiang Resources Group has various other financial assets and liabilities such as trade and bills receivable and trade payables, which arise directly from its operations. As at 30 September 2022, the Zhejiang Resources Group recorded net current assets of approximately RMB1,499.4 million. The decrease in net current assets by approximately RMB32.4 million from approximately RMB1,531.8 million as at 31 March 2022 to approximately RMB1,499.4 million as at 30 September 2022 was mainly attributable to decrease in amounts due from fellow subsidiaries and increase in other payable and accruals.

As at 30 September 2022, the amounts due from fellow subsidiaries were approximately RMB1,900.3 million and were unsecured, interest free and repayable on demand. The amounts due to fellow subsidiaries were approximately RMB107,000 as at 30 September 2022, and were unsecured, interest free and repayable on demand.

As at 30 September 2022, the interest-bearing other borrowings were approximately RMB311.6 million. The interest-bearing other borrowings carried interest range from 4.66%–10.4% per annum and repayable on demand. The interest-bearing other borrowings of approximately RMB300 million, was guaranteed by former shareholder, and secured by the pledge of certain completed properties for sale of the Zhejiang Resources Group. As at 30 September 2022, the gearing ratio (defined as interest-bearing other borrowings divided by total equity attributable to owners of Zhejiang Resource) were approximately 0.21.

Contingent liabilities

With regard to the defaulted loan, the default part of loan and related expenses had been accrued in accordance with the contract, so there was no need to accrue additional estimated liabilities. Therefore, the Zhejiang Resources Group had no material contingent liabilities as at 30 September 2022.

Pledge of assets

As at 30 September 2022, the Zhejiang Resources Group had pledged certain completed properties for sale with a carrying amount of approximately RMB245.5 million to secure interest-bearing other borrowings granted to the Zhejiang Resources Group.

Exposure to fluctuations in exchange rates and related hedges

The Zhejiang Resources Group operates mainly in the PRC, thus most of its revenues and expense are measured in RMB. The conversion of foreign currencies into RMB is subject to the rules and regulations of the foreign exchange controls promulgated by the Chinese government. The Zhejiang Resources Group has minimal exposure to exchange rate fluctuation. No financial instrument was used for hedging purposes.

Material investments, acquisitions and disposals

The Zhejiang Resources Group did not have material acquisition, disposal and significant investment during 6M2022.

Capital Commitments

The Zhejiang Resources Group had no capital commitments as at 30 September 2022.

Employees

The Zhejiang Resources Group has developed its human resources policies and procedures based on performance and contributions of employees. The Zhejiang Resources Group ensures that the remuneration levels of its employees are competitive and employees are rewarded on a performance basis within the general framework of the Zhejiang Resources Group's salary and bonus systems. The Zhejiang Resources Group provides on-the-job training to its employees in addition to retirement benefit schemes and medical insurance. The Zhejiang Resources Group adopts share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of Zhejiang Resources Group who contribute to the success of Zhejiang Resources Group's operations. The Zhejiang Resources Group had not granted any share options to its eligible Directors and employees during 6M2022.

The Zhejiang Resources Group had 14 employees as at 30 September 2022 (31 March 2021: 16).

Reproduced below is the management discussion and analysis of the Group's operations for the financial years ended 31 December 2019 and 2020, the fifteen months ended 31 March 2022 and the six months ended 30 September 2022 respectively. The information reproduced below is extracted from the relevant sections in the annual reports and interim report. Capitalised terms used in this section shall have the same meaning as those defined in the respective annual report or interim report. These extracted materials below were prepared prior to the date of this Circular and speak as of the date they were originally published, representing the opinion and beliefs made by the then Directors at such time when the related annual report or interim report was issued.

FOR THE YEAR ENDED 31 DECEMBER 2019

Operating review

Real Estate Business

Property development

The turnover of the property development business of the Group (the "**Property Development Business**") for the year ended 31 December 2019 was approximately RMB15,216.7 million (year ended 31 December 2018: RMB17,129.9 million). The segment results recorded a profit of approximately RMB1,182.8 million (year ended 31 December 2018: RMB2,205.1 million). The decline in segment revenue was due to decrease in average selling price as a result of different city mix and product mix in the delivery portfolio as compared with the year ended 31 December 2018. The decline in segment results was due to the increase in impairment of properties under development and properties held for sale, net.

In 2019, the Group started construction of 4 new projects with 29 projects under construction in aggregate and a total of 32 projects on sale. As at 31 December 2019, the area of the Group's properties held for sales, properties under development and areas pending construction were approximately 0.95 million square meters, 5.12 million square meters and 1.41 million square meters, respectively, totaling 7.48 million square meters.

In view of the current changes in the industry and the macro-economy, the Group continued to focus on the Property Development Business in the major regions, adopted a prudent and sound investment strategy, so as to further solidify its operation capability, constantly enhance product competitiveness and enhance the ability of sales proceeds collection.

Contracted sales

As at 31 December 2019, the Group realised contracted sales of approximately RMB14.52 billion and sold an accumulated contracted area of approximately 1.3971 million square meters, with an average selling price of approximately RMB10,393 per square meter.

Property investment

The property investment business of the Group recorded an increase in turnover by 15.3% to approximately RMB34.9 million (year ended 31 December 2018: RMB30.2 million) and segment profit of approximately RMB30.8 million (year ended 31 December 2018: RMB50.5 million) during the year ended 31 December 2019. The increase in segment revenue was mainly attributed to the increase in rentable floor area due to transfer from properties under development during prior year and the increase in average unit value of properties as a result of the improvement on infrastructure during the year. The decrease in segment results was mainly due to decrease in fair value gains on investment properties attributable to lower appreciation rate of those leasable commercial properties during the year.

Distribution Business

The Distribution Business recorded a turnover of approximately RMB8,880.0 million representing an increase of 14.6% as compared to the year ended 31 December 2018. The segment results recorded a loss of RMB15.7 million for the year ended 31 December 2019. The decline in segment results was due to increase in operating cost and impairment of other receivables.

The Distribution Business is mainly focused on the distribution of information products such as servers, printers, switches, networking products, storage devices, workstations, optical screen products, video conference host, conference controller, codec, UPS power supply and notebook computer of a number of internationally famed and branded information product manufacturers such as HP, H3C, CommScope, Microsoft, Corning, Lenovo, Huawei and DELL. The increase in turnover during the current financial year is mainly attributable to the launch of new products of existing and new products lines during the current financial year.

As the business environment in China is becoming more competitive with the unfavorable factors arising from the macro control policies, the management of the Group will continuously refine its product structure to avoid product overlapping and minimise market risk. The Group will focus on the distribution of information products with better trading terms and exploring the more profitable value-added service business.

Overall performance

The Group reported a loss for the year ended 31 December 2019 of approximately RMB1,693.3 million (year ended 31 December 2018: profit of RMB796.6 million). The Group's revenue for the current financial year was maintained at approximately RMB24.1 billion (year ended 31 December 2018: RMB24.9 billion). The Group's gross profit has decreased by 34.7% to approximately RMB2,101.6 million (year ended 31 December 2018: RMB3,217.4 million) mainly due to decrease in gross profit margin of Property Development Business.

The loss for the year ended 31 December 2019 was mainly due to the net results of:

(i) an increase in impairment of property under development and property held for sale, net incurred from the realizable net values of certain property projects based on the assessment of the prevailing market conditions, by RMB2,395.4 million to RMB3,268.6 million (year ended 31 December 2018: RMB873.2 million);

(ii) a decrease in gross profit margin from 12.9% for the year ended 31 December 2018 to 8.7% for the year ended 31 December 2019 attributable to the impairment of properties under development and properties held for sale, net;

(iii) a decrease in other income and gains by 10.7% to RMB173.2 million (year ended 31 December 2018: RMB193.9 million) attributable to net decrease in fair value gains on investment properties and gain on disposal of properties under development for the year ended 31 December 2018;

(iv) an increase in total selling and distribution expenses and administrative expenses by 14.1% to RMB1,105.1 million (year ended 31 December 2018: RMB968.2 million) attributable to the increase in sales agency fee and commission of Property Development Business;

(v) a decrease in impairment losses on financial assets by 9.2% to RMB71.7 million (year ended 31 December 2018: RMB79.0 million) attributable to decrease in impairment of trade and other receivables;

(vi) a decrease in other expenses and losses by 96.5% to RMB4.5 million (year ended 31 December 2018: RMB128.2 million) attributable to decrease in claim penalty on late delivery of completed properties;

(vii) an increase in finance cost by RMB663.7 million to approximately RMB824.3 million (year ended 31 December 2018: RMB160.7 million) attributable to increase in interest rate and average bank and other borrowings and decrease in interest capitalised of those subsidiaries with their property development projects completed during the year ended 31 December 2019; and

(viii) an increase in income tax expenses by 53.8% to approximately RMB1,960.6 million (year ended 31 December 2018: RMB1,275.0 million) as a result of increase in profit of certain subsidiaries for the year ended 31 December 2019.

Basic and diluted loss per share attributable to equity holders of the Company for the year ended 31 December 2019 were RMB37.75 cents (year ended 31 December 2018: earnings of RMB11.16 cents).

Employee

The Group has developed its human resources policies and procedures based on performance and contributions of employees. The Group ensures that the remuneration level of its employees are competitive and employees are rewarded on a performance basis within the general framework of the Group's salary and bonus systems. The Group provides on-the-job training to its employees in addition to retirement benefit schemes and medical insurance. The Group adopts share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of the Group who contribute to the success of the Group's operations. The Group had not granted any share options to its eligible directors and employees during the year ended 31 December 2019. The Group has 1,205 employees as at 31 December 2019 (31 December 2018: 1,458).

Financial review

Liquidity, financial resources and capital commitments

During the year ended 31 December 2019, the Group generally financed its operations with internally generated resources and banking facilities provided by its principal bankers in Mainland China. As at 31 December 2019, the Group had approximately RMB12,913.0 million interest-bearing bank and other borrowings (31 December 2018: RMB15,232.0 million), of which approximately RMB480.0 million (31 December 2018: RMB395.0 million) were floating interest bearing and RMB12,433.0 million (31 December 2018: RMB14,837.0 million) were fixed interest bearing. The borrowings, which were subject to little seasonality, consisted of mainly bank loans, trust receipt loans and loans from certain subsidiaries and associates of Peking University Founder Group Company Limited* (北大方正集團有限公司) ("**Peking Founder**"), and borrowings from financial institutions. Peking Founder is the substantial shareholders of the Company. Almost all of interest-bearing bank and other borrowings are denominated in RMB, of which RMB12,654.9 million (31 December 2018: RMB10,140.0 million) were repayable within one year and RMB258.1 million (31 December 2018: RMB5,092.0 million) were repayable within two years. The Group's banking facilities were secured by corporate guarantee given by the Company, Peking Founder and Peking University Resources Group Co., Ltd.* (北大資源集團有限公司) ("**Resources Group**"), and certain properties under development, properties held for sale, the Group's stakes and assignment of return arising from the Group's certain properties under development and properties held for sale. The decrease in bank and other borrowings was mainly attributed to the repayment of bank loans for Property Development Business during the current financial year. The decrease in other payables and accruals by 11.1% to RMB16,438.8 million (31 December 2018: RMB18,500.6 million) was due to decrease in contract liabilities arising from sale of properties.

As at 31 December 2019, the Group recorded total assets of approximately RMB38,541.4 million (31 December 2018: RMB42,661.2 million) which were financed by liabilities of approximately RMB37,437.8 million (31 December 2018: RMB39,656.5 million), non-controlling interests of approximately RMB962.8 million (31 December 2018: RMB336.2

million) and equity attributable to owners of the parent of approximately RMB140.8 million (31 December 2018: RMB2,668.5 million). The decrease in equity was attributable to loss for the year ended 31 December 2019. The Group's net asset value per share as at 31 December 2019 was RMB0.17 (31 December 2018: RMB0.47). The decrease in net asset value per share was attributable to the loss for the year ended 31 December 2019. The Group had total cash and cash equivalents and restricted cash of approximately RMB2,514.5 million as at 31 December 2019 (31 December 2018: RMB5,477.2 million). As at 31 December 2019, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total equity, was 11.7 (31 December 2018: 5.1), while the Group's current ratio was 1.01 (31 December 2018: 1.21). As at 31 December 2019, the capital commitments for contracted, but not provided for, properties under development were approximately RMB4,517.1 million (31 December 2018: RMB14,348.8 million).

Treasury policies

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group's cash and cash equivalents are held mainly in HKD, RMB and U.S. dollars. Surplus cash is generally placed in short term deposits denominated in HKD, RMB and U.S. dollars.

Exposure to fluctuations in exchange rates and related hedges

The Group operates mainly in Mainland China and Hong Kong. For the operations in Mainland China, most of its revenues and expense are measured in RMB. For the operations in Hong Kong, most of the transactions are denominated in HKD and U.S. dollars. The values of RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. The conversion of foreign currencies into RMB is subject to the rules and regulations of the foreign exchange controls promulgated by the Chinese government. The Group has minimal exposure to exchange rate fluctuation. No financial instrument was used for hedging purposes.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group had no material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2019.

Future plans for material investments or capital assets

The Group did not have any concrete future plans for material investments or capital assets as at 31 December 2019. However, the Group always seeks for new investment opportunities in the Real Estate Business and Distribution Business to broaden the revenue and profit potential of the Group and enhance shareholders' value in long term.

Charges on assets

As at 31 December 2019, properties under development of approximately RMB10,299.9 million (31 December 2018: RMB7,214.0 million), properties held for sale of approximately RMB6,081.9 million (31 December 2018: RMB1,430.7 million), property, plant and equipment of approximately RMB24.8 million (31 December 2018: Nil), investment properties of approximately RMB179.6 million (31 December 2018: Nil), bank deposits of approximately RMB25.1 million (31 December 2018: RMB94.8 million), certain equity interests of certain subsidiaries and the assignment of returns arising from certain properties under development and properties held for sale of the Group were pledged to banks to secure general banking facilities granted, as deposits for construction of the relevant properties and as guarantees deposits for certain mortgage loans granted by banks to purchasers of the Group's properties.

Contingent liabilities

As at 31 December 2019, the Group had contingent liabilities relating to guarantees mainly in respect of mortgages granted by certain banks to certain purchasers of the Group's properties amounting to approximately RMB6,254.0 million (31 December 2018: RMB5,369.4 million). This represented the guarantees in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled (but not limited to) to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon issuance of the building ownership certificates which are generally available within one to two years after the purchasers take possession of the relevant properties. The fair value of the guarantees is not significant and the directors of the Company consider that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made for the guarantees in the consolidated financial statements for the year ended 31 December 2019 (31 December 2018: Nil).

FOR THE YEAR ENDED 31 DECEMBER 2020

Operating review

Real Estate Business

Property development

The turnover of the Property Development Business for the year ended 31 December 2020 was approximately RMB3,811.5 million (year ended 31 December 2019: RMB15,216.7 million). The segment results recorded a loss of approximately RMB739.8 million (year ended 31 December 2019: profit of RMB1,182.8 million). The deterioration of segment turnover was primarily attributable to the decrease in areas delivered of property development projects. The decline in segment results was due to the net effect of decline in segment revenue and decline in impairment of properties under development, net and properties held for sale, net.

As at 31 December 2020, the Group had a total of 39 property development projects across 18 cities in Mainland China. The total area of the properties held for sales, properties under development and areas pending construction of the Group amounted to approximately 6.72 million square meters.

The Group will further focus on the expansion of its regional property development business, while pushing forward the delivery of projects actively. Facing the changes internally and externally, the Group will make responses prudently and control risks proactively so as to maintain a stable operation of its own business, thereby pushing ahead with the delivery of property projects steadily in the coming year.

Contracted sales

During the year ended 31 December 2020, in response to the regularized pandemic and industrial changes, the Group pushed forward the resumption of work and production actively. As at 31 December 2020, there was a total of 24 projects of 3.89 million square meters under construction. During the year ended 31 December 2020, the Group had 35 projects on sale. Contracted sales of properties and contracted GFA amounted to approximately RMB3.15 billion and 0.34 million square meters, respectively, with an average selling price of approximately RMB9,297 per square meter

Property investment

The property investment business of the Group recorded an increase in turnover by 8.6% to approximately RMB37.9 million (year ended 31 December 2019: RMB34.9 million) and segment profit of approximately RMB510.9 million (year ended 31 December 2019: profit of RMB30.8 million) during the current financial year. The increase in segment revenue was mainly attributed to the increase in rentable floor area due to transfer from properties held for sale during the year. The improvement in segment results was mainly due to increase in fair value gains on investment properties arising from transfer from properties held for sale during the year ended 31 December 2020.

Distribution Business

The Distribution Business recorded a turnover of approximately RMB5,236.0 million for the year ended 31 December 2020 representing a decrease of 41.0% as compared to the year ended 31 December 2019 (year ended 31 December 2019: RMB8,880.0 million). The segment results recorded a profit of RMB28.8 million (year ended 31 December 2019: loss of RMB15.7 million). The improvement in segment results was due to reduction in operating cost and impairment of other receivables.

The Distribution Business is mainly focused on the distribution of information products such as servers, printers, switches, networking products, storage devices, workstations, optical screen products, video conference host, conference controller, codec, UPS power supply and notebook computer of a number of internationally famed and branded information product manufacturers such as HP, H3C, CommScope, Microsoft, Corning, Lenovo, Huawei and DELL. The decrease in turnover during the year was mainly attributable to decrease in sales volume of information products under the impact of COVID-19 pandemic and reduce in scale of operation under the intense market competition.

As the business environment in China is becoming more competitive with the unfavorable factors arising from the macro control policies, the management of the Group will continuously refine its product structure to avoid product overlapping and minimise market risk. The Group will focus on the distribution of information products with better trading terms and exploring the more profitable value-added service business.

Overall performance

The Group reported a loss for the year ended 31 December 2020 of approximately RMB1,845.0 million (year ended 31 December 2019: loss of RMB1,693.3 million). The Group's revenue for the year ended 31 December 2020 decreased by 62.4% to approximately RMB9,085.4 million (year ended 31 December 2019: RMB24,131.6 million) as a result of the decrease in areas delivered of property development projects. The Group's gross profit for the year ended 31 December 2020 has decreased by 74.5% to approximately RMB535.2 million (year ended 31 December 2019: RMB2,101.6 million) mainly due to decrease in proportion of Property Development Business with higher gross profit margin.

The increase in loss for the year ended 31 December 2020 was mainly due to the net results of:

(i) a decrease in gross profit by 74.5% to RMB535.2 million (year ended 31 December 2019: RMB2,101.6 million) as a result of decrease in revenue of Property Development Business and Distribution Business of the Group;

(ii) a decrease in impairment of property under development and property held for sale, net incurred from the realizable net values of certain property projects based on the assessment of the prevailing market conditions, by 80.3% to RMB644.1 million (year ended 31 December 2019: RMB3,268.6 million);

(iii) an increase in other income and gains by RMB409.9 million to RMB583.1 million (year ended 31 December 2019: RMB173.2 million) attributable to net increase in fair value gains on investment properties;

(iv) a decrease in total selling and distribution expenses and administrative expenses by 22.3% to RMB858.6 million (year ended 31 December 2019: RMB1,105.1 million) attributable to the strict control on expenses imposed by the management;

(v) a decrease in impairment losses on financial assets, net by 76.3% to RMB17.0 million (year ended 31 December 2019: RMB71.7 million) attributable to decrease in impairment of trade and other receivables;

(vi) an increase in other expenses and losses, net by RMB480.6 million to RMB485.1 million (year ended 31 December 2019: RMB4.5 million) attributable to increase in claim penalty on late repayment of bank and other borrowings;

(vii) an increase in finance cost by 25.1% to approximately RMB1,030.8 million (year ended 31 December 2019: RMB824.3 million) attributable to decrease in interest capitalised of those subsidiaries with their property development projects completed during the year ended 31 December 2020; and

(viii) a decrease in income tax expenses by 71.0% to approximately RMB568.2 million (year ended 31 December 2019: RMB1,960.6 million) as a result of decrease in corporate income tax and land appreciation tax in the PRC for the year ended 31 December 2020.

The loss attributable to the owners of the parents and the profit attributable to the non-controlling interests of the Group for the year ended 31 December 2020 are approximately RMB2,025.4 million (year ended 31 December 2019: loss of RMB2,421.9 million) and RMB180.4 million (year ended 31 December 2019: profit of RMB728.6 million) respectively.

Basic and diluted loss per share attributable to equity holders of the Company for the year ended 31 December 2020 were RMB31.57 cents (year ended 31 December 2019: RMB37.75 cents).

Employee

The Group has developed its human resources policies and procedures based on performance and contributions of employees. The Group ensures that the remuneration level of its employees are competitive and employees are rewarded on a performance basis within the general framework of the Group's salary and bonus systems. The Group provides on-the-job training to its employees in addition to retirement benefit schemes and medical insurance. The Group adopts share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of the Group who contribute to the success of the Group's operations. The Group had not granted any share options to its eligible Directors and employees during the year ended 31 December 2020. The Group has 1,041 employees as at 31 December 2020 (31 December 2019: 1,205).

Financial review

Liquidity, financial resources and capital commitments

During the year ended 31 December 2020, the Group generally financed its operations with internally generated resources and banking facilities provided by its principal bankers in Mainland China. As at 31 December 2020, the Group had approximately RMB12,173.9 million interest-bearing bank and other borrowings (31 December 2019: RMB12,913.0 million), of which approximately RMB469.8 million (31 December 2019: RMB480.0 million) were floating interest bearing and RMB11,704.1 million (31 December 2019: RMB12,433.0 million) were fixed interest bearing. The borrowings, which were subject to little seasonality, consisted of mainly bank loans, trust receipt loans and loans from certain subsidiaries and associates of Peking Founder, and borrowings from financial institutions. Peking Founder was an indirect controlling shareholder of the Company during the year ended 31 December 2020. Almost all of interest-bearing bank and other borrowings are denominated in RMB, of which RMB12,173.9 million (31 December 2019: RMB12,654.9 million) were repayable on demand or within one year and nil (31 December 2019: RMB258.1 million) was repayable within two years. The Group's banking facilities were secured by corporate guarantee given by the Company, Peking Founder, Founder Information (Hong Kong) Limited ("**Founder Information**") and Resources Group (each a controlling shareholder of the Company during the year ended 31 December 2020), and certain properties under development, properties held for sale, the Group's stakes and assignment of return arising from the Group's certain properties under development and properties held for sale. The decrease in bank and other borrowings was mainly attributed to the repayment of bank loans for Property Development Business during the year ended 31 December 2020. The increase in other payables and accruals by 14.9% to RMB18,882.5 million (31 December 2019: RMB16,438.8 million) was due to increase in contract liabilities arising from sale of properties.

As at 31 December 2020, the Group recorded total assets of approximately RMB38,190.6 million (31 December 2019: RMB38,541.4 million) which were financed by liabilities of approximately RMB38,898.5 million (31 December 2019: RMB37,437.8 million), non-controlling interests of approximately RMB1,136.2 million (31 December 2019: RMB962.8 million) and deficit attributable to owners of the parent of approximately RMB1,844.1 million (31 December 2019: equity of RMB140.8 million). The decrease in equity was attributable to loss for the year ended 31 December 2020. The Group's net asset value per share as at 31 December 2020 was negative RMB0.11 (31 December 2019: positive RMB0.17). The decrease in net asset value per share was attributable to the loss for the year ended 31 December 2020.

The Group had total cash and cash equivalents and restricted cash of approximately RMB1,863.2 million as at 31 December 2020 (31 December 2019: RMB2,514.5 million). As at 31 December 2020, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total equity, was negative 17.2 (31 December 2019: positive 11.7) while the Group's current ratio was 0.94 (31 December 2019: 1.01).

As at 31 December 2020, the capital commitments for contracted, but not provided for, properties under development were approximately RMB4,959.2 million (31 December 2019: RMB4,517.1 million).

Treasury policies

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group's cash and cash equivalents are held mainly in HKD, RMB and U.S. dollars. Surplus cash is generally placed in short term deposits denominated in HKD, RMB and U.S. dollars.

Exposure to fluctuations in exchange rates and related hedges

The Group operates mainly in Mainland China and Hong Kong. For the operations in Mainland China, most of its revenues and expense are measured in RMB. For the operations in Hong Kong, most of the transactions are denominated in HKD and U.S. dollars. The values of RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. The conversion of foreign currencies into RMB is subject to the rules and regulations of the foreign exchange controls promulgated by the Chinese government. The Group has minimal exposure to exchange rate fluctuation. No financial instrument was used for hedging purposes.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group had no material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2020.

Future plans for material investments or capital assets

The Group did not have any concrete future plans for material investments or capital assets as at 31 December 2020 (31 December 2019: Nil). However, the Group always seeks for new investment opportunities in the Real Estate Business and Distribution Business to broaden the revenue and profit potential of the Group and enhance shareholders' value in long term.

Charges on assets

As at 31 December 2020, properties under development of approximately RMB12,176.1 million (31 December 2019: RMB10,299.9 million), properties held for sale of approximately RMB5,451.7 million (31 December 2019: RMB6,081.9 million), property, plant and equipment of approximately RMB23.2 million (31 December 2019: RMB24.8 million), investment properties of approximately RMB165.3 million (31 December 2019: RMB179.6 million), bank deposits of approximately RMB10.4 million (31 December 2019: RMB25.1 million), certain equity interests of certain subsidiaries and the assignment of returns arising from certain properties under development and properties held for sale of the Group were pledged to banks to secure general banking facilities granted, as deposits for construction of the relevant properties and as guarantees deposits for certain mortgage loans granted by banks to purchasers of the Group's properties.

Contingent liabilities

As at 31 December 2020, the Group had contingent liabilities relating to guarantees mainly in respect of mortgages granted by certain banks to certain purchasers of the Group's properties amounting to approximately RMB7,886.6 million (31 December 2019: RMB6,254.0 million). This represented the guarantees in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled (but not limited to) to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon issuance of the building ownership certificates which are generally available within one to two years after the purchasers take possession of the relevant properties. The fair value of the guarantees is not significant and the Directors of the Company consider that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made for the guarantees in the consolidated financial statements for the year ended 31 December 2020 (31 December 2019: Nil).

Response from the Directors regarding the Disclaimer of Opinion set out in the Independent Auditor's Report for the year ended 31 December 2020

Ernst & Young (the "**Auditor**"), the independent auditor of the Company, stated in the Independent Auditor's Report (the "**Independent Auditor's Report**") set out in the annual report for the year ended 31 December 2020 ("**2020 Annual Report**") that they are unable to form an opinion as to (i) whether the use of going concern assumption in the preparation of the consolidated financial statements of the Group is appropriate; and (ii) the uncertainties relating to an amount due to Resources Group and its subsidiaries (the "**Disclaimer of Opinion**"). Please refer to the Independent Auditor's Report set out in the 2020 Annual Report for details.

The management's view and assessment on the Disclaimer of Opinion

Going concern basis

The following audit evidence in relation to the going concern is provided by the management to the Auditor:

(1) the information of extension of borrowings with the existing lenders including but not limited to correspondence details with lenders, renewed agreements, etc.;

(2) the information of outstanding litigation with lenders such as pre-litigation property attachment and summary of status of outstanding litigation; and

(3) the information of the reorganisation procedures against Peking Founder such as the notification letters issued by the Administrator of Peking Founder.

The Group has closely communicated with the Auditor to review the above audit evidence and to assess the appropriateness and reasonableness of the going concern basis.

As disclosed in the announcement of the Company dated 30 November 2021, Founder Information (acting by the Liquidators) was only interested in approximately 0.21% of the issued share capital of the Company immediately following the completion of several sales of shares of the Company from June to November 2021. Thus, Peking Founder, being the holding company of Founder Information (acting by the Liquidators), was no longer an indirect controlling shareholder of the Company. As disclosed in the section headed "Management Discussion and Analysis – Events after the Reporting Period" in the 2020 Annual Report, the Group's creditors have initiated multiple litigations against certain Group's members for repayment of the loans. Therefore, it is difficult for the Directors to provide such supporting evidences that the Auditor considers sufficient at this stage.

For the purpose of assessing going concern, the management will undertake the following measures to mitigate the liquidity pressure and to improve its financial position:

1. actively negotiating with existing lenders for loan extension, the waiver of the repayable on demand clause and breach of the undertaking and restrictive covenant requirements of certain bank and other borrowings; and

2. implementing business strategy plans to enhance profitability, control costs and to generate adequate cash flows from operations.

The management understood that there were multiple uncertainties over the Group's status as a going concern as disclosed in the note 2.1 to the financial statements. As disclosed above, it is difficult for the Directors to provide supporting evidences that the Auditor considers sufficient at this stage.

Amount due to Resources Group

As disclosed in the announcement of the Company dated 10 November 2021, a civil legal proceeding had been filed by Resources Group in The First Intermediate People's Court of Beijing against Peking University Resources Group Investment Co., Limited* (北大資源集團投資有限公司) ("**Resources Investment**") in respect of the amount owed by Resources Investment to Resources Group (the "**Litigation**"). According to the relevant statement of claim, up to 30 September 2020, the amounts owed by Resources Investment to Resources Group were approximately RMB7,926 million (the "**Alleged Debts**").

The management has been using its best efforts to understand the events and circumstances leading to the discrepancies (the "**Discrepancies**") claimed by Resources Group regarding the amount due to Resources Group. In October 2021, the Company has established an investigation team to conduct investigation on the Discrepancies (the "**Investigation**").

During the Investigation, as disclosed in the announcement of the Company dated 10 December 2021, the Board has discovered that Resources Group is suspected to have misappropriated funds of the Group (the "**Misappropriation**") in the following manner:

(1) Resources Group had arranged certain subsidiaries of the Company ("**Group Companies**") to transfer or deposit their funds into Resources Group, resulting in large amount of indebtedness due from Resources Group to the Group.

(2) In 2020 and 2021, Resources Group and its associates, Resources Investment and some other Group Companies have undertaken a series of transactions to transfer, assign and/or offset their respective debts. In particular, Kunshan Hi-Tech Electronic Arts Creative Industry Development Co., Limited* (昆山高科電子藝術創意產業發展有限公司) ("**Kunshan Hi-Tech**"), a subsidiary of the Company had transferred and deposited its funds to Resources Group, leading to an aggregated debt of

approximately RMB2,417 million owed by Resources Group to Kunshan Hi-Tech (the "**Kunshan Hi-Tech Debt**"). On 25 March 2021, Resources Group, Resources Investment, Kunshan Hi-Tech and Peking University Resources (Hubei) Asset Management Co., Limited* (北大資源(湖北)資產管理有限公司) ("**Resources Hubei**"), an indirect subsidiary of the Company entered into and executed several debt assignment and transfer documents, pursuant to which (a) Resources Investment assumed the liabilities of Resource Group and agreed to repay part of Kunshan Hi-Tech Debt in an amount of approximately RMB2,085 million to Kunshan Hi- Tech, and (b) Resources Hubei assumed the liabilities of Resource Group and agreed to repay part of Kunshan Hi-Tech Debt of approximately RMB141 million to Kunshan Hi-Tech. Thus, Resources Investment and Resources Hubei have incurred vast amount of debts which should have been borne by Resources Group.

(3) While being fully aware of the transactions as disclosed above, Resources Group knowingly and willfully claimed that there were discrepancies regarding the amount payable by Resources Investment to Resources Group and filed a civil lawsuit against Resources Investment for the repayment of the Alleged Debts of approximately RMB7,926 million.

As at the date of the 2020 Annual Report, the Investigation is still ongoing. With the support of the Company's PRC legal advisers, the Company has been proactively collecting the relevant evidences and preparing defence with respect to the Litigation. In relation to the suspected Misappropriation, the Company is currently seeking legal advices and will continue to conduct Investigation over the conducts of Resources Group.

The Board consider there is no sufficient basis for the Company to conduct the reconciliation of the amount due to the Resources Group with the Alleged Debts claimed by the Resources Group after taking into accounts the followings:

(1) Resources Group claimed that the Alleged Debts of RMB7,926 million was the amount owed by Resources Investment to Resources Group as at 30 September 2020, while the amounts due to Resources Group of approximately RMB2,351 million as included in other payables and accruals in the consolidated balance sheet at 31 December 2020 in the 2020 Annual Report is the amounts due to Resources Group as at 31 December 2020, thus no direct comparison can be made with respect to these two figures;

(2) no formal explanation or details regarding the Discrepancies or any document of the underlying transactions leading to the Discrepancies was provided by Resources Group to the Company so far;

(3) the Alleged Debts of RMB7,926 million owed by Resources Investment to Resources Group was fabricated by Resources Group through a series of debt transfer, assignment and offsetting transactions undertaken by Resources Group and its associates, Resources Investment and other Group Companies, which were conducted under the procurement of Resources Group by exerting its control over Resources Investment and other Group Companies at that time, thus did not represent a true indebtedness of Resources Investment; and

(4) the amounts due to Resources Group of approximately RMB2,351 million was prepared based on the internal financial records of the Group.

Given the above, the management is unable to provide the Auditors with sufficient appropriate audit evidence to substantiate the validity and completeness of the amount owed by the Group to Resources Group as of 31 December 2020.

Audit committee's view on the Disclaimer of Opinion

The Audit Committee had critically reviewed the Disclaimer of Opinion, the management's position concerning the Disclaimer of Opinion and measures taken by the Group for addressing the Disclaimer of Opinion. The Audit Committee agreed with the management's position based on the measures disclosed above. Moreover, the Audit Committee requested the management to take all necessary actions to address the effect on the Disclaimer of Opinion that no such Disclaimer of Opinion to be made in the forthcoming audited financial statements. The Audit Committee had also discussed with the Auditor regarding the financial position of the Group, measures taken and to be taken by the Group, and considered the Auditor's rationale and understood their consideration in arriving their opinion.

Action plan to address the Disclaimer of Opinion

In order to address the uncertainties that may cast significant doubt on the Group's ability to continue as going concerns, and with a view to the Disclaimer of Opinion, the Group had taken and intends to continue to implement the following measures to mitigate the liquidity pressure and to improve its cash flows, including:

1. Actively negotiating with existing lenders for the waiver of the repayable on demand clause and breach of the undertaking and restrictive covenant requirements of certain bank and other borrowings.

   The Group has been taking steps to negotiate with the existing lenders to seek for extension of due dates for the overdue loans, and will use its best endeavours to negotiate with the lenders to seek for extension of due dates on a continuing basis.

Based on the communication with the financial institutions cooperating with the Group, all financial institutions expressed their understanding of the current status of the Group, and at the same time hope that the Group can sustain normal operations. Therefore, the operation and staff stability of the Group are not significantly affected. As at 31 December 2020, the overdue loans of RMB3,218 million were extended for repayment by the lenders.

2. Implementing business strategy plans to enhancing profitability and control costs and to generate adequate cash flows from operations.

   (a) Accelerating the pre-sale and sale of properties under development and completed properties

   The Group formulated the sales strategy tailored to the local conditions of each property development project based on their respective product structure and actively responded to the market, so as to accelerate the pre-sale and sale of properties under development and completed properties. In addition, the Group strengthened communication and coordination with cooperative banks and capital regulatory departments to speed up the receipt of proceeds from pre-sale and sale of properties under development and completed properties.

   (b) Cost control measures

   The Group has been taking measures to control the operating costs and improve management efficiency and competitiveness. The Group formulated and closely monitored the budgeted cost for each stage of projects. Cost management system was adopted for real-time cost management and control. The Group has achieved product standardisation and adopted transparent tender system for centralised purchase and subcontracting with standard procedures and documents to determine reasonable and competitive bidding price.

   The structure of marketing expenses were adjusted in each stage so as to improve the cost-effectiveness ratio in the process of pre-sale and sale of properties under development and completed properties.

   The Group is also tightening cost controls over the daily administrative and other operating expenses aiming at improving the working capital and cash flow position of the Group.

   The Group is confident that the new measures could improve management efficiency while saving operating costs.

3. The Group is seeking legal advice and is proactively responding to the litigations involved to protect its legitimate interests.

In order to address the uncertainties relating to the amount due to Resources Group, the Group had taken and intends to continue to implement the following measures:

1. The Company will continue to conduct the Investigation regarding the Discrepancies, including the circumstance leading to the Misappropriation by Resources Group.

2. In respect of the Litigation, the Company will rigorously defend itself to protect its legitimate interest. The Company is also proactively collecting the relevant evidences and preparing the defence with respect to the Litigation with the support of the Company's PRC legal advisers.

3. In relation to the suspected Misappropriation, the Company is currently seeking legal advices and will continue to conduct Investigation over the conducts of Resources Group. The Group will take proactive follow-up actions to safeguard the Group's interests and assets.

4. The Company has engaged financial advisers, legal advisers and valuer to assist the Company in dealing with the subsidiaries implicated in the Discrepancies and the suspected Misappropriation.

Removal of the Disclaimer of Opinion

The Board will take into consideration the Disclaimer of Opinion when preparing the consolidated financial statements for the 15-month period from 1 January 2021 to 31 March 2022. The Board will be responsible for assessing the Company's ability to continue as a going concern and the amounts due to Resources Group based on the conditions and circumstances as at 31 March 2022.

Assuming (i) all of the above action plans can be implemented as intended; (ii) that there are no other material adverse changes to the business, operation and financial conditions of the Group; (iii) the supporting evidence in proving the Group's ability to continue as a going concern can be provided to the Company's auditor to its satisfaction; and (iv) the supporting evidence to substantiate the validity and completeness of the amount owed by the Group to Resources Group can be provided to the Company's auditor to its satisfaction, the Company believes that its auditor will be able to remove the Disclaimer of Opinion by the time of issuing the audit opinion for the consolidated financial statements of the Group for 15-month period from 1 January 2021 to 31 March 2022. The Group will work closely with its auditor with the view to making timely reporting of the consolidated financial statements of the Group for 15-month period from 1 January 2021 to 31 March 2022 in accordance with the Listing Rules and relevant regulatory requirements. The Company has engaged financial advisers, legal advisers and valuer to assist the Company in dealing with the subsidiaries implicated in the Discrepancies and the suspected Misappropriation.

FOR THE FIFTEEN MONTHS ENDED 31 MARCH 2022

Operating review

Real Estate Business

Property development

The turnover of the Property Development Business for the fifteen months ended 31 March 2022 was approximately RMB4,332.8 million (year ended 31 December 2020: RMB3,811.5 million). The segment results recorded a profit of approximately RMB1,078.0 million (year ended 31 December 2020: loss of RMB739.8 million) during the fifteen months ended 31 March 2022. The growth of segment turnover was primarily attributable to the increase in areas delivered of property development projects. The profit of segment results mainly included: (i) net gains on disposal of subsidiaries by the group of approximately RMB3,928.6 million; (ii) gains on disposal of properties for sale under development of approximately RMB1,739.8 million; and (iii) net impairment of properties under development and properties for sale completed of approximately RMB3,799.7 million.

Following the change in the composition of the Board in October 2021, the current Board has been reviewing the business operations of the Group and its financial performance and positions with a view to devising an action plan for the resumption of trading in the shares of the Company. The Company has disposed of the entire issued share capital of HK Huzi to Wealth Elite, for the consideration of HK$20 million on 25 March 2022.

The Group realized contracted sales of approximately RMB2.51 billion, with a contracted GFA of approximately 372,000 square meters and an average selling price of approximately RMB6,748 per square meter. Among which, the Group, excluding the Huzi Group, has completed contracted sales of approximately RMB1.29 billion, with a contracted GFA of approximately 219,000 square meters and an average selling price of approximately RMB5,911 per square meter.

As at 31 March 2022, the Group had 13 property development projects across 9 cities in Mainland China. The total area of the properties held for sale, properties under development and areas pending construction amounted to approximately 3.17 million square meters.

The Group will further focus on the expansion of its regional property development business, while pushing forward the delivery of projects actively. Facing the changes internally and externally, the Group will make responses prudently and control risks proactively so as to maintain a stable operation of its own business, thereby pushing ahead with the delivery of property projects steadily in the coming year.

Property investment

The property investment business of the Group recorded an increase in turnover by approximately RMB57.9 million to approximately RMB95.8 million (year ended 31 December 2020: RMB37.9 million) and segment loss of approximately RMB335.0 million (year ended 31 December 2020: profit of RMB510.9 million) during the fifteen months ended 31 March 2022. The increase in segment revenue was mainly attributed to the increase in rentable floor area during the fifteen months ended 31 March 2022. The deterioration in segment results was mainly due to the fair value loss on investment properties arising from the decrease in fair value of investment properties of approximately RMB328.5 million (year ended 31 December 2020: gain of RMB478.6 million) during the fifteen months ended 31 March 2022.

Distribution Business

The Distribution Business recorded a turnover of approximately RMB7,371.0 million for the fifteen months ended 31 March 2022, representing an increase of approximately RMB2,135.0 million as compared to the year ended 31 December 2020 (year ended 31 December 2020: RMB5,236.0 million). The segment results recorded a profit of approximately RMB40.2 million (year ended 31 December 2020: RMB28.8 million) during the fifteen months ended 31 March 2022. The improvement in segment results was due to the increase in turnover, strengthened control over operating costs and improved sales performance.

The Distribution Business is mainly focused on the distribution of information products such as servers, printers, switches, networking products, storage devices, workstations, optical screen products, video conference host, conference controller, codec, UPS power supply and notebook computer of a number of internationally famed and branded information product manufacturers such as HP, H3C, CommScope, Lenovo, DELL, SHARP and Joyoung. The increase in turnover during the fifteen months ended 31 March 2022 was mainly attributable to increase in sales volume of information products.

As the business environment in China is becoming more competitive with the unfavorable factors arising from the macro control policies, the management of the Group will continuously refine its product structure to avoid product overlapping and minimise market risk. The Group will focus on the distribution of information products with better trading terms and exploring the more profitable value-added service business.

Overall performance

As disclosed in the announcement of the Company dated 5 January 2022, the Board resolved to change the financial year end date of the Company from 31 December to 31 March. The first reporting period of the Group following the change of financial year end date is the 15-month period from 1 January 2021 to 31 March 2022.

During the fifteen months ended 31 March 2022, the Group's revenue increased by 29.9% to approximately RMB11,799.6 million (year ended 31 December 2020: RMB9,085.4 million) as a result of the increase in sales of the Distribution Business and the increase in areas delivered of property development projects. The Group's gross loss for the fifteen months ended 31 March 2022 was approximately RMB2,653.8 million (year ended 31 December 2020: gross profit of RMB535.2 million), mainly due to the net provision for impairment losses of properties under development and properties held for sales under the Property Development Business of approximately RMB3,799.7 million. The Group reported a loss of approximately RMB433.7 million (year ended 31 December 2020: loss of RMB1,845.0 million) during the fifteen months ended 31 March 2022.

The decrease in loss during the fifteen months ended 31 March 2022 was attributable to the combined effects of the following factors:

(i) an increase in other income and gains by approximately RMB5,192.5 million to approximately RMB5,775.6 million (year ended 31 December 2020: RMB583.1 million), which mainly includes (i) net gain from disposal of subsidiaries by the Group of approximately RMB3,928.6 million; and (ii) gains on disposal of properties under development of approximately RMB1,739.8 million;

(ii) a decrease in the aggregate of selling and distribution expenses and administrative expenses by approximately RMB106.4 million to approximately RMB752.2 million (year ended 31 December 2020: RMB858.6 million) attributable to the strict control on expenses imposed by the management;

(iii) an increase in other expenses and losses, net by approximately RMB1,093.8 million to approximately RMB1,578.9 million (year ended 31 December 2020: RMB485.1 million) attributable to increase in claim penalty on late repayment of bank and other borrowings;

(iv) a decrease in finance cost by approximately RMB482.3 million to approximately RMB548.5 million (year ended 31 December 2020: RMB1,030.8 million) attributable to decrease in interest on other borrowings during the fifteen months ended 31 March 2022; and

(v) an increase in income tax expenses by approximately RMB107.1 million to approximately RMB675.3 million (year ended 31 December 2020: RMB568.2 million) as a result of an increase in corporate income tax and land appreciation tax in the PRC during the fifteen months ended 31 March 2022.

The profit attributable to the owners of the Company and the loss attributable to the non-controlling interests of the Group for the fifteen months ended 31 March 2022 are approximately RMB1,509.5 million (year ended 31 December 2020: loss of RMB2,025.4 million) and RMB1,943.2 million (year ended 31 December 2020: profit of RMB180.4 million) respectively.

Basic and diluted profit per share attributable to owners of the Company for the fifteen months ended 31 March 2022 were approximately RMB23.53 cents (year ended 31 December 2020: loss of RMB31.57 cents).

Employee

The Group has developed its human resources policies and procedures based on performance and contributions of employees. The Group ensures that the remuneration levels of its employees are competitive and employees are rewarded on a performance basis within the general framework of the Group's salary and bonus systems. The Group provides on-the-job training to its employees in addition to retirement benefit schemes and medical insurance. The Group adopts share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of the Group who contribute to the success of the Group's operations. The Group had not granted any share options to its eligible Directors and employees during the fifteen months ended 31 March 2022. The Group had 565 employees as at 31 March 2022 (31 December 2020: 1,041).

Financial review

Liquidity, financial resources and capital commitments

During the fifteen months ended 31 March 2022, the Group generally financed its operations with internally generated resources and banking facilities provided by its principal bankers in Mainland China. As at 31 March 2022, the Group had approximately RMB4,518.0 million interest-bearing bank and other borrowings (31 December 2020: RMB12,173.9 million), of which approximately RMB456.8 million (31 December 2020: RMB469.8 million) were floating interest bearing and approximately RMB4,061.2 million (31 December 2020: RMB11,704.1 million) were fixed interest bearing. The borrowings, which were subject to little seasonality, consisted of mainly bank loans, trust receipt loans and loans from certain subsidiaries and associates of Peking Founder, and borrowings from financial institutions. Peking Founder was a former indirect controlling shareholder of the Company during the fifteen months ended 31 March 2022. Some of the interest-bearing bank and other borrowings are denominated in RMB, of which approximately RMB3,497.9 million (31 December 2020: RMB12,173.9 million) were repayable on demand or within one year and approximately RMB1,020.1 million (31 December 2020: Nil) was repayable within two years. The Group's banking facilities were secured by corporate guarantee given by the Company, Peking Founder, Founder Information and Resources Group (each a former controlling shareholder of the Company during the fifteen months ended 31 March 2022), and certain properties under development, properties held for sale, the Group's stakes and assignment of return arising from the Group's certain properties under development and properties held for sale. The decrease in bank and other borrowings was mainly attributed to the repayment of bank loans for Property Development Business and the disposal of subsidiaries by the Group during the fifteen months ended 31 March 2022. The decrease in other payables and accruals by 50.5% to approximately RMB4,254.0 million (31 December 2020: RMB8,591.8 million) was due to the disposal of subsidiaries by the Group during the fifteen months ended 31 March 2022.

As at 31 March 2022, the Group recorded total assets of approximately RMB18,267.4 million (31 December 2020: RMB38,190.6 million) which were financed by liabilities of approximately RMB15,878.9 million (31 December 2020: RMB38,898.5 million), non-controlling interests of approximately RMB2,850.6 million (31 December 2020: RMB1,136.2 million) and deficit attributable to owners of the Company of approximately RMB462.1 million (31 December 2020: deficit of RMB1,844.1 million). The decrease in deficit attributable to owners of the Company was due to the gain on disposal of subsidiaries during the fifteen months ended 31 March 2022. The Group's net asset value per share as at 31 March 2022 was RMB37.2 cents (31 December 2020: negative RMB11.0 cents). The increase in net asset value per share was attributable to the gain on disposal of subsidiaries during the fifteen months ended 31 March 2022.

The Group had total cash and cash equivalents and restricted cash of approximately RMB683.9 million as at 31 March 2022 (31 December 2020: RMB1,863.2 million). As at 31 March 2022, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total equity, was 1.89 (31 December 2020: negative 17.2) while the Group's current ratio was 1.19 (31 December 2020: 0.94).

As at 31 March 2022, the capital commitments for contracted, but not provided for, properties under development were approximately RMB1,829.0 million (31 December 2020: RMB4,959.2 million).

Treasury policies

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group's cash and cash equivalents are held mainly in HKD, RMB and USD. Surplus cash is generally placed in short term deposits denominated in HKD, RMB and USD.

Exposure to fluctuations in exchange rates and related hedges

The Group operates mainly in Mainland China and Hong Kong. For the operations in Mainland China, most of its revenues and expense are measured in RMB. For the operations in Hong Kong, most of the transactions are denominated in HKD and USD. The values of RMB against the USD and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. The conversion of foreign currencies into RMB is subject to the rules and regulations of the foreign exchange controls promulgated by the Chinese government. The Group has minimal exposure to exchange rate fluctuation. No financial instrument was used for hedging purposes.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

Save as disclosed below, the Group had no material acquisition or disposal of subsidiaries, associates and joint ventures during the fifteen months ended 31 March 2022.

On 21 January 2022, the Company and Wealth Elite entered into a sale and purchase agreement, pursuant to which the Company agreed to sell, and Wealth Elite agreed to purchase the entire issued share capital of HK Huzi, at the consideration of HK$20,000,000.

HK Huzi was a direct wholly-owned subsidiary of the Company. HK Huzi is principally engaged in investment holding. The Huzi Group is principally engaged in property development business in the PRC. Each of the subsidiaries of HK Huzi is either an intermediary holding company or a company holding property development project(s).

At the special general meeting of the Company held on 25 March 2022, the shareholders of the Company approved the disposal of HK Huzi and completion of the disposal of HK Huzi took place in accordance with the terms of the sale and purchase agreement on 25 March 2022. Upon completion, HK Huzi has ceased to be a subsidiary of the Company, and the Company has ceased to have any interest in HK Huzi, but the Group still had total receivables from the Huzi Group of approximately RMB3,475.2 million. The Group recorded a net gain from the disposal of HK Huzi of approximately RMB3,372.0 million, before taking into account the expenses in relation to the disposal of HK Huzi and after taking into account the market value of the properties and property development projects attributable to the Huzi Group, minority interests of the Huzi Group and the impairment of the receivable from the Huzi Group of RMBnil.

The disposal of HK Huzi constituted a major transaction of the Company under Chapter 14 of the Listing Rules. Please refer to the announcement of the Company dated 21 January 2022, the circular of the Company dated 4 March 2022 and the announcement of the Company dated 25 March 2022 for other details of the disposal of HK Huzi.

Future plans for material investments or capital assets

The Group did not have any concrete future plans for material investments or capital assets as at 31 March 2022 (31 December 2020: Nil). However, the Group always seeks for new investment opportunities in the Real Estate Business and Distribution Business to broaden the revenue and profit potential of the Group and enhance shareholders' value in long term.

Charges on assets

As at 31 March 2022, properties under development of approximately RMB2,425,2 million (31 December 2020: RMB12,176.1 million), properties held for sale of approximately RMB912.3 million (31 December 2020: RMB5,451.7 million), certain equity interests of certain subsidiaries and the assignment of returns arising from certain properties under development and properties held for sale of the Group were pledged to banks to secure general banking facilities granted, as deposits for construction of the relevant properties and as guarantees deposits for certain mortgage loans granted by banks to purchasers of the Group's properties.

Contingent liabilities

As at 31 March 2022, the Group had contingent liabilities relating to guarantees mainly in respect of mortgages granted by certain banks to certain purchasers of the Group's properties amounting to approximately RMB3,136.7 million (31 December 2020: RMB7,886.6 million). This represented the guarantees in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled (but not limited to) to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon issuance of the building ownership certificates which are generally available within one to two years after the purchasers take possession of the relevant properties. The fair value of the guarantees is not significant and the Directors consider that in case of default in payments by the purchasers, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made for the guarantees in the consolidated financial statements for the fifteen months ended 31 March 2022.

Response from the Directors regarding the Disclaimer of Opinion set out in the Independent Auditor's Report for the fifteen months ended 31 March 2022

CCTH CPA Limited, the independent auditor of the Company, stated in the independent auditor's report (the "**Independent Auditor's Report**") set out in the annual report for the fifteen months ended 31 March 2022 ("**2021/22 Annual Report**") that it did not express an opinion on the consolidated financial statements of the Group for the fifteen months ended 31 March 2022 (the "**2021/22 Financial Statements**") because of the significance of the matters as to (a) opening balances and corresponding figures (the "**Opening Balances Disclaimer**") and (b) whether it is appropriate for the preparation of the consolidated financial statements on a going concern basis (the "**Going Concern Disclaimer**", together with Opening Balances Disclaimer, the "**CCTH Disclaimer of Opinion**"). Please refer to the section headed "Basis for Disclaimer of Opinion" in the Independent Auditor's Report set out in 2021/22 Annual Report for details.

The management's view and assessment on the CCTH Disclaimer of Opinion

Opening balances and corresponding figures

The basis giving rise to the Opening Balances Disclaimer was due to the fact that the predecessor auditor, Ernst & Young disclaimed their opinion on the Group's consolidated financial statements for the year ended 31 December 2020 (the "**2020 Financial Statements**") and as such, CCTH CPA Limited was unable to draw comfort from the closing balances contained in the 2020 Financial Statements as basis for the opening balances of the 2021/22 Financial Statements.

As CCTH CPA Limited has performed audit procedures that it deemed necessary and did not qualify the closing balances in the 2021/22 Financial Statements, the Company is of the view that the basis giving rise to the Opening Balances Disclaimer will be removed in the subsequent financial statements of the Company. As such, this audit modification on the 2021/22 Financial Statements will be addressed accordingly in the subsequent financial statements of the Company.

Going concern basis

For the year ended 31 December 2020, the Group reported a net loss of approximately RMB1,845.0 million, of which the net loss attributable to owners of the Company amounted to approximately RMB2,025.4 million. It is noted that the Group reported a net loss of approximately RMB433.7 million for the fifteen months ended 31 March 2022, of which profit attributable to owners of the Company amounted to approximately RMB1,509.5 million. This represented a significant improvement on the financial performance of the Group as a whole.

As at 31 December 2020, the Group had a net deficit attributable to the owners of the Company of approximately RMB1,844.1 million and the Group had a net deficit of approximately RMB708.0 million. As at 31 March 2022, the Group had net deficit attributable to the owners of the Company of approximately RMB462.1 million and the Group had net assets of approximately RMB2,388.5 million. Although the Group still had net deficit attributable to the owners of the Company as at 31 March 2022, the Group had turned around the net deficit position to net asset position. The net deficit attributable to owners of the Company as at 31 March 2022 had decreased by approximately 75.0% compared to that of 31 December 2020.

As at 31 March 2022, the Group had interest-bearing bank and other borrowings of approximately RMB4,518.0 million in aggregate which is significantly less than that as at 31 December 2020 of approximately RMB12,173.9 million. The decrease in interest-bearing bank and other borrowings of the Group was mainly due to the completion of the disposal of HK Huzi in March 2022 as substantial amount of bank and other borrowings was attributable to the Huzi Group.

The Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures and plans being undertaken or to be undertaken by the Group to mitigate the liquidity pressure and to improve its financial position include, but are not limited to, the following:

(a) The Directors are considering various proposals, including but not limited to disposal of equity interest of certain entities of the Group engaging in property development or pledges of the Group's properties for sales, in order to obtain additional funds to support the Group's working capital needs. As at 31 March 2022, the book value of the properties under development for sale and completed properties for sale of the Group amounted to approximately RMB7,551.3 million and RMB3,093.7 million, respectively.

(b) The Group has been actively negotiating with existing lenders for loan extension, the waiver of the repayable on demand clause and the waiver of possible breach of the undertaking and restrictive covenant requirements relating to certain bank and other borrowings. In particular, the Group has entered into mediation agreements with one of its lenders in December 2021 in relation to the outstanding debts amounting to approximately RMB1,118.8 million (including outstanding principal and interest), pursuant to which the parties agreed on a revised repayment schedule where the Group is required to pay the settlement amounts to the relevant lender in instalments by 31 December 2023.

(c) The management of the Group has prepared a business strategy plan, which has been reviewed by the Board. The business strategy plan mainly focuses on:

(i) The acceleration of pre-sale of suitable properties of the Group

The Group formulated the sales strategy tailored to the local market conditions of each property development project based on their respective product structure and actively responded to the market demands, so as to accelerate the pre-sale and sale of properties under development and completed properties. In addition, the Group strengthened communication and coordination with cooperative banks to speed up the receipt of proceeds from pre-sale and sale of properties under development and completed properties.

(ii) The implementation of cost control measures

The Group formulated and closely monitored the budgeted cost for each stage of property development projects. Cost management system is adopted for real-time cost management and control. The Group has achieved product standardization and adopted transparent tender system for centralized purchase and subcontracting with standard procedures and documents to determine reasonable and competitive bidding price. The structure of marketing expenses has been adjusted in each stage so as to improve the cost- effectiveness ratio in the process of pre-sale and sale of properties under development and completed properties. The Group is also tightening cost controls over the daily administrative and other operating expenses with the objective of improving the working capital and cash flow position of the Group.

The Directors are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due at least within the next twelve months after 31 March 2022.

Removal of the CCTH Disclaimer of Opinion

Assuming (i) all of the above action plans can be implemented as intended; (ii) that there are no other material adverse changes to the business, operation and financial conditions of the Group; and (iii) the supporting evidence in proving the Group's ability to continue as a going concern can be provided to the Company's auditor to its satisfaction, the Company believes that it will be able to address the audit modification expressed by CCTH CPA Limited on the 2021/22 Financial Statements and the CCTH Disclaimer of Opinion will be removed in respect of subsequent financial statements of the Company. The Group will work closely with its auditor with the view to making timely reporting of the consolidated financial statements of the Group for the year ending 31 March 2023 in accordance with the Listing Rules and relevant regulatory requirements.

Audit Committee's view on the CCTH Disclaimer of Opinion

The Audit Committee has reviewed the basis of the CCTH Disclaimer of Opinion and the Company's response and concurs with the view of the Company that the audit modifications as set out in the CCTH Disclaimer of Opinion will be removed in respect of subsequent financial statements of the Company.

FOR SIX MONTHS ENDED 30 SEPTEMBER 2022

Operating review

Real Estate Business

The turnover of the Property Development Business for the six months ended 30 September 2022 increased by 54.8% to approximately RMB2,681,994,000 (six months ended 30 June 2021: RMB1,732,665,000). The segment recorded a profit of approximately RMB482,280,000 (six months ended 30 June 2021: loss of approximately RMB220,823,000). The increase in segment turnover was primarily attributable to the increase in areas delivered for property development projects. The turn from loss to profit under the segment was due to the increase in gross profit of properties sold.

As at 30 September 2022, the Group had 13 property development projects across 9 cities in Mainland China. The total area of the properties held for sale, properties under development and areas pending construction amounted to approximately 2,780,000 square meters. During the six months ended 30 September 2022, in response to the ongoing pandemic and industrial changes, the Group pushed for the resumption of work and production actively. During the six months ended 30 September 2022, contracted sales of properties and contracted GFA amounted to approximately RMB535 million and approximately 134,000 square meters, respectively, with an average selling price of approximately RMB4,003.6 per square meter.

The Group will further focus on the expansion of its regional property development business, while pushing forward the delivery of projects actively. Facing the changes internally and externally, the Group will make responses prudently and control risks proactively so as to maintain a stable operation of its own business, thereby pushing ahead with the steadily delivery of property projects.

Property investment

During the six months ended 30 September 2022, the turnover of property investment business increased by 22.8% to approximately RMB30,694,000 (six months ended 30 June 2021: RMB25,000,000). The segment recorded a profit of approximately RMB5,433,000 (six months ended 30 June 2021: RMB23,587,000). The increase in segment revenue was mainly attributed to the increase in rented GFA during the six months ended 30 September 2022.

Distribution Business

During the 30 September 2022, the Distribution Business recorded a turnover of approximately RMB1,133,622,000, representing a decrease of 62.9% as compared to that of the six months ended 30 June 2021 (six months ended 30 June 2021: RMB3,053,990,000). The segment recorded a loss of RMB119,919,000 (six months ended 30 June 2021: a profit of RMB69,078,000).

The Distribution Business mainly focused on the distribution of information products such as servers, printers, switches, networking products, storage devices, workstations, optical screen products, video conference host, conference controller, codec, UPS power supply and notebook computer of a number of internationally famed and branded information product manufacturers such as HP, H3C, CommScope, Microsoft, Corning, Lenovo, Huawei and DELL. The decrease in turnover during the six months ended 30 September 2022 was mainly attributable to the litigations initiated against the Group by a creditor and Peking Founder, the former controlling shareholder of the Company.

Overall performance

As disclosed in the announcement of the Company dated 5 January 2022, the Board resolved to change the financial year end date of the Company from 31 December to 31 March. The first interim reporting period of the Group following the change of financial year end date is the six-month period from 1 April 2022 to 30 September 2022.

The Group reported profit of approximately RMB64,775,000 for the six months ended 30 September 2022 (six months ended 30 June 2021: loss of approximately RMB974,842,000). The Group's profit recorded for the six months ended 30 September 2022 was mainly attributable to the combined effects of the following factors:

(i) a decrease in revenue of the Group by approximately 20.1% to approximately RMB3,846,310,000 during the six months ended 30 September 2022 (six months ended 30 June 2021: RMB4,811,655,000), which was due to the decrease in revenue from the Distribution Business by approximately RMB1,920,368,000, the increase in revenue from Property Development Business by approximately RMB949,329,000 as a result of increase in areas delivered and the increase in revenue from the property investment business by approximately RMB5,694,000. The gross profit of the Group increased by 60% to approximately RMB497,294,000 (six months ended 30 June 2021: RMB310,917,000). The gross profit margin improved from 6.5% for the six months ended 30 September 2022 to 12.9% for the six months ended 30 September 2022 due to the increase in proportion of revenue generated from Property Development Business with higher gross profit margin;

(ii) a substantial decrease in the aggregate of selling and distribution expenses and administrative and other operating expenses by 51.2% to approximately RMB166,007,000 during the six months ended 30 September 2022 (six months ended 30 June 2021: RMB340,001,000), which was due to the more simplified organisational structure following the disposal of HK Huzi in March 2022 and the strict cost control measures adopted by the Group;

(iii) the gains on debt restructuring amounting to RMB94,207,000 from the debt settlement with relevant financial institutions, which resulted in the increase in other income and gains by 167.0% to approximately RMB102,863,000 (six months ended 30 June 2021: RMB38,529,000);

(iv) a decrease in interest-bearing financial liabilities following the disposal of HK Huzi by the Group in March 2022, which resulted in the decrease in finance costs by 79% to approximately RMB138,428,000 (six months ended 30 June 2021: RMB670,376,000); and

(v) a decrease in income tax expense by 13% to approximately RMB150,188,000 (six months ended 30 June 2021: RMB172,604,000), which was due to the decrease in PRC land appreciation tax for the six months ended 30 September 2022.

The profit attributable to the owners of the Company and loss attributable to non-controlling interests for the six months ended 30 September 2022 are approximately RMB86,202,000 (six months ended 30 June 2021: loss of RMB921,204,000) and RMB21,427,000 (six months ended 30 June 2021: loss of RMB53,638,000) respectively. Basic earnings per share attributable to owners of the Company for the six months ended 30 September 2022 were RMB1.34 cents (six months ended 30 June 2021: loss of RMB14.36 cents).

Employees

As at 30 September 2022, the Group had approximately 347 employees (31 March 2022: 565). The decline in the number of employees was attributable to the reduction in operation scale of the Property Development Business and the Distribution Business.

The Group has developed human resources policies and procedures based on the performance and merits of its employees. The Group ensures that the pay level of its employees is competitive and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus systems. The Group provides on-the-job training to its employees in addition to retirement benefit schemes and medical insurance.

The Group operates share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The share option scheme is a share incentive scheme formulated in accordance with Chapter 17 of the Listing Rules.

Financial review

Liquidity, financial resources and capital commitments

During the six months ended 30 September 2022, the Group generally financed its operations with internally generated resources and banking facilities provided by its principal bankers in the PRC. As at 30 September 2022, the Group had interest-bearing bank and other borrowings of approximately RMB4,817.7 million (31 March 2022: RMB4,518.0 million), of which approximately RMB456.8 million (31 March 2022: RMB456.8 million) were floating interest bearing and RMB4,360.9 million (31 March 2022: RMB4,061.2 million) were fixed interest bearing. The borrowings, which were subject to little seasonality, consisted of mainly bank loans, trust loans and loans from certain subsidiaries and associates of Peking Founder, and borrowings from financial institutions. All of interest-bearing bank and other borrowings are denominated in RMB, with amount of approximately RMB2,931.6 million (31 March 2022: RMB3,497.9 million) were repayable within one year, approximately RMB1,110.1 million (31 March 2022: RMB1,020.1 million) were repayable within two years and approximately

RMB776.0 million (31 March 2022: Nil) were repayable within three years. The Group's banking facilities were secured by guarantee given by Peking Founder and Resources Group (each of them is a former controlling shareholder of the Company), and certain properties under development and properties held for sale of the Group, equity interests of certain subsidiaries of the Group, receivables of certain subsidiaries in the Group and assignment of return arising from the Group's certain properties under development and properties held for sale. The decrease in other payables and accruals by 12.4% to approximately RMB3,727.4 million (31 March 2022: RMB4,254.0 million) was due to partial repayment of other payables.

As at 30 September 2022, the Group recorded total assets of approximately RMB16,923.6 million (31 March 2022: RMB18,267.4 million), total liabilities of approximately RMB13,969.9 million (31 March 2022: RMB15,878.9 million), non-controlling interests of approximately RMB2,897.0 million (31 March 2022: RMB2,850.6 million) and equity attributable to owners of the Company of approximately RMB56.7 million (31 March 2022: deficit of approximately RMB462.1 million). The turnaround from the deficit position was due to the profit for the six months ended 30 September 2022. The Group's net asset value per share as at 30 September 2022 was RMB46.0 cents (31 March 2022: RMB37.2 cents). The increase in net asset value per share was attributable to the profit for the six months ended 30 September 2022.

As at 30 September 2022, the Group had total cash and cash equivalents and restricted cash of approximately RMB851.7 million (31 March 2022: RMB683.9 million). As at 30 September 2022, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total equity, was 1.63 (31 March 2022: 1.89) while the Group's current ratio was 1.35 (31 March 2022: 1.19).

As at 30 September 2022, the capital commitments for contracted, but not provided for, properties under development were approximately RMB1,319.2 million (31 March 2022: RMB1,829.0 million).

Treasury policies

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group's cash and cash equivalents are held mainly in HKD, RMB and U.S. dollars. Surplus cash is generally placed in short term deposits denominated in HKD, RMB and U.S. dollars.

Market risk

The Group's assets are predominantly in the form of land under development, properties under development, properties held for sale and investment properties. In the event of a severe downturn in the property market in China, these assets may not be readily realised.

Interest rate risk

The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's interest bearing bank and other borrowings. The Group has not used derivative financial instruments to hedge any interest rate risk. The Group manages its interest cost using variable rate bank borrowings and other borrowings.

Foreign exchange risk

The Group operates mainly in Mainland China and Hong Kong. For the operations in Mainland China, most of its revenues and expense are measured in RMB. For the operations in Hong Kong, most of the transactions are denominated in HKD and U.S. dollars. The values of RMB against the U.S. dollars and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. The conversion of foreign currencies into RMB is subject to the rules and regulations of the foreign exchange controls promulgated by the Chinese government. The Group has minimal exposure to exchange rate fluctuation. No financial instrument was used for hedging purposes.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the head of credit control.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings. Cash flows are closely monitored on an ongoing basis.

Future plans for material investments or capital assets

The Group did not have any concrete future plans for material investments or capital assets as at 30 September 2022 (31 March 2022: Nil). However, the Group always seeks for new investment opportunities in the Real Estate Business and Distribution Business to broaden the revenue and profit potential of the Group and enhance shareholders' value in long term.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures for the six months ended 30 September 2022except as follows:

On 21 April 2022, Chongqing Ruihesheng Project Management Co., Limited* (重慶睿和升項目管理有限公司) ("**Chongqing Ruihesheng**"), an indirectly wholly-owned subsidiary of the Company, entered into the equity transfer agreement with certain independent third parties, Chengdu Moding Zhishi Investment Management Co., Limited* (成都摩頂智識投資管理有限公司) ("**Chengdu Moding**"), Chengdu Yizhong Wisdom Investment Management Co., Limited* (成都一眾智慧投資管理有限公司) ("**Chengdu Yizhong**"), and Chongqing Shengfu Future Industry Co., Limited* (重慶盛福未來實業有限公司) ("**Chongqing Shengfu**"), pursuant to which Chengdu Moding has agreed to acquire 26% equity interest of Chongqing Xinlongrui Information Technology Co., Limited* (重慶鑫隆睿信息科技有限公司) ("**Chongqing Xinlongrui**") from Chongqing Ruihesheng at the consideration of approximately RMB51,240,000, Chengdu Yizhong has agreed to acquire 17% equity interest of Chongqing Xinlongrui from Chongqing Ruihesheng at the consideration of approximately RMB33,503,000, and Chongqing Shengfu has agreed to acquire 8% equity interest of Chongqing Xinlongrui from Chongqing Ruihesheng at the consideration of approximately RMB15,766,000, respectively. Chongqing Xinlongrui is an investment holding company and, through its subsidiaries, are principally engaged in property development business in the PRC. Details of the aforementioned disposal are set out in the Company's announcement dated 21 April 2022.

Charges on assets

As at 30 September 2022, properties under development of approximately RMB2,716.1 million (31 March 2022: RMB2,425.2 million), properties held for sale of approximately RMB224.5 million (31 March 2022: RMB912.3 million), accounts receivable of approximately RMB32.1 million (31 March 2022: Nil), certain equity interests of certain subsidiaries and the assignment of returns arising from certain properties under development and properties held for sale of the Group were pledged to banks and other financial institutions to secure general banking facilities and loans granted, as deposits for construction of the relevant properties and as guarantees deposits for certain mortgage loans granted by banks to purchasers of the Group's properties.

The information set out in this Appendix does not form part of the Accountants' Reports of Chongqing Yayuan Henghui, the Chongqing Yinghe Yiyuan Group and the Zhejiang Resources Group, as set out in "Appendix II(A) to Appendix II(C) to this circular, and is included herein for information only. The unaudited pro forma financial information of the enlarged group should be read in conjunction with the Accountants' Reports set out in Appendix II(A) to Appendix II(C) to this circular.

A. BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The unaudited pro forma financial information presented below is prepared to illustrate the financial position of Peking University Resources (Holdings) Company Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") as if the proposed acquisition by the Group of (1) 49% equity interest of Chongqing Yayuan Henghui Information Technology Co., Ltd. ("**Chongqing Yayuan Henghui**"); (2) 49% equity interest of Chongqing Yinghe Yiyuan Enterprise Management Co., Ltd. ("**Chongqing Yinghe Yiyuan**", together with its subsidiaries, "**Chongqing Yinghe Yiyuan Group**"); and (3) approximately 31.53% equity interest of Zhejiang Peking University Resources Real Estate Co., Ltd. ("**Zhejiang Resources**", together with its subsidiaries, "**Zhejiang Resources Group**") (hereinafter collectively referred to as the "**Acquisition**") had been completed (the "**Enlarged Group**") on 31 March 2022; and the financial performance and cash flows of the Group as if the Acquisition had been completed on 1 January 2021.

This unaudited pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 31 March 2022 or at any future date had the Acquisition been completed on 31 March 2022 or of the financial performance and cash flows of the Group for the fifteen months ended 31 March 2022 or for any future period had the Acquisition been completed on 1 January 2021.

The unaudited pro forma financial information is prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2022, the audited consolidated statement of profit or loss and comprehensive income for the fifteen months ended 31 March 2022 and audited consolidated statement of cash flows of the Group for the fifteen months ended 31 March 2022, which have been extracted from the Group's consolidated financial statements for the fifteen months ended 31 March 2022, on which an auditor's report has been published after giving effect to the pro forma adjustments described in the accompanying notes and was prepared in accordance with Rules 4.29 and 14.69(4)(a)(ii) of the Listing Rules.

(i) Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group as at 31 March 2022

	The Group	Pro forma adjustments			Unaudited pro forma of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current assets					
Property, plant and equipment	42,346	–	–	–	42,346
Investment properties	520,261	–	–	–	520,261
Right-of-use assets	4,530	–	–	–	4,530
Other intangible assets	3,018	–	–	–	3,018
Financial assets at fair value through profit or loss	113,818	–	–	–	113,818
Deferred tax assets	69,515	–	–	–	69,515
	753,488	–	–	–	753,488
Current assets					
Properties for sale					
– under development	7,551,322	–	–	–	7,551,322
– completed	3,093,713	–	–	–	3,093,713
Inventories	506,132	–	–	–	506,132
Trade and bills receivables	664,799	–	–	–	664,799
Prepayments, other receivables and other assets	5,014,011	(2,445,000)	–	–	2,569,011
Income tax recoverable	4	–	–	–	4
Restricted cash	41,971	–	–	–	41,971
Cash and cash equivalents	641,949	–	–	–	641,949
	17,513,901	(2,445,000)	–	–	15,068,901

	The Group	Pro forma adjustments			Unaudited pro forma of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Current liabilities					
Trade payables	2,012,227	–	–	–	2,012,227
Other payables and accruals	4,254,000	–	–	1,483	4,255,483
Provisions	215,562	–	–	–	215,562
Contract liabilities	3,488,096	–	–	–	3,488,096
Interest-bearing bank and other borrowings	3,497,854	–	–	–	3,497,854
Lease liabilities	4,046	–	–	–	4,046
Income tax payable	1,302,254	–	–	–	1,302,254
	14,774,039	–	–	1,483	14,775,522
Non-current liabilities					
Interest-bearing bank and other borrowings	1,020,130	–	–	–	1,020,130
Lease liabilities	1,495	–	–	–	1,495
Deferred tax liabilities	83,188	–	–	–	83,188
	1,104,813	–	–	–	1,104,813
Net assets	2,388,537	(2,445,000)	–	(1,483)	(57,946)

	The Group	Pro forma adjustments			Unaudited pro forma of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Equity					
Share capital	545,335	–	–	–	545,335
Share premium	258	–	–	–	258
Merger reserve	(238,675)	–	–	–	(238,675)
Contributed surplus	1,297,299	–	–	–	1,297,299
Non-controlling interest reserve	(134,812)	–	–	–	(134,812)
Exchange fluctuation reserve	(183,155)	–	–	–	(183,155)
General reserve	620,035	–	–	–	620,035
Other reserve	–	(10,503)	–	–	(10,503)
Accumulated losses	(2,368,366)	–	–	(1,483)	(2,369,849)
	(462,081)	(10,503)	–	(1,483)	(474,067)
Non-controlling interests	2,850,618	(2,434,497)	–	–	416,121
Total equity	2,388,537	(2,445,000)	–	(1,483)	(57,946)

(ii) Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Enlarged Group for the fifteen months ended 31 March 2022

	The Group	Pro forma adjustments			Unaudited pro forma of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Revenue	11,799,624	–	–	–	11,799,624
Cost of sales	(14,453,445)	–	–	–	(14,453,445)
Gross profit	(2,653,821)	–	–	–	(2,653,821)
Other income and gains	5,775,615	–	–	–	5,775,615
Selling and distribution expenses	(307,704)	–	–	–	(307,704)
Administrative and other operating expenses	(444,447)	–	–	(1,483)	(445,930)
Other expenses and losses, net	(1,578,869)	–	–	–	(1,578,869)
Finance costs	(548,451)	–	–	–	(548,451)
Share of losses of associates	(697)	–	–	–	(697)
Profit/(loss) before tax	241,626	–	–	(1,483)	240,143
Income tax expense	(675,318)	–	–	–	(675,318)
Profit/(loss) for the period	(433,692)	–	–	(1,483)	(435,175)
Profit/(loss) for the period attributable to:					
Owners of the Company	1,509,499	–	(101,825)	(1,483)	1,406,191
Non-controlling interests	(1,943,191)	–	101,825	–	(1,841,366)
Profit/(loss) for the period	(433,692)	–	–	(1,483)	(435,175)

	The Group	Pro forma adjustments			Unaudited pro forma of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Other comprehensive income/(loss):					
Item that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	(98,870)	–	–	–	(98,870)
Item that will not be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of financial statements of the Company	69,295	–	–	–	69,295
Other comprehensive income/(loss) for the period, net of tax	(29,575)	–	–	–	(29,575)
Total comprehensive income/(loss) for the period	(463,267)	–	–	(1,483)	(464,750)
Total comprehensive income/(loss):					
Owners of the Company	1,485,807	–	(101,825)	(1,483)	1,382,499
Non-controlling interests	(1,949,074)	–	101,825	–	(1,847,249)
Profit/(loss) for the period	(463,267)	–	–	(1,483)	(464,750)

(iii) Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group for the period ended 30 September 2022

	The Group	Pro forma adjustments			Unaudited pro forma of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	241,626	–	–	(1,483)	240,143
Adjustments for:					
Finance costs	548,451	–	–	–	548,451
Share of losses of associates	697	–	–	–	697
Interest income	(45,016)	–	–	–	(45,016)
Fair value loss/(gain) on investment properties, net	328,465	–	–	–	328,465
Fair value loss on financial assets through profit or loss	8,282	–	–	–	8,282
Gain on lease revision	–	–	–	–	–
Gain on disposal of subsidiaries	(3,928,635)	–	–	–	(3,928,635)
Depreciation of property, plant and equipment	9,311	–	–	–	9,311
Depreciation of right-of-use assets	9,476	–	–	–	9,476
Amortisation of other intangible assets	1,776	–	–	–	1,776
Loss on disposal of property, plant and equipment and investment properties	52,479	–	–	–	52,479
Impairment of trade receivables (reversed)/recognised	(6,500)	–	–	–	(6,500)
Impairment of financial assets included in prepayments, other receivables and other assets, net (reversed)/recognised	(18,642)	–	–	–	(18,642)
Impairment of inventories, net recognised/(reversed)	8,535	–	–	–	8,535
Impairment of properties under development for sale, net	1,331,721	–	–	–	1,331,721
Impairment of completed properties for sale, net	2,468,013	–	–	–	2,468,013
	1,010,039	–	–	(1,483)	1,008,556

	The Group	Pro forma adjustments			Unaudited pro forma of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
(Increase)/decrease in properties for sale					
– under development	(2,327,988)	–	–	–	(2,327,988)
– completed	5,554,429	–	–	–	5,554,429
Decrease in inventories	16,526	–	–	–	16,526
Decrease in trade and bills receivables	227,419	–	–	–	227,419
(Increase)/decrease in prepayments, deposits and other receivables	(7,142,721)	–	–	–	(7,142,721)
(Increase)/decrease in restricted cash	(26,723)	–	–	–	(26,723)
Decrease in other current assets	315,227	–	–	–	315,227
Decrease in trade payables	(1,819,072)	–	–	–	(1,819,072)
Increase in other payables and accruals	7,168,898	–	–	–	7,168,898
Increase/(decrease) in provisions	215,562	–	–	–	215,562
(Decrease)/increase in contract liabilities	(2,933,183)	–	–	–	(2,933,183)
Effect of foreign exchange rate changes, net	(26,427)	–	–	–	(26,427)
	231,986	–	–	(1,483)	230,503
Cash generated from operations					
Interest received	45,016	–	–	–	45,016
Interest paid	(728,749)	–	–	–	(728,749)
Hong Kong profits tax paid	–	–	–	–	–
Mainland China corporate income tax paid	(103,167)	–	–	–	(103,167)
Land appreciation tax paid	(105,982)	–	–	–	(105,982)
Net cash used in from operating activities	(660,896)	–	–	(1,483)	(662,379)

	The Group	Pro forma adjustments			Unaudited pro forma of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property, plant and equipment	(8,852)	–	–	–	(8,852)
Purchases of other intangible assets	(545)	–	–	–	(545)
Proceeds from disposal of property, plant and equipment and investment properties	112,981	–	–	–	112,981
Cash outflow from disposal of subsidiaries	(128,862)	–	–	–	(128,862)
Net cash flows used in investing activities	(25,278)	–	–	–	(25,278)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from new bank and other loans	260,958	–	–	–	260,958
Repayment of bank and other loans	(295,873)	–	–	–	(295,873)
Principal portion of lease payments	(10,621)	–	–	–	(10,621)
Dividends paid to non-controlling shareholders	(38,100)	–	–	–	(38,100)
Decrease in restricted cash for securing borrowings	10,360	–	–	–	10,360
Net cash used in financing activities	(73,276)	–	–	–	(73,276)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(759,450)	–	–	(1,483)	(760,933)
Cash and cash equivalents at beginning of period	1,401,854	–	–	–	1,401,854
Effect of foreign exchange rate changes, net	(455)	–	–	–	(455)
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	641,949	–	–	(1,483)	640,466

Notes:

(1) The amounts are extracted from the audited consolidated financial statements of the Group for the fifteen months ended 31 March 2022 as set out in the published 2021/22 annual report of the Company.

(2) The Group entered into agreements for the acquisition of the remaining equity interests in certain subsidiaries not wholly-owned by the Group (the "**Acquisition**"), analysed as follows:

Name of acquirer	**Name of vendor**	**Details of equity interests to be acquired**	**Consideration for the Acquisition (after adjustment)** *RMB*
Wuhan Jinxiang Asset Management Co., Ltd. ("**Wuhan Jinxiang**")	Chongqing Feidia Information Technology Partnership (Limited Partnership) ("**Chongqing Feidia**")	49% equity interest of Chongqing Yinghe Yiyuan	980,922,000
Chongqing Yingfeng Property Co., Ltd. ("**Chongqing Yingfeng**")	Chongqing Longsay Information Technology Partnership (Limited Partnership) ("**Chongqing Longsay**")	49% equity interest of Chongqing Yinghe Yiyuan	980,774,000
Wuhan Tianhe Jincheng Real Estate Development Co., Ltd. ("**Wuhan Tianhe Jincheng**")	Chongqing Minos Information Technology Partnership (Limited Partnership) ("**Chongqing Minos**")	Approximately 20.59% equity interest of Zhejiang Resources	308,753,000
Chongqing Yuefeng Real Estate Co., Ltd. ("**Chongqing Yuefeng**")	Chongqing Minos	Approximately 10.94% equity interest of Zhejiang Resources	164,048,000

Wuhan Jinxiang, Chongqing Yingfeng, Wuhan Tianhe Jincheng and Chongqing Yuefeng are subsidiaries of the Company and currently hold 51%, 51% and approximately 68.47% equity interests in Chongqing Yayuan Henghui, Chongqing Yinghe Yiyuan and Zhejiang Resources, respectively, and are regarded subsidiaries of the Group and their assets, liabilities and results are consolidated in the Group's financial statements. Following completion of the Acquisition, Chongqing Yayuan Henghui and Chongqing Yinghe Yiyuan will become wholly-owned subsidiaries of the Company and 100% equity interest of Zhejiang Resources will be held by the subsidiaries of the Company (of which 31.53% will be held through the Company's 70%-owned subsidiaries), and, will pursuant to the Group's accounting policies, continue to be consolidated into the Groups' consolidated financial statements.

Pursuant to the Group's accounting policies,

(a) changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests; and

(b) any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Accordingly, pro forma adjustments have been made to recognise the Acquisition, analysed as follows:

		RMB'000
(i)	**Carrying amount as at 31 March 2022 of non-controlling interest in the following subsidiaries to be acquired by the Group**	
	– 49% equity interest of Chongqing Yayuan Henghui	981,000
	– 49% equity interest of Chongqing Yinghe Yiyuan	981,000
	– Approximately 31.53% equity interest of Zhejiang Resources	483,000
		2,445,000

		RMB'000
(ii)	**Consideration for the Acquisition to be applied for settlement of amount owed to the Group**	
	– Consideration for 49% equity interest of Chongqing Yayuan Henghui	980,922
	– Consideration for 49% equity interest of Chongqing Yinghe Yiyuan	980,774
	– Consideration for approximately 31.53% equity interest of Zhejiang Resources	472,801
		2,434,497

		RMB'000
(iii)	Adjustment to other reserve, representing the excess of the carrying amount of non-controlling interest at 31 March 2022 (item (i) above) and consideration for the Acquisition (item (ii) above)	10,503

Upon completion of the Acquisition, the actual amount of equity movement of the Enlarged Group, for accounting purpose, will need to be recalculated based on the fair value of the purchase consideration for the Acquisition and the carrying amount of 49% equity interest of Chongqing Yayuan Henghui, 49% equity interest of Chongqing Yinghe Yiyuan and approximately 31.53% equity interest of Zhejiang Resources at the date of completion of the Acquisition. The actual financial effects may be different from the amounts presented above.

(3) The adjustments represent the exclusion of profit/loss of Chongqing Yayuan Henghui, Chongqing Yinghe Yiyuan and Zhejiang Resources for fifteen months ended 31 March 2022 attributable to non-controlling interests as if these non-controlling interests had been acquired by the Group under the Acquisition, are analysed as follows:

	Profit/(loss) for the period *(Note)* *RMB'000*	Percentage of non-controlling interests before the Acquisition *RMB'000*	Percentage of non-controlling interests after the Acquisition *RMB'000*	Adjustment of profit/(loss) for the period attributable to non-controlling interests *RMB'000*
Chongqing Yayuan Henghui	–	49.00%	–	–
Chongqing Yinghe Yiyuan	–	49.00%	–	–
Zhejiang Resources	(461,374)	31.53%	9.46%	(101,825)
				(101,825)

Note: The amounts are extract from the Accountants' Report of Chongqing Yayuan Henghui, Chongqing Yinghe Yiyuan Group and Zhejiang Resources Group set out in Appendix II(A), Appendix II(B) and Appendix II(C) to this circular respectively.

(4) The adjustment represents the estimated transaction costs of approximately HK$1,640,000 (equivalent to approximately RMB1,483,000), including the accountancy, valuation and other professional services related to the Acquisition. The expenses are charged to profit or loss directly. The adjustment has no continuing effect on the financial statements of the Enlarged Group in subsequent years.

(5) No adjustment has been made to reflect any trading results or other transactions of the Enlarged Group subsequent to 31 March 2022.

B. ACCOUNTANTS' REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report, in respect of the unaudited pro forma financial information prepared for the purpose of inclusion in this circular, received from the independent reporting accountants, CCTH CPA Limited, Certified Public Accountants, Hong Kong.

CCTH CPA LIMITED
中正天恆會計師有限公司

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN AN INVESTMENT CIRCULAR

To the directors of Peking University Resources (Holdings) Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Peking University Resources (Holdings) Company Limited (the "**Company**") and its subsidiaries (hereafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 March 2022, the unaudited pro forma consolidated statement of profit or loss and comprehensive income for the fifteen months ended 31 March 2022, unaudited pro forma consolidated statement of cash flows for the fifteen months ended 31 March 2022 and related notes following completion of the proposed acquisition of (1) 49% of the equity interest in Chongqing Yayuan Henghui Information Technology Co., Ltd; (2) 49% of the equity interest in Chongqing Yinghe Yiyuan Enterprise Management Co., Ltd; and (3) approximately 31.53% equity interest in Zhejiang Peking University Resources Real Estate Co., Ltd. (the "**Acquisition**") (the "**Enlarged Group**") as set out on pages V-1 to V-12 of Appendix V to the circular issued by the Company dated 17 February 2023 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages V-1 to V-12 of Appendix V to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group's financial position as at 31 March 2022 as if the Acquisition had taken place on 31 March 2022 and the Group's financial performance and cash flows for the fifteen months ended 31 March 2022 as if the Acquisition had taken place on 1 January 2021. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's consolidated financial statements for the fifteen months ended 31 March 2022, on which an auditor's report has been published.

Directors' responsibility for the unaudited pro forma financial information

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

Our independence and quality management

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

Our firm applies Hong Kong Standard on Quality Management 1 which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 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 of the reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2022 or 1 January 2021 would have been as presented.

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

- the related pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

Opinion

In our opinion:

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

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

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

CCTH CPA Limited
Certified Public Accountants

Hong Kong, 17 February 2023

Unit 1510–1517, 15/F., Tower 2
Kowloon Commerce Centre
No. 51 Kwai Cheong Road
Kwai Chung, New Territories, Hong Kong

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Ravia Global Appraisal Advisory Limited, an independent valuer, in connection with its valuation as at 31 December 2022 of the Group's property in the PRC.

RAVIA GLOBAL APPRAISAL ADVISORY LIMITED

17/F., 83 Wan Chai Road,
Wan Chai, Hong Kong
T: (852) 2811 1876 F: (852) 3007 8501
W: www.raviagroup.com
E: general@raviagroup.com

17 February 2023

Peking University Resources (Holdings) Company Limited
Room 2303, 23/F
COFCO Tower
262 Gloucester Road
Causeway Bay, Hong Kong

Dear Sirs/Madams,

Re: Property Valuation of Portion of PKU Resources • Wei Ming Mansion, Wuchang Subdistrict, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China (the "PRC")

In accordance with the instructions of Peking University Resources (Holdings) Company Limited (the "**Company**", and together with its subsidiaries, the "**Group**") to value the captioned property in the PRC, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 31 December 2022 (the "**Valuation Date**") for the purpose of incorporation in the circular of the Company dated 17 February 2023.

1. BASIS OF VALUATION

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

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

2. VALUATION METHODOLOGY

We have valued the property by direct comparison approach assuming sale of the property in their existing states and by making reference to comparable sales transactions as available in the relevant market.

3. TITLE INVESTIGATION

We have been provided with copies of title documents and have been confirmed by the Group that no further relevant documents have been produced. However, we have not examined the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. All documents have been used for reference only.

4. VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the property in the market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the market value of such property. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property.

5. SOURCE OF INFORMATION

In the course of our valuation, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property, particulars of occupation, site/floor areas, ages of buildings and all other relevant matters which can affect the values of the property. All documents have been used for reference only.

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

6. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of the property. No structural survey has been made in respect of the property. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the site/floor areas of the property under consideration, but we have assumed that the site/floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect the market value.

In valuing the property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors.

7. REMARKS

In accordance with our standard practice, we must state that this report is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents and neither the whole, nor any part of this report may be included in any published documents or statement nor published in any way without our prior written approval of the form and context in which it may appear.

Unless otherwise stated, all monetary amounts stated in our valuations are in Renminbi (RMB).

Our Valuation Certificate is attached herewith.

Yours faithfully,
For and on behalf of
RAVIA GLOBAL APPRAISAL ADVISORY LIMITED
Dr. Alan Lee
PhD(BA) MFin BCom(Property)
MHKIS RPS(GP) AAPI CPV CPV(Business)
Director

Note: Dr. Alan Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute. He has over 17 years' valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region, European countries and American countries.

VALUATION CERTIFICATE

Property held by the Group for investment in the PRC

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2022
Portion of PKU Resources • Wei Ming Mansion, Wuchang Subdistrict, Yuhang District, Hangzhou City, Zhejiang Province, the PRC 中華人民共和國浙江省杭州市餘杭區五常街道北大資源 • 未名府部分物業	The subject property comprises portion of a residential development known as PKU Resources • Wei Ming Mansion (the "**Development**"), as per information provided by the Group, the subject property included 35 apartment units with a total gross floor area ("**GFA**") of approximately 1,465 sq.m., 178 retail units with a total GFA of approximately 14,713 sq.m. and 112 car parking spaces, situated at the Blocks 21 and 22 of the Development. The Development is completed in 2018, located at the east of Jing Zhang Road, north of Xi Qin Road and the west of Qiu Qiao Road, about 20 minutes driving distance from the Hangzhou West Railway Station. The vicinity of the Development mainly comprises various residential developments. The land use rights of the property have been granted for a term expiring on 6 November 2055 for commercial & office uses.	As advised by the Group, as at the Valuation Date, portion of the property with a total GFA of approximately 8,851.04 sq.m. is leased to various tenants for a total monthly rental of about RMB703,600 with the latest expiration date in May 2035 and the remaining portion is vacant.	RMB309,100,000

Notes:

1. Pursuant to the State-owned Land Use Right Grant Contract (No. 3301102015A21083) dated 23 September 2015 entered into between Yuhang Branch of Hangzhou Municipal Land Resources Bureau (as grantor) and Hong Kong Peking University Resources Property (Holdings) Company Limited ("**HKPKUR Property**") (as grantee), the land use rights of a land parcel for commercial and residential uses with site area of 63,551 sq.m. was contracted to be granted to HKPKUR Property for a term of 70 years for residential use and 40 years for commercial use commencing from the date of the contract. A Supplementary Contract No. 3301102015A21083 dated 26 October 2015 was signed and stated that the grantee has been changed to Zhejiang Peking University Resources Property Company Limited ("**ZJPKU Property**").

2. Pursuant to a Real Estate Ownership Certificate, Zhe (2019) Yu Hang Qu Bu Dong Chan Quan Di 0001710 Hao (浙(2019)餘杭區不動產權第0001710號), the ownership of the constructions and right of land use of the property is held by ZJPKU Property for a term expiring on 6 November 2055 for commercial & office uses.

3. The inspection was performed by Mr. Zhang Jinren, with over 6-year valuation experience in the PRC, in October 2022.

4. Our valuation is on a 100 percent interest of the property disregarding any contractual arrangement entered into between the Group and other parties' interests on the property. We have also assumed that the property has proper legal title and is freely transferrable to local and overseas purchasers without any outstanding premiums and/or associated payments.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in the securities of the Company or its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) 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 the Listing Rules, were as follows:

Name of Directors/chief executives	Position	Capacity/Nature	Number of Shares held *(Note 1)*	Approximate % of issued share capital of the Company
Mr. Wong Kai Ho	Chairman and executive Director	Interest of controlled corporation	1,918,000,000 (L) *(Note 2)*	24.44% (L)
		Beneficial owner	6,416,155 (L)	0.08% (L)
			1,924,416,155 (L)	24.53% (L)
Mr. Wang Guiwu	Executive Director	Interest of controlled corporation	1,918,000,000 (L) *(Note 2)*	24.44% (L)
Mr. Huang Zhuguang	Executive Director	Interest of controlled corporation	1,276,814,973 (L) *(Note 3)*	16.27% (L)
Mr. Xia Ding	Chief operational officer	Beneficial owner	38,000,000 (L)	0.48% (L)
Mr. Jiang Xiaoping	Deputy chief executive officer	Beneficial owner	34,000,000 (L)	0.43% (L)

Notes:

(1) (L) refers to long position.

(2) Ample Grace Investments Limited ("**Ample Grace**") is owned as to 60% by Mr. Wang Guiwu and 40% by Mr. Wong Kai Ho. Ample Grace is a controlled corporation (within the meaning of the SFO) of each of Mr. Wang Guiwu and Mr. Wong Kai Ho. As such, under the SFO, each of Mr. Wang Guiwu and Mr. Wong Kai Ho is deemed to be interested in the 1,918,000,000 Shares held by Ample Grace.

(3) Firstunion Animation Technology (HK) Co. Limited ("**Firstunion**") is wholly-owned by Guangdong First Union Animation Technology Co., Ltd.* (廣東順聯動漫科技有限公司) ("**Guangdong First**"), which in turn is wholly-owned by Guangdong Guancheng Industrial Investment Co., Ltd.* (廣東貫成實業投資有限公司) ("**Guangdong Guancheng**"). Guangdong Guancheng is owned as to 90% by Mr. Huang Zhuguang. Firstunion is a controlled corporation (within the meaning of the SFO) of Mr. Huang Zhuguang. As such, under the SFO, Mr. Huang Zhuguang is deemed to be interested in the 1,276,814,973 Shares held by Firstunion.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) Substantial Shareholders and other persons' interests in Shares and underlying Shares

So far as is known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group:

Name of Shareholders	Capacity/Nature	Number of Shares held *(Note 1)*	Approximate % of issued share capital of the Company *(Note 1)*
Ample Grace	Beneficial owner	1,918,000,000 (L) *(Note 2)*	24.44% (L)
Guangdong Guancheng	Interest of controlled corporation	1,276,814,973 (L) *(Note 3)*	16.27% (L)
Guangdong First	Interest of controlled corporation	1,276,814,973 (L) *(Note 3)*	16.27% (L)
Firstunion	Beneficial owner	1,276,814,973 (L) *(Note 3)*	16.27% (L)
Starry Nation Limited ("**Starry Nation**")	Beneficial owner	534,984,000 (L) 100,000,000 (S) *(Note 4)*	6.82% (L) 1.27% (S)
Shine Crest Group Limited ("**Shine Crest**")	Interest of controlled corporation	534,984,000 (L) 100,000,000 (S) *(Note 4)*	6.82% (L) 1.27% (S)
Mr. Ma King Nga	Interest of controlled corporation	534,984,000 (L) 100,000,000 (S) *(Note 4)*	6.82% (L) 1.27% (S)
Rongtong Ronghai No. 10 SNIA QDII	Beneficial owner	512,784,000 (L)	6.54% (L)

Notes:

(1) (L) refers to long position and (S) refers to short position.

(2) Ample Grace is owned as to 60% by Mr. Wang Guiwu and 40% by Mr. Wong Kai Ho.

(3) Firstunion is wholly-owned by Guangdong First, which in turn is wholly-owned by Guangdong Guancheng. Guangdong Guancheng is owned as to 90% by Mr. Huang Zhuguang.

(4) Starry Nation is wholly-owned by Shine Crest, which in turn is 95% owned by Mr. Ma King Nga. Starry Nation is a controlled corporation (within the meaning of the SFO) of Mr. Ma King Nga. As such, under the SFO, Mr. Ma King Nga is deemed to be interested in the 534,984,000 Shares held by Starry Nation. The 100,000,000 Shares held by Starry Nation are charged to Fountain Luck Holdings Limited, which is indirectly wholly-owned by Founder Information, and are classified as a short position of Starry Nation under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Company was not notified by any persons (other than Directors or chief executive of the Company as discussed above) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

3. DIRECTORS' INTERESTS IN THE ENLARGED GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE ENLARGED GROUP

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest, direct or indirect, in any assets which have been, since 31 March 2022 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which was significant in relation to the businesses of the Enlarged Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Enlarged Group which was not determinable by the Enlarged Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS OF DIRECTORS AND CLOSE ASSOCIATES

As at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquiries, none of the Directors or their respective close associates (as defined under the Listing Rules) had any interests in businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Enlarged Group that need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

6. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have given an opinion or advice contained in this circular or references to their names have been made in this circular:

Name	Qualification
CCTH CPA Limited	Certified Public Accountants
Ravia Global Appraisal Advisory Limited	Independent property valuer

As at the Latest Practicable Date, the above experts:

(i) did not have any shareholding, directly or indirectly, in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group; and

(ii) did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 March 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular, with the inclusion therein of its letter(s), report(s), opinion and/or the references to its name in the form and context in which they appear.

7. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business of the Enlarged Group) had been entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular and are, or may be material:

(a) the Debt Settlement Agreements;

(b) the conditional sale and purchase agreement dated 19 October 2022 entered into between Huzi Shareholder and the Company in relation to the disposal of entire issued share capital of Founder Data (the "**Sale and Purchase Agreement**");

(c) the supplemental agreement to the Sale and Purchase Agreement dated 10 November 2022 entered into between Huzi Shareholder and the Company in relation to the disposal of entire issued share capital of Founder Data;

(d) the sale and purchase agreement dated 21 January 2022 entered into between Wealth Elite and the Company in relation to the disposal of the entire issued share capital of HK Huzi;

(e) the equity transfer agreement dated 21 April 2022 entered into between Chengdu Moding Zhishi Investment Management Co., Ltd.* (成都摩頂智識投資管理有限公司), Chengdu Yizhong Wisdom Investment Management Co., Ltd.* (成都一眾智慧投資管理有限公司), Chongqing Shengfu Future Industry Co., Ltd.* (重慶盛福未來實業有限公司), Chongqing Ruihesheng Project Management Co., Ltd.* (重慶睿和升項目管理有限公司) and Chongqing Xinlongrui Information Technology Co., Ltd.* (重慶鑫隆睿信息科技有限公司) in relation to the disposal of the 51% equity interest in Chongqing Xinlongrui Information Technology Co., Ltd.* (重慶鑫隆睿信息科技有限公司); and

(f) the subscription agreements dated 22 August 2022 and entered into between the Company (as issuer) and each of Hong Kong Style Oclock Limited (香港時態有限公司), Mr. Song Xiying (宋希英), the Huzi Shareholder, Whimsy Star Developments Limited (逸星發展有限公司), Ms. Zhu Ming Hua (朱明華), Ms. Yun Que (雲雀), Ms. Ru Hua (茹華) and Mr. Deng Lei (鄧磊) (as subscriber).

8. LITIGATION

As at the Latest Practicable Date, save as disclosed below, to the best of the Directors' knowledge, information and belief, no member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Enlarged Group that would have a material adverse effect on the results of operations or financial conditions of the Enlarged Group:

(a) in August 2021, Minmetals International Trust Co., Ltd.* (五礦國際信託有限公司) ("**Minmetals International**") filed a civil complaint in the Intermediate People's Court of Xining, Qinghai Province against Dongguan Yihui Property Co., Limited* (東莞億輝地產有限公司) ("**Dongguan Yihui**") and two subsidiaries of the Company, Yuxi Runya Property Company Limited* (玉溪潤雅置業有限公司) ("**Yuxi Runya**") and Chongqing Yingfeng Property Co., Ltd.* (重慶盈豐地產有限公司) ("**Chongqing Yingfeng**"), in respect of the outstanding loans in a principal amount of approximately RMB1,458,513,000 granted by Minmetals International to Dongguan Yihui (the "**Dongguan Yihui Loan**"). In February 2022, the Intermediate People's Court of Xining, Qinghai Province issued a civil judgment, which ruled that (i) Dongguan Yihui and Yuxi Runya shall jointly repay to Minmetals International the Dongguan Yihui Loan together with the corresponding interest and the attorney fee; and (ii) Minmetals International has the priority in respect of the compensation from the proceeds of auction and sale of the collateral provided by Yuxi Runya and Chongqing Yingfeng. Yuxi Runya has appealed the first instance judgment to the Higher People's Court of Qinghai Province. Subsequently, the Higher People's Court of Qinghai Province has issued a judgment in relation to the appeal, ruling that the appeal of Yuxi Runya was dismissed and the first instance judgment was upheld. Details of this legal proceeding are set out in the announcement of the Company dated 30 September 2022;

(b) in August 2021, Minmetals International filed a civil complaint in the Intermediate People's Court of Xining, Qinghai Province against Wuhan Tianhe Jinrui Property Development Company Limited* (武漢天合錦瑞房地產開發有限公司) ("**Wuhan Tianhe**"), Peking University Resources Group Investment Company Limited* (北大資源集團投資有限公司) ("**Resources Investment**") and a subsidiary of the Company, Yuxi Runya, in respect of the outstanding loans in a principal amount of approximately RMB620,000,000 granted by Minmetals International to Wuhan Tianhe (the "**Wuhan Tianhe Loan**"). In February 2022, the Intermediate People's Court of Xining, Qinghai Province issued a civil judgment, which ruled that (i) Wuhan Tianhe and Yuxi Runya shall jointly repay to Minmetals International the Wuhan Tianhe Loan together with the corresponding interest and the attorney fee; and (ii) Minmetals International has the priority in respect of the compensation from the proceeds of auction and sale of the collateral provided by Wuhan Tianhe and Resources Investment. Wuhan Tianhe has appealed the first instance judgment to the Higher People's Court of Qinghai Province. Subsequently, the Higher People's Court of Qinghai Province has issued a judgment in relation to the appeal, ruling that the appeal of Wuhan Tianhe was dismissed and the first instance judgment was upheld. Details of this legal proceeding are set out in the announcement of the Company dated 30 September 2022;

(c) CITIC Trust Co., Ltd.* (中信信託有限責任公司) ("**CITIC Trust**") filed a civil complaint in the Beijing Financial Court against certain subsidiaries of the Company, namely Hong Kong Tianhe Holdings Limited (香港天合控股有限公司) ("**HK Tianhe**"), Ezhou Jinfeng Property Development Co., Limited* (鄂州金豐房地產開發有限公司) ("**Ezhou Jinfeng**"), and Tianhe Property Development Co., Limited* (天合地產發展有限公司) ("**Tianhe Property**") as defendants in respect of (i) the outstanding debts amounting to approximately RMB1.05 billion (which includes the related interest calculated up to 10 November 2021); and (ii) CITIC Trust's priority in compensation over the proceeds from the auction or sale of the 90% equity interests in Tianhe Property held by HK Tianhe and the land use rights in several properties held by Ezhou Jinfeng. As at the Latest Practicable Date, this legal proceeding is ongoing. Details of this legal proceeding are set out in the announcement of the Company dated 8 April 2022;

(d) a civil legal proceeding filed by China Construction Eighth Engineering Division Corp., Ltd.* (中國建築第八工程局有限公司) against Zhejiang Resources with the Zhejiang Hangzhou Intermediate People's Court* (浙江省杭州市中級人民法院) in respect of outstanding construction project sum with interests and penalties amounting to approximately RMB105.3 million, in relation to a property development project of Zhejiang Resources. As at the Latest Practicable Date, the hearing has taken place, with judgment from the court pending and Zhejiang Resources was unable to estimate the expected date of rendering of judgment; and

(e) a civil legal proceeding filed by Western Trust Co., Ltd.* (西部信託有限公司) against Zhejiang Resources with the Shaanxi Xi'an Intermediate People's Court* (陝西省西安市中級人民法院) in respect of outstanding debts with interests and penalties amounting to approximately RMB389.4 million, in relation to a three-year loan provided from the plaintiff to Zhejiang Resources for an aggregate principal amount of approximately RMB300 million with an interest rate of approximately 10.4% per annum and secured by pledging a parcel of land in Yuhang District, Hangzhou. On 1 April 2022, the court issued the first instance judgment in favour of the plaintiff, ordering Zhejiang Resources to repay the outstanding principal with interests and penalties, and that the plaintiff shall be entitled to the proceeds from the auction or sale of the pledged parcel of land for the purpose of satisfying the judgment sum. Subsequently, Zhejiang Resources appealed to Shaanxi Higher People's Court* (陝西省高級人民法院). As at the Latest Practicable Date, the hearing has taken place, with judgment from the court pending and Zhejiang Resources was unable to estimate the expected date of rendering of judgment.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Company (www.pku-resources.com) and the website of the Stock Exchange (www.hkexnews.hk) for a period of 14 days from the date of this circular:

(a) each of the material contracts referred to in the paragraphs headed "7. Material Contracts" in this Appendix;

(b) interim report of the Group for the six months ended 30 September 2022;

(c) annual report of the Group for the fifteen months ended 31 March 2022;

(d) annual report of the Group for the year ended 31 December 2020;

(e) annual report of the Group for the year ended 31 December 2019;

(f) the written consents from the experts as mentioned in the paragraph headed "6. Qualifications and Consents of Experts" in this appendix;

(g) the accountants' reports on each of the Target Companies prepared by CCTH CPA Limited, the full text of which are set out on pages II-1 to II-90 of this circular;

(h) the report on the unaudited pro forma financial information of the Enlarged Group prepared by CCTH CPA Limited, the full text of which is set out on pages V-1 to V-16 of this circular; and

(i) the valuation report prepared by Ravia Global Appraisal Advisory Limited, the full text of which is set out on pages VI-1 to VI-4 of this circular.

10. MISCELLANEOUS

(a) The Company's registered office is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda.

(b) The Company's head office and principal place of business in Hong Kong is at Room 2303, 23/F, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.

(c) The branch share register and transfer office of the Company in Hong Kong is Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(d) The company secretary of the Company is Ms. Leung Mei King, who is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

(e) In case of any inconsistency between English and Chinese versions of this circular, the English version shall prevail.

资源控股
RESOURCES HOLDINGS

Peking University Resources (Holdings) Company Limited
北大資源(控股)有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00618)

NOTICE IS HEREBY GIVEN THAT the special general meeting of Peking University Resources (Holdings) Company Limited (the "**Company**") will be held at 10:00 a.m. on Friday, 10 March 2023 at Room 2303, 23/F, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong for the purpose of considering and if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. **DEBT SETTLEMENT AGREEMENT A**

"**THAT**:

(a) the debt settlement agreement (the "**Debt Settlement Agreement A**") dated 9 January 2023 entered into between Wuhan Jinxiang Asset Management Co., Ltd.* (武漢錦祥資產管理有限公司) ("**Wuhan Jinxiang**"), as acquirer, and Chongqing Feidia Information Technology Partnership (Limited Partnership)* (重慶飛迪亞信息技術合夥企業(有限合夥)), as vendor, in relation to the debt settlement of outstanding debts and accrued interest owing by Beijing Gangtong Resources Enterprise Management Co., Ltd.* (北京港通資源企業管理有限公司) ("**BG Resources**") to Wuhan Jinxiang, and the transfer of 49% equity interest of Chongqing Yayuan Henghui Information Technology Co., Ltd.* (重慶雅源恒輝信息技術有限公司) (a copy of which has been tabled at the meeting marked "A" and signed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one director of the Company (the "**Director**") be and is hereby authorised to do all such acts and things and execute all such documents (whether under common seal or not) which he considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Debt Settlement Agreement A and the transactions contemplated thereunder and agree to such variation, amendment or waiver as are, in the opinion of such Director, in the interest of the Company and the shareholders of the Company (the "**Shareholders**") as a whole."

2. DEBT SETTLEMENT AGREEMENT B

"**THAT**:

(a) the debt settlement agreement (the "**Debt Settlement Agreement B**") dated 9 January 2023 entered into between Chongqing Yingfeng Property Co., Ltd.* (重慶盈豐地產有限公司) ("**Chongqing Yingfeng**"), as acquirer, and Chongqing Longsay Information Technology Partnership (Limited Partnership)* (重慶朗賽信息科技合夥企業(有限合夥)), as vendor, in relation to the debt settlement of outstanding debts and accrued interest owing by BG Resources to Chongqing Yingfeng, and the transfer of 49% equity interest of Chongqing Yinghe Yiyuan Enterprise Management Co., Ltd.* (重慶盈合益遠企業管理有限公司) (a copy of which has been tabled at the meeting marked "B" and signed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one Director be and is hereby authorised to do all such acts and things and execute all such documents (whether under common seal or not) which he considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Debt Settlement Agreement B and the transactions contemplated thereunder and agree to such variation, amendment or waiver as are, in the opinion of such Director, in the interest of the Company and the Shareholders as a whole."

3. DEBT SETTLEMENT AGREEMENT C

"**THAT**:

(a) the debt settlement agreement (the "**Debt Settlement Agreement C**") dated 9 January 2023 entered into between Wuhan Tianhe Jincheng Real Estate Development Co., Ltd.* (武漢天合錦程房地產發展有限公司) ("**Wuhan Tianhe Jincheng**"), as acquirer, and Chongqing Minos Information Technology Partnership (Limited Partnership)* (重慶美諾思信息科技合夥企業(有限合夥)) ("**Chongqing Minos**") as vendor, in relation to the debt settlement of outstanding debts and accrued interest owing by BG Resources to Wuhan Tianhe Jincheng, and the transfer of approximately 20.59% equity interest of Zhejiang Peking University Resources Real Estate Co., Ltd.* (浙江北大資源地產有限公司) ("**Zhejiang Resources**") (a copy of which has been tabled at the meeting marked "C" and signed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one Director be and is hereby authorised to do all such acts and things and execute all such documents (whether under common seal or not) which he considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Debt Settlement Agreement C and the transactions contemplated thereunder and agree to such variation, amendment or waiver as are, in the opinion of such Director, in the interest of the Company and the Shareholders as a whole."

4. **DEBT SETTLEMENT AGREEMENT D**

"**THAT**:

(a) the debt settlement agreement (the "**Debt Settlement Agreement D**") dated 9 January 2023 entered into between Chongqing Yuefeng Real Estate Co., Ltd.* (重慶悅豐地產有限公司) ("**Chongqing Yuefeng**"), as acquirer, and Chongqing Minos, as vendor, in relation to the debt settlement of outstanding debts and accrued interest owing by BG Resources to Chongqing Yuefeng, and the transfer of approximately 10.94% equity interest of Zhejiang Resources (a copy of which has been tabled at the meeting marked "D" and signed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one Director be and is hereby authorised to do all such acts and things and execute all such documents (whether under common seal or not) which he considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Debt Settlement Agreement D and the transactions contemplated thereunder and agree to such variation, amendment or waiver as are, in the opinion of such Director, in the interest of the Company and the Shareholders as a whole."

Hong Kong, 17 February 2023

By order of the Board
Peking University Resources (Holdings) Company Limited
Wong Kai Ho
Chairman

Notes:

1. As set out in the section headed "Special Arrangements for the SGM" of this circular, the special general meeting (the "**SGM**") will be conducted virtually by way of video-conference. As Shareholders will not be permitted to attend the SGM in person, Shareholders who wish to vote at the SGM shall appoint the chairman of the SGM as their proxies by completing the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding the SGM, i.e. Wednesday, 8 March 2023 at 10:00 a.m. (Hong Kong time), or any adjournment thereof (as the case may be).

2. Any Shareholder entitled to attend and vote at the SGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A Shareholder who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy needs not be a Shareholder. However, given the special

arrangements adopted by the Company as set out in the section headed "Special Arrangements for the SGM" of this circular, Shareholders who wish to vote at the SGM shall appoint the chairman of the SGM as their proxies to exercise their rights to vote at the SGM in accordance with their instructions.

3. Where there are joint holders of any share, any one of such joint holders may vote at the SGM, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the SGM, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. However, given the special arrangements adopted by the Company as set out in the section headed "Special Arrangements for the SGM" of this circular, Shareholders who wish to vote at the SGM shall appoint the chairman of the SGM as their proxies to exercise their rights to vote at the SGM in accordance with their instructions.

4. In order to be valid, the instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time for holding the SGM, i.e. Wednesday, 8 March 2023 at 10:00 a.m. (Hong Kong time), or any adjournment thereof.

5. The register of members of the Company will be closed from 7 March 2023 to 10 March 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the SGM, all share transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on 6 March 2023.

6. The voting at the SGM shall be taken by way of a poll as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the bye-laws of the Company. The poll results will be published on the website of the Company at www.pku-resources.com and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk following the SGM.

7. COVID-19 PANDEMIC SITUATION

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

   (a) The SGM will be conducted virtually via electronic means (the "**Virtual SGM**"). The Shareholders and/or their proxies will NOT be able to attend the Virtual SGM in person, and can only participate in, communicate, view and listen to the Virtual SGM by way of video-conference.

   The Virtual SGM will be broadcasted from the SGM venue in Hong Kong (the "**SGM Venue**") and only a limited number of Directors and staff of the Company who are the Shareholders or proxies will be physically present at the SGM Venue. Other Directors will participate by way of electronic means.

   Shareholders will be able to participate in, view and listen to the Virtual SGM by way of video-conference from 10:00 a.m. until the completion of the SGM on Friday, 10 March 2023 on a computer, tablet or any browser enabled device. Please follow the instructions on the landing page on how to access the webcast.

   (b) For Shareholders who would like to participate in, view and listen to the Virtual SGM live webcast, you will need to register by sending an email to is-enquiries@hk.tricorglobal.com or via telephone hotline at (852) 2980 1333 by providing personal particulars as follows:

   (i) Full name;

   (ii) Registered address;

   (iii) Number of Shares held;

(iv) Hong Kong Identity Card Number or passport number (in case of natural person)/company registration number (in case of body corporate);

(v) Contact telephone number; and

(vi) Email address

no later than 10:00 a.m. on Thursday, 9 March 2023 (being not less than twenty-four (24) hours before the time appointed for holding the Virtual SGM) to enable the Company to verify the Shareholders' status.

Authenticated Shareholders will receive an email confirmation by Friday, 10 March 2023 which contains a link to join the live webcast of the Virtual SGM. Shareholders MUST NOT forward the link to other persons who are not the Shareholders and who are not entitled to attend the Virtual SGM.

(c) All resolutions at the SGM will be decided on a poll. Shareholders will still be able to vote by doing so in advance of the SGM by proxy. If you wish to vote on any resolution at the SGM, you must appoint the chairman of the SGM as your proxy to exercise your right to vote at the SGM in accordance with your instructions. If you appoint a person who is not the chairman of the SGM as your proxy, that person will not be permitted entry to the SGM and will not be able to exercise your vote. The proxy form for use at the SGM is enclosed with this circular. The proxy form can be downloaded from the "Investor Relations – Announcements" section of the Company's website (www.pku-resources.com/investor/notice.html). If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of a proxy. The proxy form should be returned to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time for holding the SGM.

(d) Shareholders may submit any questions they may have in advance in relation to any resolution set out in this notice by 10:00 a.m. on Thursday, 9 March 2023 (being not less than twenty-four (24) hours before the time appointed for holding the Virtual SGM) via email to is-enquiries@hk.tricorglobal.com or via telephone hotline at (852) 2980 1333 providing personal particulars as follows for verification purposes:

(i) Full name;

(ii) Registered address;

(iii) Number of Shares held;

(iv) Hong Kong Identity Card Number or passport number (in case of natural person)/company registration number (in case of body corporate);

(v) Contact telephone number; and

(vi) Email address

Shareholders can also submit questions during the Virtual SGM through the webcast link provided.

The Board will arrange for as many of the questions asked to be answered as possible at the SGM.

The Company is closely monitoring the impact of the Coronavirus (COVID-19) pandemic in Hong Kong. Should any changes be made to the SGM arrangements, the Company will notify Shareholders via an announcement posted on the Company's website (www.pku-resources.com) and the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk).

* *for identification purposes only*