
BUSINESS

OVERVIEW

As a boutique residential property developer, we are principally engaged in development and sales of residential properties in the fast-developing residential markets in Dongguan, Huizhou and Foshan in the Greater Bay Area. With cooperation of external contractors, we are involved in all phases of planning and building of our residential property projects, including land acquisition/transformation, site planning, preparation and improvement of land and design, construction and marketing of homes. We acquire land for our projects mainly through (i) public tender, auction or listing-for-sale; and (ii) acquisition of redevelopment sites and converting into residential development sites. As at the Valuation Date, approximately 63.7% of our land in terms of GFA were acquired from public tender, auction or listing-for-sale, whereas approximately 36.3% of our land were acquired from acquisition of redevelopment sites and conversion into residential development sites.

We have developed two major product series for our homebuyers, namely, “Villas” (豪庭) series, targeting middle income and move-up homebuyers, and “Mansion” (公館), targeting first-time homebuyers and retirees. We place a great emphasis on the quality of our products and set detailed standards on a number of design and construction requirements. As of the Valuation Date, we had land bank of approximately 262,555 sq.m., including (i) the total GFA saleable for completed properties of approximately 131,083 sq.m. and (ii) 131,472 sq.m. for future development.

For the three years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022, the average selling price was RMB26,527, RMB27,444, RMB30,134 and RMB29,178 per sq.m., respectively. For the three years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022, we recorded revenue of RMB481.8 million, RMB590.8 million, RMB775.6 million and RMB473.0 million, respectively. In the three years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022, our net profit was RMB128.9 million, RMB160.5 million, RMB243.7 million and RMB143.1 million, respectively.

OUR COMPETITIVE STRENGTHS

Our Directors believe that the following competitive strengths of our Group have contributed to our success to date and will continue to promote our expansion:

We are a boutique residential property developer with our development projects being strategically located in selected cities of the Greater Bay Area which we consider with potential growth

We are a boutique residential property developer in the PRC focusing on the development of properties that are dominantly for residential use. Our Group was founded in 2013 to carry out property development business.

BUSINESS

We strategically select and acquire land parcels for development focusing on the sustainable growth of our business. With our experience in real estate development, we have become a regional boutique property developer with presence in Dongguan, Huizhou and Foshan in the Greater Bay Area. As of the Valuation Date, we had land bank with an aggregate of approximately 262,555 sq.m. that was strategically located in Dongguan and Huizhou of Guangdong Province. We believe these locations have high growth potential. The concept of the Greater Bay Area had first been proposed in 2017 in the 5th Session of the 12th National People’s Congress, aiming to promote and deepen the cooperation between mainland China, Hong Kong and Macau. Each of the city in the Greater Bay Area has its own preliminary position to support the operation of the whole area.

According to the C&W Report, the total sales amount of commodity residential properties in the Greater Bay Area jumped from RMB687.9 billion in 2017 to RMB1,495.9 billion in 2021 at a CAGR of 21.4%. We believe the Greater Bay Area entails growth potential and will be among the most economically prosperous area in the PRC, in particular the Greater Bay Area is expected to be further developed as a world-class city cluster. We strive to develop affordable high-quality residential properties primarily for middle income residents and move-up homebuyers in surrounding neighbourhoods for our “Villas” (豪庭) series, and first-time homebuyers and retirees for our “Mansion” (公館) series in selected cities in the Greater Bay Area.

As a result of the rapid increases in real estate prices in Shenzhen, the surrounding cities present attractive opportunities with lower land costs. Given the advancement of the property market in Shenzhen, the land acquisition costs are comparatively higher than Dongguan and Huizhou. The difference in land acquisition costs in Shenzhen as opposed to the other two cities presents great potential for higher return on equity in the real properties in Dongguan and Huizhou, attracting both homebuyers and investors. The average selling price of residential properties in Dongguan grew from RMB13,753 per sq.m. in 2016 to RMB27,570 per sq.m. in 2021, representing a CAGR of 14.9%, while the average selling price of residential properties in Huizhou grew from RMB7,916 per sq.m. in 2016 to RMB10,784 per sq.m. in 2021, representing a CAGR of 6.4%.

Our development projects in Dongguan are situated in the desirable geographical location in Fenggang Town with close proximity to Shenzhen. Fenggang Town is connected to major highways, shortening the travel time between the town and Shenzhen as well as other major hubs in the Greater Bay Area. The eastern extension of Shenzhen No. 10 subway line covers the town with four stations, including one stop, “Guanjingtou” station (官井頭站), which will be located in proximity to our development projects in the Castfast Villas. The favourable geographical location of Fenggang Town and the comparatively lower sales price of residential properties there as opposed to Shenzhen attract homebuyers from Shenzhen, desiring convenience and the potential for higher return at lower pricing. Our development project in Huizhou is situated in Boluo

BUSINESS

County, a junction between Shenzhen, Dongguan, Daya Bay and Huizhou downtown. Boluo County is situated at a core location of the planned express railroad and highways. The development project is within vicinity of a major local shopping plaza, banks and county medical facilities, providing daily convenience to its residents, and attracts homebuyers who work in larger neighbouring cities (Shenzhen, Guangzhou and Dongguan), including migrant workers who desire communities serving multi-generational needs and buyers who are retiring. We understand the demands for product types and consumption trends in the selected cities we have entered into, specifically Dongguan and Huizhou, and believe that we can leverage our experience to capture the growth opportunities in these markets.

We focus on developing high quality and customer-oriented products in order to ensure that they meet the market trends and are appealing to our customers

We pride ourselves in our customer-oriented design philosophy that aims to bring quality of life, increased convenience and comfortable living environment to potential customers in the use of our products. We believe that our design, planning and quality control process can ensure high quality of our products and enhances their appeal which is fundamental to our performance.

Our residential units feature modern designs and offer comfortable and convenient community lifestyles with each complex customised to the specific demand of our homebuyers. Properties under “Villas” (豪庭) series is a brand that symbolises high quality. The units offered under our “Villas” (豪庭) series, targeting middle income and move-up homebuyers, are situated in prime locations. The “Villas” (豪庭) complexes are also designed to have more public space with ample amenities and facilities, including clubhouses, carefully landscaped gardens, tree-lined jogging trails separate from the road traffic. The luxurious design of these properties attracts quality-seeking homebuyers in neighbouring Shenzhen, especially the move-up homebuyers who are starting their families requiring more space and easy and fast access to where they work in Shenzhen.

The residential units offered under our “Mansion” (公館) series, targeting first-time homebuyers, are situated in cost-saving locations and do not come with furnishings. The “Mansion” (公館) complexes are designed to be smaller in scale but suitable for a comfortable lifestyle. Although the public area in the “Mansion” (公館) complexes is smaller with less facilities, more space of the “Mansion” (公館) complex is devoted to the use of the residents within their units. The design of these properties attracts first-time homebuyers who seek to accommodate their small cluster families or extended, multi-generational families within their own budgets.

BUSINESS

We continuously improve our product design based on customer feedback and research as to market trend and development in the local area, and the desired lifestyle that our target customers would like to experience. We aim to develop products that meet the desired quality of life of our target customers, but with affordable prices. We place great emphasis on the quality of our properties. We have developed a portfolio of architectural plans and designs, which typically comprise a high-rise residential tower and include clubhouses and gardens. The locations of our development projects are in the vicinity of retail shops, schools and parks, boasting well-rounded amenities for convenience of the residents.

We believe that, over the years, we have established a reputation that is associated with promising standard of quality for our development projects. We are aspired to maintain a high standard of quality for our properties at different stages of the development process and have put in place the following measures for maintaining our quality:

- (i) in order to develop quality property complexes, we usually engage construction contractors which (a) have engineers who possess relevant national construction related qualifications; (b) have satisfactory track record; and (c) source value-for-money and quality raw materials for the construction of our development projects;
- (ii) during the construction process of our development projects, we and/or the third party certified construction supervision companies, which are engaged by us, will conduct regular inspection with a view to ensure the quality of the relevant construction work is at par with our stipulated standard; should we or the third party certified construction supervision companies find that there are any issues with the work performed by construction contractors during the construction process, construction contractors would normally adopt the suggestions given by us or the third party certified construction supervision companies to adjust, modify or redo their work; and
- (iii) following completion of the construction process, completion inspection will be conducted by our regional project company, as well as our headquarter before delivery of properties.

Development in alignment with Government's urban renewal policy

Our strategic selection of Dongguan and Huizhou for locations of our development projects is aligned with the local authorities' urban renewal policies. We managed to acquire redevelopment sites or convert formerly industrial sites into residential development sites in a time and cost-efficient manner. Having anchored in the cities we have strategically selected for over a decade, we have accumulated substantial local knowledge of the communities and developed trust from the local authorities.

BUSINESS

Our track record in land transformation, such as Phases 3 to 5 of Castfast Villas, makes us a competitive candidate for more government redevelopment projects as well as cooperation with other parties interested in redeveloping their land. We have acquired land through the government auction system, providing us with unencumbered land use rights to unoccupied land and saving our time and efforts from evacuating incumbent residents. We are also familiar with the land transformation processes, in particular the approval processes involved as well as the cultural environment in the area. With our land transformation experience, we are able to control time and resources during the land acquisition process and react quickly to opportunities minimising costs and maximising profits.

We believe that we possess the following advantages in procuring and developing urban renewal projects in selected cities in the Greater Bay Area:

- (i) relationship with third party resources — due to our industry reputation and market position we have built good working relationships with relevant government authorities, which are one of the crucial factors in urban renewal projects. We believe our relationship with these government authorities not only allows us to compete and execute urban renewal projects more efficiently, but also represents a source of information that allows us to gauge the local community's sentiment and/or the government's attitude towards any particular development;
- (ii) experienced staff — we have a dedicated and sophisticated team which is specifically trained and has relevant experience in urban renewal, primarily responsible for procuring and executing urban renewal projects; and
- (iii) previous experience with property developments — we have gained an insight into local sentiments and culture, as well as experience in liaising with local government authorities. We believe such experience would be useful in our urban renewal projects, as urban renewal projects typically require a greater level of government cooperation as compared to other developments.

We have established an operation system that facilitates the development of quality development projects in a timely and cost efficient manner

We believe that due to our established operation system, we have generally been able to develop quality development projects in a timely and cost efficient manner. We segment our property development process into well-defined stages and closely monitor costs and development schedules through each stage. Our development and construction management structure is centralised to provide for oversight for our homebuilding operations. Major and strategic decisions are made at the top by a committee, driving an efficient decision-making process.

BUSINESS

We are generally capable of effectively controlling the construction costs required for our development projects. We control our development costs at various stages of our development process. Our regional land acquisition strategy, keen market insight and investment vision on the PRC real estate market and our diversified land acquisition initiatives will continue to help propel our expansion in the future. We commence pre-planning and budgeting prior to land acquisition, which enables us to acquire land at costs that meet our pre-set investment targeted returns and to quickly commence the development process upon acquisition.

We closely manage and monitor our development projects during various stages of development to maintain quality and achieve cost efficiency. We believe that part of our success is attributable to our strict quality control system for our own development projects, which enables us to closely monitor construction quality and control construction costs.

We use contractors for most aspects of home construction and closely supervise and control the development of the projects with a relatively small internal labour force. We choose to contract only with reliable and reputable design firms and builders, minimising own exposure. Our long-term relationships established with third-party contractors allow us to efficiently conduct selection processes and closely manage and supervise construction progress to avoid unexpected delays and cost overruns. Arrangements with our contractors generally provide that our contractors will complete specified work in accordance with price and time schedules. Leveraging on our experience and knowledge of the markets, we effectively price to sell our properties at attractive price point given the quality of the residential units we deliver.

When we engage construction contractors through tendering process, we take into consideration their track record performance, work quality, proposed delivery schedules and costs. As the fees payable to our construction contractors generally include the costs for procurement of raw materials, fluctuation in prices of raw materials for development of our properties will enable us to control our construction costs. We seek to establish and maintain long business relationships with our construction contractors which allow us to maintain our construction costs at a reasonable level and ensure quality at the same time.

Experienced management team supported by motivated and professional staff

Our executive directors have worked with our predecessor, Karrie International for years and are experienced in the PRC real estate industry. They both have accumulated considerable strategic planning and business management expertise in the property development market and various geographical locations of selected cities in the Greater Bay Area. Our Chairman and founder, Mr. Ho Cheuk Fai, has over 28 years of experience in management and the property development industry. As our predecessor is one of the early enterprises building up manufacturing plants in Southern China, Mr. Ho Cheuk Fai is an industrialist having a well-famed reputation with strong relationships with local stakeholders.

BUSINESS

We have cultivated an engaging corporate culture, instilling our core values in integrity, excellence, customer-oriented approach and creativity. We have developed standardised governance plans to enhance internal and quality controls. We have a track record of creative planning and high execution abilities in our business operation projects and financing transactions, sustaining healthy growths of our Group.

Our management and work force are well trained and motivated. To promote effective recruitment, retention and advancement, we provide our management with training and incentive programs. Our employees receive on-going training in their areas of specialisation and are trained through site-visit tours outside of our development projects from time to time.

OUR BUSINESS STRATEGIES

We will continue to expand in selected cities in the Greater Bay Area and focus on redevelopment sites

We intend to leverage our reputation and experience to continue developing residential properties in selected cities in the Greater Bay Area, to take advantage of the continuously increasing demand for quality properties resulting from the growth in urbanisation and the general local economy. We will also continue to explore suitable areas in the Greater Bay Area to develop properties for sale, which include (i) surrounding areas of locations that are covered by our existing business; (ii) areas that are undergoing economic and social development, with growth potential and investment opportunities; or (iii) areas with the potential of urban renewal and redevelopment that leads to lower land acquisition cost and potential growth in prices of real estate properties. We believe the suitable areas in the Greater Bay Area that we intend to explore include the Shenzhen Metropolitan Area (深圳都市圈) (with Shenzhen, Dongguan, and Huizhou as the core) and the Guangzhou Metropolitan Area (廣州都市圈) (with Guangzhou and Foshan as the core). We will further strengthen our investment in urban planning and urban renewal architectural design, and also cooperate with industry professionals to enhance our brand positioning as a property developer focusing on urban renewal and providing quality residence.

Our Group’s business strategies to explore suitable areas in the Greater Bay Area include, but are not limited to, endeavouring to establish strategic partnerships with industry leaders, state-owned enterprises and local governments for investment and cooperation opportunities. In February 2022, we entered into a strategic framework agreement with Merchants Property Development (Guangzhou) Limited (廣州招商房地產有限公司), a subsidiary of China Merchants Shekou Industrial Zone Holdings Co., Ltd. (招商局蛇口工業區控股股份有限公司), a company listed on the Shenzhen Stock Exchange (001979.SZ). Pursuant to the framework agreement, we will take advantage of our respective strengths and resources and establish a strategic relationship in urban renewal projects. With our strong experience and capability of urban renewal, we will cooperate with Merchants Property Development (Guangzhou) Limited and engage in various stages of property development including but not limited to urban renewal land acquisition, land use right transformation, design and development, brand marketing, and sales management. We also participate in active discussions with state-owned enterprises and local governments regarding

BUSINESS

cooperation opportunities in urban upgrade and redevelopment projects that target to integrate industries and cities (產城融合) to develop an industrial urban complex (產城融合城市綜合體). We actively pursue the opportunities to work alongside state-owned enterprises and local governments in such projects where we will focus on the development of high-quality residences in the industrial urban complex, and the state-owned enterprises and local governments will be responsible for sourcing investment capitals and operations of other sectors.

The selected cities in the Greater Bay Area remain the key geographical region in our overall business development strategies in the PRC. Armed with our track record, local knowledge, and market recognition, we intend to enhance our market share in residential property development industry in Dongguan and Huizhou, and expand to locations in the Greater Bay Area which we consider with potential growth, such as Foshan and Guangzhou. We have entered into a non-legally binding framework agreement with Hecheng Sub-district Office, Gaoming District, Foshan City (佛山市高明區荷城街道辦事處) on 16 March 2022, pursuant to which the parties have agreed to jointly develop Fuwan Area of Hecheng Sub-district, Gaoming District of Foshan City into a cultural and creative town. The agreement sets out a general direction of our intended cooperation areas, including, but are not limited to, urban planning, land development, urban renewal, real estate development, urban operation, etc. We will assist Hecheng Sub-district Office in the urban planning of the area, including leading the conceptual planning scheme for the area, assisting in the preparation of special planning, and conducting market research and urban development research. In particular, Hecheng Sub-district Office has launched one portion of residential land (approximately 34,448 sq.m.) in the Development Area for auction on 25 March 2022, and we have participated in such auction and successfully obtained the land use rights of the land on 1 April 2022. Hecheng Sub-district Office will launch other lands for auction in the Development Area depending on actual needs, and we will participate in those auctions as well if the relevant lands match our investment requirements. Please see the section headed “Summary — Recent development” in this listing document for details.

Amid the rising concept of the Greater Bay Area, numbers of infrastructure projects have been initiated to improve the accessibility and deepen the cooperation between cities in the Greater Bay Area. Major infrastructure projects in the Greater Bay Area include, among others, construction of (i) Hong Kong Zhuhai Macau bridge; (ii) 15 intercity rail lines; and (iii) Huizhou International Airport. According to the C&W Report, total real estate investment of commodity properties in nine cities in the Greater Bay Area, including Dongguan and Huizhou, increased from approximately RMB859.7 billion in 2016 to approximately RMB1,420.4 billion in 2021, representing a CAGR of approximately 10.6%.

Based on our experience and market response from previous development projects of similar quality in Huizhou in Guangdong Province, we believe that our strategy in developing residential complex or integrated residential properties, which are residential properties mixed with ancillary facilities, such as retail stores and club house, in selected cities in the Greater Bay Area would appeal to customers who acquire properties for both residential and investment purposes. Going forward, we will continue to look for suitable locations to replicate our success in developing integrated residential development projects in other areas in the Greater Bay Area.

BUSINESS

Our selected cities offer a large supply of potential development sites earmarked for urban renewal that meet the criteria of our internal pre-set investment target, such as former industrial sites. We believe that fragmented market and relative abundance of land supply in selected cities, such as Dongguan, as compared to such first-tier cities as Shenzhen and Shanghai, offer opportunities for us to generate attractive margins. We will continue to leverage and strengthen our experience in developing urban renewal projects and be committed to constantly acquiring land parcels with high redevelopment value as an important source of our land reserve, thereby expanding our scale of operation and establish our competitive edge in the area of urban renewal through strategic acquisition of relevant land parcels that are suitable for urban renewal projects. We also have extensive experience in developing urban renewal projects. As at the Valuation Date, we had three urban renewal projects namely, Phases 3, 4 and 5 of Castfast Villas which were all completed. Leveraging our experience and strengthen in developing urban renewal projects, we are dedicated to making contribution for the urban renewal of selected cities in the Greater Bay Area.

We will continue our diversified land acquisition strategies with a view to allocating financial resources to what we believe to be the most profitable opportunities

We intend to continue to seek new and suitable opportunities to acquire land reserves that meet our selection criteria in the selected cities in the Greater Bay Area. Suitable and sufficient land reserves serve as a sound backbone in support of our future development against future change in governmental policies or increase in land costs. We will continue to conduct market research on the macroeconomic conditions, governmental policies and growth potential of the property market in such cities where suitable land is located. We intend to continue prioritising our financial resources towards what we believe to be the most profitable opportunities by selectively targeting at areas which we believe have high growth potential and acquiring lands there at competitive costs.

We avoid over-priced land but investing opportunistically and timely when we acquire resources for our future projects. When replenishing our land bank, we mainly target at land parcels with attributes and ancillary facilities that complement our positioning in the residential property market and meet the needs and demands of our customers. We will continue to respond to market changes timely and effectively. On our financial management front, we will ensure that our liquidity is sufficient and our cash balance is adequate to cover borrowings.

We will continue to seek sites earmarked for urban renewal in locations that present potential high return at low costs. To achieve acquisition of our land targets, we have established a centralised and efficient system to research land acquisition opportunities. We monitor, plan and budget development costs for potential development sites and, if the development opportunity meets our pre-set investment target, we will plan to bid for the site through government auction or other forms of arrangements with current land owners. We believe that beginning with efficient land acquisition and following through with well-executed development will allow us to continue to expand successfully and provide sustainable growth for our business.

BUSINESS

We seek to strengthen our cost control capability and maintain the quality of the properties

We plan to continue to closely monitor our capital and cash positions and carefully manage our land use rights costs, construction costs and operating expenses. As we believe that effective cost control and maintenance of good quality of properties we develop are the key factors of our success, part of our strategies is to further strengthen our control capability in development projects and continue to maintain quality of properties we develop.

When identifying a project for development, we intend to continue to follow our established internal standardised process. We also intend to continue to choose third-party contractors through a tender process open only to bids which meet our budgeted costs, allowing us to meet our investment return criteria. We will also continue to outsource construction work to construction companies and will constantly and actively manage our sales and pre-sales to generate cash for our ongoing capital requirements.

We seek to further strengthen our reputation recognition in selected cities in the Greater Bay Area

We intend to continue promoting our two residential properties series namely, “Villas” (豪庭) and “Mansion” (公館) by delivering high quality products to our homebuyers. How we are perceived, as a provider of quality properties, is considered vital to our business operations. Therefore, we plan to continue placing significant emphasis on developing our reputation and recognition and will continue to develop properties that will enhance our profile. We will continue to apply resources to market our properties by way of advertising through online media and promotional events. We also intend to continue to enhance the recognition of, and loyalty to, our “Villas” (豪庭) and “Mansion” (公館) series among existing and potential customers. We believe that by cultivating a distinctively favourable reputation, as reflected in the properties we have developed and the communities we have created, we will be able to differentiate ourselves from our competitors, further enhance our ability to attract target customers and positively reinforce their reception of our properties and services. In order to maintain our reputation as a provider of quality properties, we will also continue to implement strict quality control standards, closely monitor the workmanship of our construction contractors throughout the property development process, and further strengthen our property management services and relevant human resource management.

We will continue to attract, nurture and motivate a skilled and talented workforce

We believe high calibre employees who share our corporate culture are our invaluable assets. In order to support our growth, we aim to attract and recruit employees with a wide range of expertise including property development, project management, planning, design, finance and marketing and sales. We emphasise the long-term development of a quality workforce and the alignment of interests between our workforce and our Group. We will continue to recruit, nurture and motivate a skilled and talented workforce by offering our staff competitive remuneration packages, on-the-job trainings and performance-based evaluation. We believe such culture will

BUSINESS

enhance knowledge sharing, collaboration and innovation among employees, leading to increased efficiency, greater loyalty, job satisfaction, engagement and commitment to their work, which we believe will strengthen our overall operations and performance.

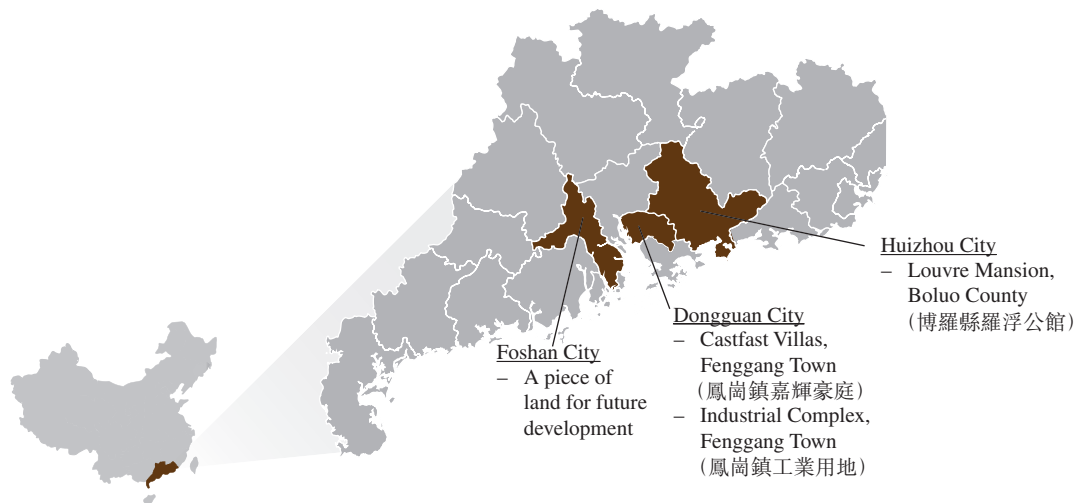
OUR BUSINESS

OUR PROPERTY DEVELOPMENT PROJECTS

We are a boutique residential property developer focusing on development and sales of residential properties. During the Track Record Period, our development projects were located in Dongguan and Huizhou of Guangdong Province.

As of the Valuation Date, our property portfolio mainly comprised two major property development project, namely “Villas” (豪庭) series and “Mansion” (公館) series, in Dongguan and Huizhou, respectively. As of the Valuation Date, we had land bank of approximately 262,555 sq.m., including (i) the total GFA saleable for completed properties of approximately 131,083 sq.m. and (ii) 131,472 sq.m. for future development.

The following map shows the geographical locations of our property portfolio as of 30 September 2022.



Our residential properties are mainly high-rise apartments (高層住宅) — which are typically buildings with 20 storeys or above.

BUSINESS

Classification of our property development projects

The table below sets forth our classification of properties, and the corresponding classification of properties in the appendices headed “Accountants’ Report” in Appendix I and “Property Valuation Report” in Appendix III to this listing document respectively:

Our Classifications	Accountants’ report	Property valuation report
1. Development project or development project phases under development — we have received construction works commencement permits required for these development projects or development project phases, but not the completion certificates	• Properties under development for sale	• Property held under development by our Group in the PRC
2. Completed development project or development project phases — we have received completion certificates from the relevant government authorities for these development projects or development project phases	• Completed properties for sale	• Property held for sale by our Group in the PRC
3. Future development projects — we have entered into the land grant contracts for these development projects or development project phases	• Deposits	• Property held for development by the Group in the PRC

As some of our development projects comprise multiple-phase developments that are completed on a rolling basis, a single development project may fall into one or more of the above categories.

Our classifications of development projects or development project phases reflect the basis on which we operate our business and may differ from classifications used by other property developers. A single development project may require multiple land use rights certificates, construction land planning permits, construction works planning permits, construction works commencement permits, pre-sale permits and other permits and certificates, which may be issued at different times throughout the development process.

For details of the classifications of development projects or development project phases in the accountants’ report and the property valuation report, please refer to the appendices headed “Accountants’ Report” and “Property Valuation Report” in Appendix I and Appendix III to this listing document, respectively.

BUSINESS

Site area and GFA

Site area is calculated as follows: (i) for projects or project phases for which we have obtained land use rights certificates, based on the relevant land use rights certificates and real estate title certificates; or (ii) for projects or project phases for which we have not obtained land use rights certificates, based on the relevant land grant contracts.

Total GFA of each of our projects or project phases as set forth in this listing document is calculated as follows: (i) for a project or a project phase that is completed, based upon relevant completion certificate(s) or property completion and inspection report(s); (ii) for a project or a project phase that is under development, based upon the relevant construction work planning permit(s), or based upon other documentation(s) issued by relevant government authorities if the construction work planning permit is not available.

Total GFA as used in this listing document comprises saleable GFA and non-saleable GFA. Non-saleable GFA as used in this listing document refers to certain ancillary facilities for which pre-sale permits will not be issued. Saleable GFA as used in this listing document refers to the internal floor areas exclusive of non-saleable GFA. Saleable GFA is further divided into saleable GFA presold/sold and saleable GFA unsold. A property is pre-sold when we have executed the sales contract but have yet to deliver the property to the customer. A property is considered sold after we have executed the sales contract with a customer and we recognised revenue when the property is accepted by the customer, or deemed as accepted according to the contract, whichever is earlier.

Total saleable GFA is calculated as follows: (i) for a project or a project phase that is completed, based on the relevant property ownership certificate or other documents recognised by relevant government authorities, such as the inspection reports; and (ii) for a project or a project phase under development, based upon the relevant pre-sale permit, or based on the construction work planning permit if the pre-sale permit is not available, or based upon other documentation issued by relevant government authorities if the construction work planning permit is not available. The total GFA we intend to sell does not exceed the multiple of site area and the maximum permissible plot ratio as specified in the relevant land grant contracts or other approval documents from the local governments relating to the project.

BUSINESS

LAND BANK AND PROPERTY PORTFOLIO

Land Bank

Our land bank represents the sum of (i) total GFA available for sale by us for completed properties, which also includes completed GFA that have been pre-sold but not yet delivered; and (ii) planned GFA for future development.

The following table sets forth the breakdown of total land bank attributable to us of our property portfolio as of the Valuation Date in terms of geographical location:

	Number of Projects	Completed GFA Available for sale	Planned GFA for Future Development	Total Land Bank	% of Total Land Bank
		<i>(sq.m.)</i>	<i>(sq.m.)</i>	<i>(sq.m.)</i>	
Dongguan	4 ^(Note)	95,273	—	95,273	36.3%
Huizhou.	1	35,810	—	35,810	13.6%
Foshan.	1	—	131,472	131,472	50.1%
Total:	<u>6</u>	<u>131,083</u>	<u>131,472</u>	<u>262,555</u>	<u>100.0%</u>

Note: This represents land bank in various phases of Castfast Villas.

BUSINESS

- (3) Total saleable GFA of completed projects refer to the saleable GFA sold/unsold.
- (4) Total saleable GFA launched refers to the saleable GFA that has been launched for sale.
- (5) Total saleable GFA is divided into (i) total GFA sold and delivered; (ii) GFA pre-sold but yet to be delivered and (iii) GFA unsold and available for sale.
- (6) Rentable GFA refers to GFA of the property held for investments.
- (7) Refers to the date of commencement of site clearance or construction of the first building of the development or phase.
- (8) Refers to the actual commencement date of pre-sale or the date our Group obtained a pre-sale permit for the project based on our Group’s internal records.
- (9) Refers to the date of the completion certificate for each project when the projects are completed. Projects under development is based on our current estimation with reference to construction working plans.
- (10) Development costs incurred as of Valuation Date refer to direct costs incurred for the relevant projects, under development including paid/to be paid land premium of relevant land use permits, construction costs and capitalised interest.
- (11) Estimated future development costs to be incurred as of Valuation Date refer to the total budgeted costs based on our project development schedules and the total development costs incurred as of Valuation Date, subject to changes in the relevant market and our internal adjustments to the cost structure of projects.
- (12) Calculation based on the effective equity interest in the respective project companies as of Valuation Date.
- (13) Refers to the market value of the project in proportion to our Group’s attributable interest in the project as of Valuation Date.
- (14) This property is for industrial uses but we intend to change the use of the property from industrial to residential use. We have yet to obtain approval from the government for the change of land use.
- (15) These properties were not constructed by our Group.
- (16) The total GFA of 3,685 sq.m. represents the total GFA of 26 unsold units of Phase 3 of Castfast Villas, the interest of which was held by Phase 3 Project Company, a wholly-owned subsidiary of our Company, upon the completion of the acquisition of Phase 3 Project Company. When the construction of Phase 3 of Castfast Villas was completed in August 2018, the total saleable GFA and number of units were 60,903 sq.m. and 605 units, respectively, the interest of which were originally held by Karrie International Group. Immediately prior to the Corporate Division of Dongguan City Jiaxuntong which was held on 26 November 2021, the total saleable GFA and number of units remained unsold were 3,685 sq.m. and 26 units, respectively, representing approximately 6.1% of the original total saleable GFA. Upon the Corporate Division of Dongguan City Jiaxuntong, the interest in these unsold properties were transferred to our Group. For details, please refer to the section headed “History, Reorganisation and Corporate Structure — Reorganisation — Corporate Division of Dongguan City Jiaxuntong” in this listing document. As of the Valuation Date, the total saleable GFA remained unsold was 1,783 sq.m., representing approximately 2.9% of the original total saleable GFA.

BUSINESS

As at the Valuation Date, the total saleable GFA that are not yet sold and not yet delivered was 119,683 sq.m.

Description of our development projects

We have developed our residential properties under two main product series, namely, “Villas” (豪庭) and “Mansion” (公館).

Our “Villas” (豪庭) properties are generally situated in prime locations, targeting middle income and move-up homebuyers. The “Villas” (豪庭) complexes are also designed to have more public space with ample amenities and facilities, including clubhouses, carefully landscaped gardens, tree-lined jogging trails separate from the road traffic. Our development projects in Fenggang County, Dongguan City are branded Castfast Villas.

Our “Mansion” (公館) properties are generally situated in more cost-saving locations, targeting first-time homebuyers and retirees. Mansion series aims to offer a comfortable living environment through community gardens in locations with comprehensive ancillary facilities. We have designed the units in layouts of well-proportioned rooms, versatile for needs of any family. The living room and dining room areas are integrated in a window-facing open space, providing comfort to the residents. All master bedrooms include ensuite showers and bathrooms. The “Mansion” (公館) complexes are designed to be smaller in scale but suitable for a comfortable lifestyle. Although the public area in the “Mansion” (公館) complexes is smaller with less facilities, more space of the “Mansion” (公館) complex is devoted to the use of the residents within their units. Our development project in Boluo County, Huizhou City are branded Louvre Mansion.

Dongguan City

Castfast Villas, Fenggang Town (鳳崗鎮嘉輝豪庭)



BUSINESS

Castfast Villas is located in Fenggang Town, Dongguan City, Guangdong Province. This project is offered under Castfast Villas series. Fenggang Town is located about 24 kilometres from Shenzhen, a Tier I city in China. The town is connected to major highways, shortening the travel time between the town and Shenzhen as well as other major hubs in the Greater Bay Area. The eastern extension of Shenzhen No. 10 subway line covers the town with four stations, including one stop, “Guanjingtou” station (官井頭站), which will be located right next to the Castfast Villas. Castfast Villas is surrounded by shopping malls and an integrated sports centre, providing both daily convenience and easy access to recreational and entertainment activities. Given its proximity to Shenzhen, residential properties in Fenggang Town would be attractive for homebuyers who desire the commutable distance the town provides and quality housing within a much more affordable price range as compared to Shenzhen.

As of the Valuation Date, Phases 3, 4 and 5 were all completed. The relevant construction land planning permit, construction works planning permits, construction works commencement permit, pre-sale permits, sale permits and completion certificates have all been obtained.

Phase 3



Phase 3 of Castfast Villas was completed and occupies an aggregate site area of approximately 32,800 sq.m., consisting of 605 residential units. The project is developed and owned by a project company, Dongguan City Jiaxuntong. In September 2005, Dongguan City Jiaxuntong entered into the relevant land grant contract with Dongguan City Land Management Bureau (東莞市土地管理局), at a total consideration of RMB1.3 million, pursuant to which Dongguan City Jiaxuntong was granted the land use right of the project land for industrial use. In December 2014, application for the change of land use to residential use was approved by Dongguan City National Land Resources Bureau (東莞市國土資源局). Dongguan City Jiaxuntong entered into the relevant land grant contract with Dongguan City National Land Resources Bureau (東莞市國土資源局) in January 2015 and land premium of RMB27.6 million was paid in full.

BUSINESS

Dongguan City Jiaxuntong (a company indirectly wholly-owned by Mr. Ho Cheuk Fai, the Controlling Shareholder) was the holder and owned the legal title of the project land. According to Article 19 of the then effective Detailed Rules for the Implementation of Three-Old Renovation in Dongguan City (for Trial Implementation) (《東莞市“三舊”改造實施細則（試行）》) promulgated by Dongguan Municipal People’s Government on 16 December 2009, transfer of land use rights and change in shareholding interest in the entity which owns the land use rights are prohibited until the redevelopment project has passed the completion inspection (竣工驗收). As such, Karrie International Group was restricted from acquiring the project land either by means of asset or equity interest transfer and redeveloping it directly under the Karrie International Group. On 1 August 2016, Massive Era (a wholly-owned subsidiary of Karrie International prior to the Reorganisation and the Spin-off and a wholly-owned subsidiary of our Company after the Reorganisation and the Spin-off), Kar Info International (a company directly wholly-owned by Mr. Ho Cheuk Fai before it has become our Group member to be disclosed below), Dongguan City Jiaxuntong and Mr. Ho Cheuk Fai have entered into a joint operation agreement (“Joint Operation Agreement”) whereby Massive Era agreed to participate in the Phase 3 of Castfast Villas by providing Kar Info International with an investment of HK\$140 million. During the cooperation period under the Joint Operation Agreement, each of Massive Era and Kar Info International was entitled to share 50% of the profit before taxation of this property development project. The Joint Operation Agreement expired on 22 March 2021 in accordance with its terms. On 26 November 2021, Dongguan City Jiaxuntong underwent the Corporate Division to divide into two companies with limited liability, pursuant to which the subsisting company, i.e. Phase 3 Project Company, will carry out the operation of Phase 3 of Castfast Villas, whereas a new company namely Dongguan Jiale Enterprise Development Company Limited* (東莞嘉樂企業發展有限公司) which is wholly-owned by Mr. Ho Cheuk Fai will carry out other businesses related to non-residential property development. Upon the completion of the Corporate Division, the assets and liabilities in connection with Phase 3 of Castfast Villas were retained by Phase 3 Project Company.

In March 2022, Mr. Ho Cheuk Fai transferred 100% interest in Kar Info International to Benefit Master (our wholly-owned subsidiary) and Kar Info International transferred 100% equity interest in Phase 3 Project Company to our Company. Following these acquisitions, our Company has become the ultimate holding company of each of Kar Info International and Phase 3 Project Company.

BUSINESS

The following table sets out a summary of Phase 3 of Castfast Villas as of the Valuation Date:

Phase 3 of Castfast Villas

Site area (<i>in sq.m.</i>)	32,800
Before Corporate Division	
Total saleable GFA (<i>in sq.m.</i>)	60,903
After Corporate Division	
Total saleable GFA (<i>in sq.m.</i>)	3,685
Total saleable GFA sold (<i>in sq.m.</i>)	1,145
Total saleable GFA pre-sold (<i>in sq.m.</i>)	757
Total saleable GFA unsold (<i>in sq.m.</i>)	1,783
Actual commencement date of construction	November 2015
Actual date of pre-sale commencement or pre-sale permit	September 2017
Actual Completion date	August 2018 to January 2019
Attributable interest to our Group	100%

When the construction of Phase 3 of Castfast Villas was completed in August 2018, the total saleable GFA and number of flats were 60,903 sq.m. and 605 units, respectively, the interest of which were originally held by Karrie International Group. Immediately prior to the Corporate Division of Dongguan City Jiaxuntong which was held on 26 November 2021, the total saleable GFA and number of flats remained unsold were 3,685 sq.m. and 26 units, respectively, representing approximately 6.1% of the original total saleable GFA. After completion of the Corporate Division and the Reorganisation, Kar Info Property became our wholly-owned subsidiary and in turn we owned 100% of the Phase 3 Project Company which held 26 unsold units of Phase 3 of Castfast Villas with a total GFA of 3,685 sq.m. For details, please refer to “History, Reorganisation and Corporate Structure — Reorganisation — Corporate Division of Dongguan City Jiaxuntong” and “History, Reorganisation and Corporate Structure — Reorganisation — Transfer of interest in Kar Info International to Benefit Master” and “History, Reorganisation and Corporate Structure — Reorganisation — Transfer of interest in Phase 3 Project Company to KRP Development” in this listing document. As of the Valuation Date, the total saleable GFA of Phase 3 of Castfast Villas remained unsold was 1,783 sq.m., representing approximately 2.9% of the original total saleable GFA (i.e. 60,903 sq.m., being the total saleable GFA upon completion of the construction of Phase 3 of Castfast Villas).

BUSINESS

For further information, please refer to Property No. 4 of the Property Valuation Report in Appendix III to this listing document.

Phases 4 and 5



Phase 4 of Castfast Villas is completed and occupy an aggregate site area of approximately 26,850 sq.m., consisting of 488 residential units. The project is developed and owned by a project company, Dongguan Karrie, a wholly-owned subsidiary of the Company, as to 100%. Phase 5 of Castfast Villas is completed and occupy an aggregate site area of approximately 35,014 sq.m., consisting of 512 residential units.

Dongguan Karrie entered into the relevant land grant contract for Phases 4 and 5 of Castfast Villas with Dongguan City National Land Resources Bureau (東莞市國土資源局) in December 2015, at a total consideration of RMB52.0 million, pursuant to which Dongguan Karrie was granted the land use right of the project land for residential use.

BUSINESS

Our scope of valuation of Phase 4 of Castfast Villas is as follow:

Buildings in Phase 4 of Castfast Villas	Total completed GFA	Total Saleable GFA	Total GFA sold and delivered (Excluded from valuation)	Total saleable GFA pre-sold	Total saleable GFA unsold
	<i>(sq.m.)</i>	<i>(sq.m.)</i>	<i>(sq.m.)</i>	<i>(sq.m.)</i>	<i>(sq.m.)</i>
4 residential buildings .	50,125	50,125	27,395	2,823	19,907
2 commercial buildings.	2,627	2,627	—	—	2,627
Above-ground other supporting facilities .	2,044	—	—	—	—
Basement 408 car parks and basement other supporting facilities	23,741	5,102 (Basement 408 car parks)	—	—	5,102 (Basement 408 car parks)
Total	78,537	57,854	27,395	2,823	27,636

The following table sets out a summary of Castfast Villas Phase 4 as of the Valuation Date:

Site area (<i>in sq.m.</i>)	26,850
Total completed GFA (<i>in sq.m.</i>)	78,537
Total saleable GFA (<i>in sq.m.</i>)	57,854
Total saleable GFA Sold (<i>in sq.m.</i>)	27,395
Total saleable GFA pre-sold (<i>in sq.m.</i>)	2,823
Total saleable GFA unsold (<i>in sq.m.</i>)	27,636
Actual commencement date.	March 2016
Actual date of pre-sale commencement date	September 2019
Actual completion date.	January 2021 to May 2021
Attributable interest to our Group.	100%

As of the Valuation Date, the total saleable residential GFA of Phase 4 remained unsold was 19,907 sq.m., representing approximately 39.7% of the original total saleable residential GFA.

For further information, please refer to Property No. 1 of the Property Valuation Report in Appendix III to this listing document.

BUSINESS

Our scope of valuation of Phase 5 of Castfast Villas is as follows:

Buildings in Phase 5 of Castfast Villas	Total completed GFA	Total saleable GFA	Total GFA sold and delivered (Excluded from valuation)	Total saleable GFA pre-sold	Total saleable GFA unsold
	<i>(sq.m.)</i>	<i>(sq.m.)</i>	<i>(sq.m.)</i>	<i>(sq.m.)</i>	<i>(sq.m.)</i>
8 residential buildings .	69,270	69,270	17,439	6,665	45,166
Above-ground other supporting facilities .	2,016	—	—	—	—
Basement 820 car parks and basement other supporting facilities	30,727	(Basement 820 car parks)	—	—	(Basement 820 car parks)
Total	102,013	79,257	17,439	6,665	55,153

Phase 5 of Castfast Villas

Site area <i>(in sq.m.)</i>	35,014
Total completed GFA <i>(in sq.m.)</i>	102,013
Total saleable GFA <i>(in sq.m.)</i>	79,257
Total saleable GFA sold <i>(in sq.m.)</i>	17,439
Total saleable GFA pre-sold <i>(in sq.m.)</i>	6,665
Total saleable GFA unsold <i>(in sq.m.)</i>	55,153
Actual commencement date	March 2016
Actual pre-sale commencement date	June 2021
Actual completion date	August 2021 to November 2021
Attributable interest to our Group	100%

As of the Valuation Date, the total saleable residential GFA of Phase 5 remained unsold was 45,166 sq.m., representing approximately 65.2% of the original total saleable residential GFA.

For further information, please refer to Property No. 2 of the Property Valuation Report in Appendix III to this listing document.

BUSINESS

Industrial Complex, Fenggang Town (鳳崗鎮工業用地)



Industrial Complex is located in Fenggang Town, Dongguan City, Guangdong Province. According to Contract for Grant of State-owned Land Use Rights dated 15 October 1996 entered into between Yantian Management, Dongguan City, Guangdong Province (廣東省東莞市雁田管理區) and Castfast Industrial, the land use rights of the Industrial Complex have been granted to Castfast Industrial at a consideration of RMB6.0 million by way of transfer by agreement (協議出讓). The Industrial Complex is situated at Yan Tien Management Area, Dongguan City, Guangdong Province (廣東省東莞市鳳崗鎮雁田管理區), occupies an aggregate site area of approximately 23,862 sq.m. and comprises an industrial complex with nine factories, three warehouses, one training centre, one generator room and a security post on two parcels of land, with a land use term of 50 years. The project is currently owned by Castfast Industrial, a company wholly-owned by us.

As of the Valuation Date, Industrial Complex, Fenggang Town is held for investment and had a total rentable GFA of 55,262 sq.m.. Castfast Industrial, a wholly owned subsidiary of our Group, has entered into a tenancy agreement dated 1 April 2021 with an associate of the Controlling Shareholders and thus a connected person of our Company upon Listing and a connected transaction of our Group. For details, please see the section headed “Continuing Connected Transactions – Fully Exempt Continuing Connected Transactions – Tenancy Agreement with Cui Feng Robotics” in this listing document.

This site is currently zoned for industrial use and is currently rent out for rental income. The rental income is insignificant to our Group and amounted to RMB1.5 million, RMB1.4 million, RMB1.4 million and RMB0.8 million, respectively, for the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022. We intend to apply for the change of land use to residential use so that we can develop residential properties on the land. In May 2022, the Stock Economy Association of Yantian, Fenggang Town, Dongguan City (東莞市鳳崗鎮雁田股份經濟聯合社), which is an organisation consisting of representatives of the relevant village/community, granted the initial approval for the proposed change of land use from industrial use to residential use of a parcel of land, namely Plot YT01, Yi’an Middle Road Area, Yantian (雁田怡安中路片區Y

BUSINESS

T01號地塊) to kick off the change of land use application process. The Industrial Complex is a part of this plot of land. Our Directors expect that the site area that can be developed for residential use will be approximately 29,800 sq.m. for this project. The total completed GFA is expected to be approximately 119,000 sq.m.. Several preparation works shall be completed prior to the listing for investment (掛牌招商) to assign a contractor to undertake the urban renewal project of the plot of land: (i) prepare an urban renewal plan prescribing the types of developments that may develop on the land; (ii) conduct a survey on the title owners in the area proposed to be redeveloped, ascertaining their respective rights and title to the land; (iii) formulate a “Resettlement Compensation Plan” 《拆遷補償方案》 for the affected villagers regarding demolition, resettlement plan and resettlement compensation; (iv) discuss and negotiate with government authorities on the redevelopment terms such as any top-up of land premium and the saleable GFA taking into account the requirement to be imposed by the local government with respect to urban renewal developments, for example the construction of hospitals and schools within the relevant land parcel; and (v) prepare a listing for investment plan (掛牌招商方案) to assign a contractor to undertake the urban renewal project. After that, approvals from the relevant government authorities for the change of land use will be sought. We expect that the whole approval application process will take approximately 27 months to complete. After considering various factors such as the fact that most of the nearby area being changed to residential use, the successful urban renewal project in neighbouring area in Guanjingtou Village in Fenggang Town, other ongoing urban renewal works in Dongguan City and other selected cities in the Greater Bay Area, the Group’s experience in negotiating with local government authorities in other development projects, the recent economic development in Dongguan City, the favourable policies promoting urban renewal in Dongguan City, and relevant development constraints in Dongguan City, our Directors are of the view that the proposed urban renewal project in relation to the Industrial Complex is feasible.

We intend to develop a residential project with total GFA of approximately 89,830 sq.m. in the site comprising residential units, commercial area, carparks and other supporting facilities. Our Group intends to utilise its internal resources and external resources such as bank borrowings and pre-sale proceeds from this project to settle the costs incurred or expected to be incurred in the development of this project of approximately RMB1,552.9 million (the current estimates of GFA and costs are based on the land already owned by us and do not take into account any additional land obtained with relocation expenses payable, therefore, excluding relocation compensation, which is difficult to ascertain as at the Latest Practicable Date). Our Directors are of the view that bank borrowings may enhance the cash flow of our Group and give us more flexibility in our operation, whereas utilising the pre-sale proceeds can reduce the total amount of bank loan and also our financing costs. Based on a financial cooperation intention proposal we obtained from a commercial bank in the PRC, our Directors expect that we will be able to obtain a bank loan of up

BUSINESS

to 70% of our project costs for a term of not less than three years. The remaining costs will be settled using our internal resources and pre-sale proceeds of this project. The breakdown of such expected costs include:

	Amount	Expected payment timeline	Expected funding source
	<i>(RMB million)</i>		
(i) Relocation compensation	469.4	T ^(Note) + 1 to 36 months	Internal resources
(ii) Land premium costs (補地價)	592.8	T + 1 to 12 months	Internal resources
(iii) Demolition costs	3.5	T + 1 to 12 months	Internal resources
(iv) Construction costs	349.5	T+ 3 to 32 months	Bank loan and pre-sale proceeds
(v) Sales and marketing	63.6	T + 12 to 36 months	Internal resources
(vi) Management fee	31.8	T + 1 to 36 months	Internal resources
(vii) Finance cost	42.3	T + 1 to 36 months	Internal resources
Total:	1,552.9		

Note: T is the time of obtaining the approval from the relevant government authorities for the change of land use.

Set forth below is the proposed timeline for the development of the Industrial Complex:

Timeline	Event
T	Approval from the relevant government authorities for the change of land use
T+ 3 months ^(Note)	Commencement of construction work
T+ 12 months	Pre-sale stage
T+ 16 months	Topping out stage (completion of the roof of the buildings)
T+ 20 months	Completion inspection by relevant government authorities
T+ 27 months	Handover of completed units to buyers

Note: Within one year from the agreed commencement date of construction work as stipulated in the land grant contract.

Our PRC Legal Advisors have advised us that the above proposed timeline is in compliance with the requirements of the Urban Real Estate Law in respect of idle land.

As advised by our PRC Legal Advisors, under the current PRC laws and regulations, there will be no legal impediment to apply for the proposed change of use of the industrial complex.

BUSINESS

For further information, please refer to Property No. 6 of the Property Valuation Report in Appendix III to this listing document.

Huizhou City

Louvre Mansion, Boluo County (惠州羅浮公館)



Louvre Mansion is located in Boluo County, Huizhou City, Guangdong Province. This project is offered under “Mansion” (公館) series. The project occupies an aggregate site area of approximately 4,798 sq.m. and consists of 330 residential units. The project is developed by Boluo Jiayingli, a wholly-owned subsidiary of the Company, as to 100%.

Boluo Jiayingli entered into the relevant land grant contract with Boluo County National Land Resources Bureau (博羅縣國土資源局) in March 2017, at a total consideration of RMB18.6 million, pursuant to which Boluo Jiayingli was granted the land use right of the project land for residential use.

Boluo County is located at a junction between Shenzhen, Dongguan City, Daya Bay and Huizhou city downtown. The county is situated at a core location of the planned express railroad and highways. According to the urban renewal plan of the local authority, the county will be home to a Chinese medical wellness centre, Lingnan Chinese Medicine Museum as well as an integrated physical wellness and healthcare centre. The county is situated in abundant natural reserves of protected forests, anticipated to attract retiring homebuyers and visitors for wellness, recreational and ecological tourism. The development project is within vicinity of a major local shopping plaza, banks and county medical facilities, providing convenience and comfort to its residents. The layout of our design includes two and three bedrooms units, aiming to serve multi-generational needs for homebuyers wishing to reside with parents and children in the same household.

BUSINESS

As of the Valuation Date, Louvre Mansion, Boluo County was completed. The relevant construction land planning permit, construction works planning permits, construction works commencement permit, pre-sale permits and completion certificates have all been obtained.

Buildings in Louvre Mansion	Total planned GFA under development	Total saleable GFA	Total GFA sold and delivered (Excluded from valuation)	Total saleable GFA pre-sold	Total saleable GFA unsold
	<i>(sq.m.)</i>	<i>(sq.m.)</i>	<i>(sq.m.)</i>	<i>(sq.m.)</i>	<i>(sq.m.)</i>
1 Residential Building . . .	30,323	30,323	1,545	1,156	27,622
L1-L2 Commercial	3,971	3,971	—	—	3,971
Above-ground other					
supporting facilities . . .	2,369	—	—	—	—
Basement 74 Car Parks	8,358	3,060	—	—	3,060
and basement other		(Basement			(Basement
supporting facilities . . .		74 car			74 car
		parks)			parks)
Total	45,021	37,354	1,545	1,156	34,653

The following table sets out a summary of Louvre Mansion, Boluo County as of the Valuation Date:

Site area (<i>in sq.m.</i>)	4,798
Total completed GFA (<i>in sq.m.</i>)	45,021
Total saleable GFA (<i>in sq.m.</i>)	37,354
Total saleable GFA sold (<i>in sq.m.</i>)	1,545
Total saleable GFA pre-sold (<i>in sq.m.</i>)	1,156
Total saleable GFA unsold (<i>in sq.m.</i>)	34,653
Actual commencement date	January 2018
Actual pre-sale commencement date	September 2020
Actual completion date	September 2022
Attributable interest to our Group	100%

As of the Valuation Date, the total saleable residential GFA of Louvre Mansion remained unsold was 27,622 sq.m., representing approximately 91.1% of the total saleable residential GFA.

BUSINESS

For further information, please refer to Property No. 3 of the Property Valuation Report in Appendix III to this listing document.

Foshan City

Hecheng Neighbourhood Parcel

We have successfully obtained a parcel of land (the “**Hecheng Neighbourhood Parcel**”) located at north to Fulong Bridge and west to Hefu Road, Hecheng Neighbourhood, Gaoming District, Foshan City, Guangdong Province, the PRC. The Hecheng Neighbourhood Parcel occupied an aggregate site area of approximately 34,448 sq.m. As at the Valuation Date, Hecheng Neighbourhood, Gaoming District Residential Parcel was a vacant land pending development. According to Contract for Grant of State-owned Land Use Rights No. 440608-2022-000033 dated 1 April 2022 entered into with Foshan Natural Resources Bureau (佛山市自然資源局), Foshan Natural Resources Bureau agreed to grant the land use rights of the Hecheng Neighbourhood Parcel to Foshan Jiahe, a wholly-owned subsidiary of the Company. The consideration for the Hecheng Neighbourhood Parcel was approximately RMB155.3 million, approximately RMB77.6 million of which was already settled by Foshan Jiahe. The remaining portion of approximately RMB77.7 million shall be settled on or before 27 March 2023 utilising our internal resources.

According to the development plan of the Company, the scope of valuation of the Hecheng Neighbourhood Parcel is as follows:

Buildings	Total GFA	Saleable GFA	Non-saleable GFA
	<i>sq.m.</i>	<i>sq.m.</i>	<i>sq.m.</i>
Residential	90,752	90,752	—
Commercial.	2,579	2,579	—
Carparks	32,718	32,718	—
Other supporting facilities	5,423	—	5,423
Total	131,472	126,049	5,423

BUSINESS

The following table sets out a summary of Hecheng Neighbourhood Parcel as of the Valuation Date:

Site area (in sq.m.)	34,448
Estimated total planned GFA for future development (in sq.m.)	131,472
Estimated total saleable GFA (in sq.m.)	126,049
Estimated commencement date	June 2023
Estimated completion date	June 2026
Attributable interest to our Group	100%

For further information, please refer to Property No. 7 of the Property Valuation Report in Appendix III to this listing document.

We intend to develop a residential project with total GFA of approximately 131,472 sq.m. in the Hecheng Neighbourhood Parcel comprising residential units, commercial area, carparks and other supporting facilities. Our Group intends to utilise its internal resources and external resources such as bank borrowings and pre-sale proceeds from this project to settle the costs incurred or expected to be incurred in the development of this project which is expected to be amounting to approximately RMB666.6 million (including the remaining portion of the consideration for the Hecheng Neighbourhood Parcel of approximately RMB77.6 million). Our Directors are of the view that bank borrowings may enhance the cash flow of our Group and give us more flexibility in our operation, whereas utilising the pre-sale proceeds can reduce the total amount of bank loan and also our financing costs. Based on a bank-enterprise cooperation plan we obtained from a commercial bank in the PRC, our Directors expect that we will be able to obtain a bank loan of up to 70% of our construction costs of the project for a term of three to five years. The remaining costs will be settled using our internal resources and pre-sale proceeds of this project.

The breakdown of such expected costs include:

	<u>Amount</u>	<u>Expected payment timeline</u>	<u>Expected funding source</u>
	<i>(RMB'million)</i>		
(i) Remaining portion of the consideration	77.6	on or before 27 March 2023	Internal resources
(ii) Construction costs	71.8	by 31 March 2024	Up to 70% by bank loan, remaining by internal resources and pre-sale proceeds
	206.4	by 31 March 2025	
	161.1	by 31 March 2026	
	23.1	by 31 March 2027	
subtotal:	<u>462.4</u>		

BUSINESS

	Amount	Expected payment timeline	Expected funding source
	<i>(RMB'million)</i>		
(iii) Sales and marketing	101.3	from 1 April 2024 to 31 March 2027	Internal resources
(iv) Management fee	6.1	from 1 April 2025 to 31 March 2027	Internal resources
(v) Finance cost	19.2	from 1 April 2024 to 31 March 2027	Internal resources
Total:	666.6		

Set forth below is the proposed timeline for the development of the Hecheng Neighbourhood Parcel:

Time line	Event
April 2022	Entered into the Contract for Grant of State-owned Land Use Rights
April 2023	Commencement of construction work
December 2023	Topping out stage (completion of the roof of the buildings)
September 2024	Pre-sale stage
November 2025	Completion inspection by relevant government authorities
April 2026	Handover of completed units to buyers

Our PRC Legal Advisors have advised us that the above proposed timeline is in compliance with the requirements of the Urban Real Estate Law in respect of idle land.

Our Group’s strategies regarding the sales of the remaining saleable GFA

In line with our general sales and marketing strategies for all our property projects, our Group’s strategies regarding the sales of the remaining unsold saleable GFA of Phases 3, 4 and 5 of Castfast Villas and the Louvre Mansions (the project was completed in September 2022) are formulated based on our careful studies of the local markets. Our sales and marketing strategies are prepared in accordance with our standardised guidelines on sales and marketing. Our strategies regarding the sales of the remaining unsold saleable GFA include working closely with local real estate agents to manage our property. Our external real estate agents are generally entitled to sales commission of not more than 3% of the total contracted sales price of the property sold through them. We may also conduct relevant marketing events on both online and offline platforms, including advertising through digital channels including real estate listing sites and traditional marketing platform such as outdoor advertising. We may adjust our sales and marketing strategies from time to time based on market sentiment. We also maintain close contact with our current customers and may organise activities at our sales centres from time to time. During the period

BUSINESS

from March 2022 to August 2022, due to the social distancing measures in relation to COVID-19, the number of visitors to our show flats or residence units decreased and the number of units sold by us also decreased. According to the C&W Report, the average quarterly absorption of residential properties in Dongguan was in the range of 439,950 sq.m. to 537,350 sq.m. in the first six months of 2022, which was much lower than that of 2021. The average quarterly absorption of Huizhou was in the range of 1.0 million sq.m. to 1.5 million sq.m. in the first six months of 2022, which was much lower than that of 2021.

According to the C&W Report, in order to stimulate the real estate market, the PRC government has issued different policies (such as the adjustment of the China loan prime rate issued by the People’s Bank of China and further optimization and relaxation of housing purchase policies from January 2022 to August 2022).

- In addition to the aforementioned strategies, our Group has been actively using the following strategies to promote the sales of the remaining unsold saleable GFA of Phases 3, 4 and 5 of Castfast Villas and the Louvre Mansions:
 - continue to pay close attention to the market dynamics of the surrounding real estate development in Dongguan and Huizhou, analyse our competitor’s properties development and sales, so as to enable our management to adjust the sales strategies from time to time in view of the market situation;
 - formulate strategies to overcome customer resistance by analyzing these resistance factors to find out the existing problems (if any) in our promotion strategies, sales personnel’s interactions with customers and the difficulties the customers may face in the purchase, etc.;
 - provide sales training and promotion materials for sales agents and platforms;
 - analyse the geographic data of potential customers and optimise our advertising plan in suitable locations;
 - promote the “Roughcast House (毛坯房)” sales package, i.e. properties with no fitting-out works provided, which will reduce the purchase price;
 - continue to monitor policy development, and formulate corresponding countermeasures to maximise our Group’s benefits from favorable policies and minimise our risks;
 - continue to promote referral sales activities, e.g. discounts and special offer, provision of parking space and reduction of property management fees; and

BUSINESS

- encourage property owners to refer new customers to us, and continue to maintain our relationship with property owners through obtaining their feedback and conducting activities.

For further details regarding our sales and marketing strategies, please refer to the paragraphs headed “Our property development operations — Sales and marketing” in this section.

The following table illustrates the expected timeline for the launch for sales of the remaining unsold residential GFA of Phases 3, 4 and 5 of Castfast Villas and the Louvre Mansion:

Project	Expected total GFA to be launched for sale (in sq.m.) ^(Note)			
	From 1 October			
	2022 to 31 March 2023	Year ending 31 March 2024	Year ending 31 March 2025	Year ending 31 March 2026
Phase 3 of Castfast Villas	N.A.	N.A.	N.A.	N.A.
Phase 4 of Castfast Villas	N.A.	N.A.	N.A.	N.A.
Phase 5 of Castfast Villas	N.A.	13,860	6,930	2,311
Louvre Mansion.	N.A.	3,443	6,887	3,398

Note: It represents the residential GFA (i.e. excluding the GFA for commercial units and car parks) expected to be launched for sale on the market for the first time during the respective years/period.

The above estimated timeline has taken into account, (i) historical annual sales and the increasing sales during the Track Record Period, which was approximately 19,797 sq.m., 23,464 sq.m., 28,053 sq.m. and 17,670 sq.m., (ii) completion of Louvre Mansion in September 2022 and expected GFA to be launched for sale after its completion, (iii) completion of the sales of the unsold GFA of Phases 3 and 4 of Castfast Villas during the year ending 31 March 2024 since pre-sale of properties of these development projects commenced in August 2018 and May 2021, respectively, and (iv) potential impact of COVID-19 and national and local governmental restrictive policies on our sales from 1 October 2022 to 31 March 2023.

Due to the highly competitive and evolving nature of the real estate industry in China, it is our Group’s sales and marketing strategies to launch saleable residential GFA in batches so that our Group could maximize profits by adjusting our pricing strategies based on market demand. We closely monitor and analyze the property market demand and price trend to determine and adjust the timeline for the launch for sales of the remaining unsold residential GFA of our property projects from time to time. As part of our sales and marketing strategies in view of the COVID-19 outbreak, we currently offer discount to homebuyers of Phase 4 of Castfast Villas. We tend to launch more GFAs when favourable government policies are introduced. In 2022, in order to stimulate the real estate market, the PRC government has issued different policies, such as the

BUSINESS

adjustment of China loan prime rate issued by the PBOC and further optimization and relaxation of housing purchase policies. For further details, please refer to the paragraph headed “Major factors driving the real estate market” of the Industry Overview section. As such, we currently expect to launch 13,860 sq.m. and 6,930 sq.m. of Phase 5 of Castfast Villas featuring favourable orientation with first-line views and more popular layout during the years ending 31 March 2024 and 31 March 2025. In addition, we would take into account the urban renewal development progress and infrastructure development of the neighbourhood and the nearby property development projects in our consideration of launching of new GFAs. For instance, given that Louvre Mansion is located in close proximity to the “Luofushan (羅浮山)” station of the new Guangzhou-Shantou high speed rail link expecting to open in 2024, we currently expect to launch 3,443 sq.m. during the year ending 31 March 2024 in anticipation of the opening of this new station and 6,887 sq.m. and 3,398 sq.m. during the years ending 31 March 2025 and 31 March 2026 respectively. Furthermore, we will commence the launch of sales of commercial units and car parks after substantial proportion of residential units are sold.

Almost all of the completed but unsold properties are “Roughcast House (毛坯房)” (i.e. properties without fitting-out works provided). Our Group did not incur any costs to maintain these properties during the Track Record Period principally because our construction contractors provide a warranty on the quality of the structure and foundation of the building pursuant to the applicable laws and our suppliers were responsible for the repair of the quality defects that occur within the warranty period (usually lasted for two years upon completion) after completion of the projects. After the expiry of warranty period, we are responsible for any latent property defects for the completed and unsold properties. In addition, wear and tear of our completed and unsold properties or adverse weather conditions could result in defects which require repairs or replacement to be carried out by our Group. During the Track Record Period, our Group did not incur any costs to maintain unsold properties which had been completed for more than 2 years. It is expected that not more than RMB1.0 million may be incurred during the period from 1 October 2022 to 31 March 2026 for maintaining such properties. Details of warranties provided by our Group to homebuyers after sale and delivery of properties are set out in the paragraph headed “Delivery of Properties and After-Sale Customer Service — Delivery of completed properties” in this section.

OUR PROPERTY DEVELOPMENT OPERATIONS

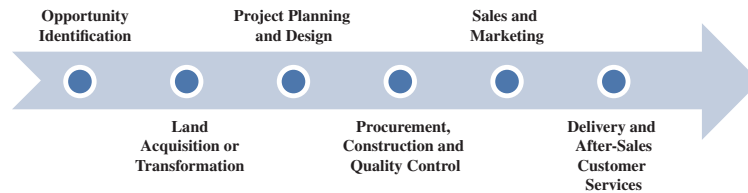
Property Development Process

Our success in property development is attributable to our standardised operating procedures, which enable us to plan and execute preparation work within required time frame for each development stage after acquiring/transforming the land and improve our overall operating efficiency. Through the utilisation of our standardised operating procedures, we have been able to

BUSINESS

complete our property projects within approximately four years on average from obtaining the construction works commencement permits to obtaining the completion certificates. We formulate and modify the procedures based on our operational experience and needs, with adjustments on a case-by-case basis. Such procedures set out the guidelines for our employees in managing and developing our property projects and provide detailed timing and evaluation targets and checklists our development projects.

The diagram below summarises the major stages of our property development process:



Opportunity Identification

While identifying opportunities for our property projects, we focus on suitable sites in selected cities in the Greater Bay Area, especially locations with high growth potentials near Shenzhen, such as Dongguan, Huizhou, Foshan and Guangzhou. During the site selection process, we primarily assess the land parcel based on our findings from studies of the economic and demographic conditions of the relevant district or city in which the site is located, assessment of the performance of the relevant property market and evaluation of the potential appreciation value of the land site.

We devote a significant amount of management resources to the site selection process, which involves collaboration among and assessment by departments with different functions at different levels. Our Group has a decision-making committee at the top, formulating our overall expansion strategies and plans, which include land acquisitions and transformation. Our selection process is generally led by our project company team, which is responsible for preparing an investment analysis report for internal teams' evaluation so our Group can make an informed decision about the investment opportunity. Once an in-depth investment analysis report is available, strategic investment personnel at our Group level as well as personnel from different departments will participate in the evaluation and approval process to evaluate the investment opportunity.

BUSINESS

We prudently carry out the site selection process in all projects with a strong focus on the quality and marketability. The factors we consider in assessing whether a site is suitable for development include, but are not limited to:

- the central and local governments' industry policy and development strategies and relevant regulations;
- the economic environment, population growth and development prospects;
- the relationship of volume and price of the local real estate market and the income level and purchase demand of target homebuyers;
- basic fee standards for local taxes, design and cost;
- the economic environment and the physical and geological characteristics of the site, including historical features and natural landscape;
- any relevant ancillary facilities and infrastructure in the areas surrounding the potential site and transportation infrastructure; and
- the number and scale of potential competitors.

Land Acquisition or Transformation

We participate in land transformation projects when opportunities come up and we find such opportunities are aligned with our business objectives and strategies. We also select our land acquisition method based on prevailing market conditions and with the goal to control our land cost and manage related risks.

We employ procedures with respect to our land acquisition and transformation work. We have developed operating procedures to follow for the acquisition and transformation methods we choose to adopt. Our project company teams prepare and complete required studies, analysis or application materials in accordance with specified timetable and detailed information requirements in the procedures that we have developed. Our operating procedures provide an effective and consistent guidance on our project approval steps and help to ensure that we complete our internal evaluation process in an efficient manner.

BUSINESS

Urban Renewal Process

Urban renewal (more commonly known by its policy name as “Three-Old Renewal” 三舊改造) has become part of the process in the development of local cities in recent years and has been an important source of urban land supply. The Three-Old Renewal refers to the renewal of Old Town, Old Factory and Old Village (舊城鎮、舊廠房及舊村莊). For the government, urban renewal can improve city image and quality, solve the imbalance of land supply and demand, increase local government’s financial revenues, stimulate economic development, etc. Guangdong is the pioneer in initialising urban renewal by setting up procedures and criteria for land suitable for urban renewal. The practice has been adopted by other provinces and cities where land in urban areas is becoming scarce after years of rapid urbanisation.

We believe it is an attractive way to increase land reserves for future developments through acquiring urban renewal developments. We generally identify urban renewal opportunities by incorporating below strategies: (i) establish business development team who expertised in looking for opportunities of urban renewal projects; (ii) conduct market study to identify the location, future development potential, population, economy, consumers’ behaviours, government’s attitudes, and land use rights of the land parcels; and (iii) identify the positioning and potential of such land parcel in overall city’s planning.

Urban renewal projects typically have lower land acquisition costs, but longer development cycle. Difficulties may include: (a) conflicts between the short-term benefits of developer and long-term goals of the urban renewal at city level; (b) negotiation with the owners regarding the demolition and relocation compensation; (c) difficulty to settle the residents in the redevelopment area; (d) complexity of urban renewal application and approval processes of the government, and (e) unclear documentations regarding the ownership of land, and land use rights, etc. The most challenging one is dealing with “Old Village” as the villagers generally possess stronger bargaining power. This is because rural collective organisations holding proprietary rights of the rural land will take into account its villagers’ interest, and the number of such villagers is much larger than the number of owners in respect of “Old Factory” and “Old Town” land, resulting in longer and much complicated negotiation progress. The transformations of “Old Factory” are more preferable for developers compared to “Old Town” or “Old Village” redevelopment, as it normally involves a smaller number of stakeholders to negotiate with and shorter development cycle, thus could result in higher investment return.

On 16 December 2009, the Dongguan Municipal People’s Government implemented Detailed Rules for the Implementation of Three-Old Renovation in Dongguan City (for Trial Implementation) (《東莞市“三舊”改造實施細則(試行)》), outlining implementation steps for urban renewal projects in Dongguan City. In 2014, we obtained approval to convert an industrial site owned by Castfast Industrial since 1998 to residential use, we started to develop Castfast Villas,

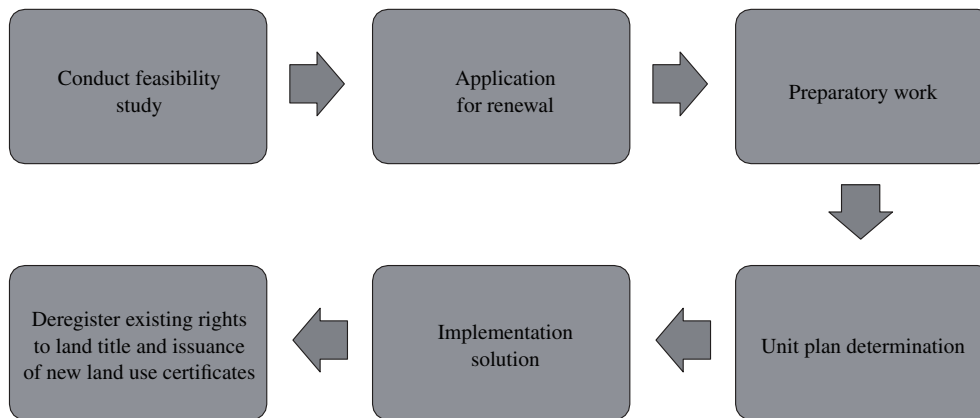
BUSINESS

our first urban renewal project, on this formerly industrial site. Having anchored in Dongguan City for over a decade, we have accumulated substantial local knowledge of the communities and developed trust from the local authorities. We believe our track record in land transformation, such as different phases of Castfast Villas, makes us a competitive candidate for more redevelopment projects. In April 2022, we obtained a parcel of land in Foshan City for urban renewal. For details, please refer to the paragraph headed “Description of our development projects — Foshan City” in this section.

The development of Castfast Villas was conducted under the right owner model (權利人自改模式), whereas the development of the land parcel in Foshan obtained in April 2022 will be conducted under the government-led model (政府主導模式). The “right-owner” is typically the title owner of the relevant land. Under the right owner model, the right owner, who is normally the property developer, will study the redevelopment potential of the target area under the latest policy framework for economic benefit. The right owner will acquire the land and be responsible for the demolition and relocation compensation after obtaining the government’s approval on redevelopment plan and land premium (if any), subject to the conditions of the land parcel acquired. Our Group as the right owner is permitted to conduct the three-old transformation projects on our own initiation under the condition that all procedures of all examination and approval of land use rights by the government are fulfilled. The project life cycle under the right owner model could be longer and uncertain subject to economic cycle and government approval schedule. Under the government-led model, government will select a target area tied in with social needs. Land resumption and compensation, demolition and construction works will be carried out either by the government or in cooperation with property developers. With the support of the government policies, the project life cycle could speed up. For a comparison of these two models, please refer to the section headed “Industry overview — Urban Renewal Overview”.

BUSINESS

Generally speaking, the process for an urban renewal under a right owner scenario is as follows:



- (i) **Conduct feasibility study** — Prior to committing to a redevelopment, developers would generally conduct feasibility studies to consider, among other things, whether the target land parcel(s) would meet the urban renewal requirements, as well as any internal criteria adopted by the developer.
- (ii) **Application for renewal** — The developer would acquire or contracted to acquire the title of the relevant land after feasibility study. The owner of the parcel(s) of land (“**Right Owner**”), who is normally the developer would make an application with the relevant government authority in relation to such land over which urban renewal is sought.
- (iii) **Preparatory work** — The Right Owner would collate necessary information regarding the respective land and submit to relevant government authority to compile the development plan under the previous regime or unit plan in step (iv) under the current regime and respond to queries from relevant government authorities, if necessary.
- (iv) **Unit plan determination** — the relevant government authority would issue a “unit plan” (單元規劃) in respect of the urban renewal, setting out the planning conditions for the proposed redevelopment of the land (such as plot ratio, land use and zoning requirement, building density, height restrictions, greenery ratio, necessary ancillary facilities to be erected, etc.).

BUSINESS

- (v) ***Implementation solution*** — pursuant to the unit plan, the relevant government authority will prepare a detailed implementation solution for the redevelopment over the urban renewal area that would meet the conditions stipulated under the development plan or unit plan in consultation with the Right Owner. The implementation solution will be submitted to the government authority at the next higher level for approval.

- (vi) ***Deregister existing rights to land title and issuance of new land use certificates*** — once the implementation solution is approved, the Right Owner may apply to deregister the existing rights to land title and initiate demolition works as appropriate. After the existing rights have been deregistered, the Right Owner would (a) pay the land premium; (b) enter into a new land grant contract; and (c) be issued a new land use rights certificate. The developer may then proceed to develop the property project as usual with the newly issued land use rights certificate.

The right owner model represented a method for urban renewal that are suitable for smaller projects, its major characteristics include (i) it has relatively light regulatory and approval requirements, (ii) it has smaller project size in comparison to those of the government-led model and (iii) it is mainly market driven. The challenge faced by developers relate to the capital commitment required to purchase land parcels at the outset of the urban renewal process. Our main concerns when pursuing an urban renewal project are the location, the growth potential and whether the project meets our pre-set investment targeted returns. Under the right owner model, a right owner can take the initiative to apply for the government's approval for the redevelopment of a target area that it is interested in redeveloping. On the other hand, under the government-led model, the target area of redevelopment are solely determined by the government, and the government will release relevant supporting policies and announced the target area where it proposes to redevelop. The government-led model is mainly government driven and the development plan has to align with the government's schedule and policies. On the other hand, a project under the right owner model is mainly market-driven, our Group can take more initiative in pursuing these urban renewal projects.

In conjunction with the acquisition of land use rights from the PRC government, real estate developers in the PRC are required to pay a land grant premium to the relevant government authority and apply for a land use rights certificate (if applicable, real estate right certificate) conferring land use rights. In general, upon the payment of the land grant premium to the relevant land authorities, land use rights are granted for a term of 70 years for residential properties, 40 years for commercial, tourism and recreation purposes and 50 years for industrial and other purposes. We have designed and implemented various internal measures to help ensure our project companies obtain the relevant land use rights certificates.

BUSINESS

Project Planning and Design

As at the Latest Practicable Date, we had 6 employees in our product development and design team. Our product development and design team is primarily responsible for the product research and development of our property projects and standardised design work of our products and technical specifications. The team also monitors the implementation of our property projects through our standardised management process. In addition, the team is responsible for actual execution and modification of designs, including verifications of field construction, ensuring that problems encountered with proposed design during the construction are resolved in a timely manner.

We have developed a system with respect to the design of our residential products, which covers project management standards, product standards and technical standards. Our project management standard includes our authorisation plan as well as the management policies, specifications and relevant management and control procedures. We have developed our project management standard since our inception and refined them from time to time in order to satisfy our management and control requirements of our projects. For our product standard, we have developed standards for our two product series, namely “Villas” (豪庭) and “Mansion” (公館), which have a wide coverage of professional product modules including house type database, display area module database, scene module database, interior and landscaping. Our technical standard includes standardised specifications for our properties, such as professional design standard, structure and construction method and component parts.

In order to offer distinctive and quality designs, our product research and development team works closely with domestic architecture and design firms.

Procurement, Construction and Quality Control

Appointment of construction contractors

We outsource all of the construction work of our property development projects to qualified construction contractors. We usually engage a general contractor for the major construction of a project, including main structure construction, equipment installation and engineering work. We also engage specialised contractors in specific areas, such as landscaping. The contractors of our property developments are typically selected through an invite-only tender process. We typically invite at least three contractors to participate in the tender process. The tender process is managed by our project management team in accordance with our relevant procurement procedures. We conduct a number of due diligence procedures and only invite the contractors which have passed our due diligence checks to participate our tender. Our due diligence procedures include credential checks, on-site reviews, verification of relevant documentation such as construction and site

BUSINESS

management documents and review of a contractor's previous performance on similar projects. We may also hold interviews with core members of contractors and conduct in-depth review of their previous work experiences. We formulate and implement operating rules such as rules on purchase management system and cost control management system for our bidding process, and adopt a number of measures in our evaluation process, such as benchmarking the bid price against the prevailing market price, to help ensure that we achieve a reasonable price for our contracted work. In addition, we have developed a database about the contractors that we work with and regularly update the information regarding their services, such as their industry reputation, professional qualifications, track record with us and prices, and use such information in our assessment of the contractors for our potential assignments.

We identify and establish long-term strategic relationship with certain quality general contractors who can meet our quality, time and cost management requirements, and are familiar with our business model and corporate culture. This enables us to better control development costs, improve operating efficiency and enhance the implementation of our procedures. During the Track Record Period, we had engaged and maintained stable business relationships with certain general construction contractors and specialised sub-contractors.

Our agreements with general contractors and sub-contractors are tailored in accordance with the specific requirements and needs of the contracted work of each project. Pursuant to such agreements, the contractors are obligated to undertake the entire construction work in strict compliance with the laws and regulations as well as our design specifications and time schedules. Under the typical agreements with our contractors, we make payments to contractors in stages according to progress of construction works. The percentage of each stage payment varies from project to project according to the terms in the relevant contract. In general, we pay the contract price at settlement and after the completion of the project, while holding back the remaining approximately 5 to 10% of the total contract price. The contractors are generally required to provide us with a warranty period typically ranging from two to five years, for any losses we may incur as a result of not being able to meet contractually specified quality standards. The unused portion of the retention fee will be returned to the contractors after the warranty period. However, we will also be able to reclaim the differences from the contractors to cover any losses that we may incur that is greater than the retained retention fee, even after certain retention fee has been remitted. During the Track Record Period, we were not involved in any dispute with our contractors, nor were there any cases of material personal injury or death involving our contractors, that had a material adverse effect on our business.

BUSINESS

Procurement

Our construction materials are primarily purchased from suppliers in the PRC. Our project management team oversees the quality of each project development, conducts on-site inspection and pre-examines the construction materials before they are used in our property projects. For certain specialised building materials and equipment we may procure on our own. We generally do not maintain construction materials inventory, but order these materials and equipment only on an as-needed basis.

During the Track Record Period, we did not experience any shortage or delay in the supply of construction materials and equipment that had a material adverse effect on our business operation.

Quality Control

We place significant emphasis on quality control in the management of our property projects. Quality control begins with the selection of quality construction contractors and suppliers, and we have already established detailed protocols to ensure that the performance of the constructions and quality of materials are up to our standards. We also perform due diligence and reviews in the selection of other service providers, such as external architectural and design firms, to help ensure the quality of services to us.

We have established a comprehensive set of standardised technical and quality control guidelines and/or operating rules that provide detailed requirements as to quality standards and specifications for all major aspects of our construction processes. We have technical and quality control guidelines and/or operating rules in total which cover areas such as procurement management, construction and property management and before-delivery check management. To implement these guidelines and operating rules, we conduct periodic assessment of our service providers and inspections of products and materials, as well as risk assessments on each project.

Sales and marketing

Sales and marketing plan

We formulate our sales and marketing strategies based on our careful studies of the local market in which our property project is situated and the preferences of our target homebuyers. In this process, our sales and marketing team prepares the relevant market studies that form the basis on which we evaluate and determine our sales and marketing strategies for the project.

BUSINESS

Our sales and marketing strategies are prepared in accordance with our standardised guidelines on sales and marketing to ensure consistency in terms of product positioning, promotional events, pricing and cost control on marketing expenses and management of local real estate agents for sales across our property projects. Our sales and marketing strategies are carried out primarily by our sales and marketing team. In addition, our sales and marketing team are well-positioned to work with local real estate agents to manage our property sales and ensuring that the sales process are aligned with our overall sales and marketing strategies. The local real estate agents are selected either through a tender process or a competitive quotation process where the real estate agents would submit their tender application/quotation containing their company background information, price quotation, sales and marketing proposal, market analysis and other relevant information to us and conduct relevant presentations. We would consider these materials and select the suitable agents based on their fees, reputation and overall sales and marketing strategies. To the best knowledge of our Directors, our Group, our Shareholders, Directors and senior management and their respective close associates have no past or present relationships (including business, employment, family or financing) with and have no interest in any of our external real estate agents during the Track Record Period. Having said that, Mr. Zhu Nianhua, our executive Director, was an ex-supervisor of one of our real estate agents prior to the Track Record Period.

During the Track Record Period, the sales commission rate of our external real estate agents was generally not more than 3% of the total contracted sales price of the property sold through the agents. During the Track Record Period, we hired real estate agents who were responsible for referring potential customers to our Group, these agents generally charged a higher commission rate. We also held a number of sales fair during the Track Record Period where we engaged seven professional real estate agent companies which would assign their staff to assist in the sales fair and conduct sales activities such as taking the potential customers to the show flats/residential units, handling sales contracts and handle the customers' enquiries. Since the amount of work load of these agents at the sales fair were less than other real estate agents who are responsible for referring potential customers, they were willing to accept a lower commission rate. Taking into account both the base commission and bonus, the effective commission rates for Phase 3 of Castfast Villas ranged from approximately 1.1% to 3.9%, while the effective commission rate for Phase 4 and Phase 5 of Castfast Villas was approximately 0.7%. We usually consider a number of factors in determining the sales commission rates, including (i) the number of real estate agents assigned to the property for sales or marketing-related work, (ii) the contracted sales value achieved by the real estate agents, (iii) the competitiveness among comparable properties for sale in the local market and (iv) the general market trend for sales commission for real estate agents. In terms of sales and marketing costs, during the three years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022, our selling expenses were approximately RMB16.7

BUSINESS

million, RMB18.0 million, RMB10.5 million and RMB8.2 million, respectively. For the same periods, we incurred commissions to real estate agents included as selling expenses in the amount of RMB11.4 million, RMB14.6 million, RMB5.7 million and RMB4.3 million, respectively.

Our marketing efforts generally begin in the early stage of a property project to ensure that our property development is well positioned and priced by providing relevant local market information, including pricing information, homebuyer preferences and estimated sales trends, in our assessment reports circulated within our internal teams for evaluation. Our marketing team continues to adjust the marketing strategies based on homebuyers’ preferences in a timely manner and effectively increase our reputation and customer satisfaction.

Our marketing strategy is executed on both online and offline platforms, diversifying our marketing channels. Our marketing strategy has increasingly involved advertising through digital channels including real estate listing sites. This has allowed us to attract more homebuyers and has helped us reduce our selling, general and administrative expenses as a percentage of home sales revenues. We also promote our property developments through traditional marketing platform such as outdoor advertising. We also strive to maintain close contact with our current customers to understand their latest purchase demand and change spending preferences as well as organising activities at our sales centres.

Pre-sale

In line with the applicable laws and regulations of the PRC, we usually commence pre-sales of a property development project before completion of the entire project but after we have received the pre-sale permits for the project. Relevant PRC laws and regulations require property developers to fulfil certain conditions, including payment of the land grant premium and obtaining the relevant land use rights certificate, construction works planning permit, construction works commencement permit and pre-sale permit before the commencement of pre-sales. See the section headed “Regulatory Overview — Measures regarding the supervision and use of pre-sale proceeds” in this listing document for further details of the laws and regulations governing pre-sale. We must fulfil certain conditions before we can obtain the pre-sale permits, including:

- the land premium is paid in full and the land use rights certificate must have been obtained;
- the construction work planning permit and the construction work commencement permit must have been obtained;

BUSINESS

- at least 25% of the total amount of the investment fund has been injected into the development and the progress of construction and the expected completion and delivery dates have been ascertained;
- the progress of the construction should meet the local governmental authority’s requirements for pre-sale; and
- the pre-sale has been registered with the relevant local entities.

Our Directors confirm that, during the Track Record Period and save as disclosed in the paragraph heads “Legal and Regulatory Compliance — Non-compliance incidents” in this section below, we have complied with all relevant and applicable PRC laws and regulations governing property pre-sales in the PRC in all material respects, and have obtained all necessary permits, certificates and approvals prior to the commencement of pre-sales activities.

Our pre-sale contracts are prepared in accordance with applicable PRC laws and regulations. Homebuyers are typically required to make a down payment according to the schedule stipulated in the pre-sale contract. In accordance with the requirements of applicable PRC laws and regulations, we register such pre-sale with the relevant government authorities and provide quality warranties on the properties we construct or sell to our homebuyers for periods no shorter than that for quality warranties we receive from our construction contractors under the relevant construction contracts, being generally two to five years.

Pricing

With respect to pricing of our properties, we determine our per-unit sales price with reference to the applicable local laws and regulations, the sales price of comparable properties in the local market, market conditions and our development costs. We also add a premium to the price based on our target rate of return and overall sales target. Due to the highly competitive and evolving nature of the real estate industry in China, we are required to constantly monitor the changing market conditions and changes to applicable laws and regulations and adjust the sales prices of our property projects as appropriate. We take a number of factors into consideration in determining the sales prices of our properties, including product series, location, GFA of the property offered, neighbourhood in which the property is located, sales prices for comparable properties and community landscape surrounding the property. In addition, we conduct periodic reviews of the sales prices of all of our property projects and make adjustments as appropriate. Any downward price adjustments require approvals from our sales and marketing team.

BUSINESS

Payment arrangement

We may require potential property purchasers pay us earnest money before visiting the showflat. Such earnest money may be refundable or be re-categorised as purchase price or down payment when a sales contract is subsequently entered into. Our homebuyers may choose to pay the purchase price of our properties by one lump sum payment or by mortgage financing. Homebuyers choosing to settle the purchase price by one lump sum payment will be required to fully settle the purchase price shortly after the execution of the sales contract. Homebuyers choosing to settle the purchase price of residential properties by mortgage financing shall, according to the terms in the relevant sales contract, normally pay a down payment of not less than 30% of the purchase price upon the execution of the sales contract. Depending on the processing time required by mortgagee banks, the balance of the purchase prices will typically be paid by the mortgagee banks shortly after the date of execution of the sales contracts.

In line with market practice in the PRC, we have arrangements with various banks for the provision of mortgage financing and where required, provide the banks with guarantees for our homebuyers as security for mortgage loans. We do not conduct independent credit checks and due diligence as to our homebuyers' credit history when providing guarantees but instead rely on the credit checks conducted by the mortgagee banks or other acceptable credit agencies. The terms of such guarantees typically last until the transfer of the building ownership certificate to the homebuyer and the certificate is registered in favour of the bank. Before the building ownership certificate is transferred to the homebuyer, the homebuyer generally makes the pre-mortgage registration for the property according to the loan agreement.

Delivery of Properties and After-Sale Customer Service

Delivery of completed properties

We endeavour to deliver completed properties to our homebuyers on a timely basis in accordance with the terms of the sales contracts. We closely monitor the progress of construction work at our projects under development. If we fail to deliver the completed properties within the timeframe in the contracts due to our default, we may be liable to pay a certain percentage of the purchase price as penalty in accordance with the terms of the relevant sales contracts. Under current PRC laws and regulations, we are required to obtain completion certificates before delivering properties to our customers.

We provide our homebuyers with a warranty for the quality of the structure of the building pursuant to the applicable laws. In addition, we also provide quality warranties, if applicable, usually for a period for two years for certain fitting and fixtures and five years for certain waterproof fitting and fixtures, according to the published national standards. All warranty periods commence on the day of actual delivery of the relevant properties, or the day the properties are deemed as delivered in accordance with relevant sales contracts. We do not provide warranties

BUSINESS

with respect to defects caused by third parties or improper use or defects resulting from natural disasters. We usually provide quality warranties for periods no shorter than that for quality warranties we receive from our construction contractors under the relevant construction contracts. Our construction contractors are responsible for warranties in respect of the relevant quality standards and for the costs incurred for the relevant maintenance work.

Our quality control personnel inspect the properties before delivery to ensure that our quality standards have been met. After a property development project has passed the requisite completion and acceptance inspections, we will notify our homebuyers to arrange the delivery procedures. Our homebuyers will then come to our designated locations to conduct the delivery procedure with us. We may also assist our homebuyers to obtain the individual building ownership certificates for our properties at our homebuyers' expense. We may also be liable to compensate our homebuyers for any delay in the delivery of properties. During the Track Record Period and save as disclosed in the paragraph headed "Legal and Regulatory Compliance — Non-compliance incidents" in this section below, we did not experience any significant delays in the completion of our property development projects or delivery of relevant title documents after sale during the Track Record Period.

After-sales services

Our after-sales services focus on delivering a well-rounded and satisfying customer experience, and includes a customer service hotline, repair services, handling of customer complaints and after-sales follow-up activities. We believe that our customer-centred services help us to foster a stable relationship with our customers, build customer loyalty, enhance reputation and better solicit timely customer feedbacks. We also believe that post-closing services and support will grow their trust and loyalty and promote referrals of their friends and relatives to us. During the Track Record Period, we were not aware of any material complaints or product liability claims from our customers.

PROPERTIES FOR SELF-USE

As of the Latest Practicable Date, none of our owned properties was for self-use and we leased two properties in the PRC of a total GFA of approximately 50.3 sq.m. and 309 sq.m., respectively, and one property in Hong Kong which we occupied for our use as office. These leases have a term from one year to five years, and we expect to renew the leases upon their expiry. As of the Latest Practicable Date, we failed to register the lease agreements in the PRC. We sought cooperation from the landlord at the leased properties to register such executed lease agreements. Registration of lease agreements requires the submission of certain documents of landlord, including their identity documentation and property ownership certificates, to the relevant authorities and therefore the registration is subject to cooperation of landlord which is not within our control. Our PRC Legal Advisors have advised us that the lack of registration will not affect the validity and enforceability of these lease agreements. However, the relevant government authorities may require us to rectify these unregistered lease agreements within a certain period of time and, if we fail to so rectify, impose a fine of up to RMB10,000 for each unregistered lease

BUSINESS

agreement. See the section headed “Risk Factors — Risks Relating to Our Business — We may be subject to fines due to the lack of registration of our leases” in this listing document for details. As of the Latest Practicable Date, we had not received any rectification order or been subject to any fines in respect of non-registration of any of our lease agreements. Our Directors believe these unregistered lease agreements would not have a material operational or financial impact on us. Accordingly, no provision was made in our financial statement. In order to ensure on-going compliance with the PRC law and regulations relating to the registration of executed lease agreements, where we are the tenant to an executed lease agreement, we will continue to seek cooperation from the landlords of the leased property to register executed lease agreements with the relevant PRC government authorities and will adopt a variety of risk control measures to mitigate such regulatory risk in the future. As at the Latest Practicable Date, one lessor of our leased properties in the PRC failed to provide us with the relevant title documents. As advised by our PRC Legal Advisors, failure of the lessor to provide the relevant title documents means that we are unable to verify whether the lessor is the legal owner of the property or has the proper authorisation of the legal owner of the property. Accordingly, the validity of our lease may be affected. In the event that we are required to relocate from the property, our operation and financial condition will not be materially affected, given the availability of comparable alternative properties in the market.

OUR CUSTOMERS

Our five largest customers are all individual purchasers of our residential properties. During the three years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022, our five largest customers accounted for approximately 4.2%, 4.5%, 3.6% and 6.7% of our revenue, respectively, and our single largest customer accounted for approximately 1.2%, 1.3%, 0.9% and 1.4% of our revenue during the same periods, respectively. None of our top five customers during the Track Record Period was our supplier. None of our Directors, their close associates or any Shareholders that, to the knowledge of our Directors, owns more than 5% of our share capital as of the Latest Practicable Date, had any interest in any of our five largest customers during the Track Record Period.

OUR SUPPLIERS

During the three years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022 our five largest suppliers, primarily comprising construction contractors, in aggregate accounted for approximately 90.4%, 78.9%, 69.7% and 59.3% of our total purchase, respectively. During the respective periods, our largest supplier accounted for approximately 60.4%, 58.1%, 47.9% and 14.3% of our total purchase, respectively. Dongguan Kangxing Decoration Construction Co. Ltd.* (東莞市康興裝飾工程有限公司) (“**Kangxing Decoration**”) was a company held as to 100% by Kar Info International which was wholly-owned by Mr. Ho Cheuk Fai. In October 2021, Kar Info International transferred its 100% interests in Kangxing Decoration to Bellic Garden Services Company Limited (“**Bellic Garden**”), an investment holding company and independent third party at a cash consideration of HK\$650,000, which was determined with reference to the net book value of Kangxing Decoration as at 31 August 2021. At the time of

BUSINESS

transfer, Kangxing Decoration was principally engaged in the provision of interior decoration design and works and was profit-making. However, the scale of operation of Kangxing Decoration was relatively small and Mr. Ho Cheuk Fai did not intend to continue to develop the business, therefore, Mr. Ho Cheuk Fai decided to divest the investment in Kangxing Decoration. Having learnt about the divestment intention of Mr. Ho Cheuk Fai, Bellic Garden decided to acquire Kangxing Decoration as it intended to develop new business. To the best knowledge, information and belief of our Directors having made all reasonable enquiries, despite our Group was the major customer of Kangxing Decoration contributing to a majority of its revenue, Kangxing Decoration also provided renovation services to other customers. The service fee charged by Kangxing Decoration was comparable to that charged by other independent suppliers providing similar services to our Group, before the transfer. We did not procure services from Kangxing Decoration after the transfer. To the best knowledge, information and belief of our Directors having made all reasonable enquiries, our Group, Shareholders, Directors, senior management and their respective associates have no past or present business, employment, family or financing relationships with Bellic Garden.

During the three years ended 31 March 2022, Guangdong Yonghe Construction Group Co., Ltd.* (“**Guangdong Yonghe Construction**”) was also one of our customer for construction material. One of our subsidiaries, Dongguan Wansheng, purchased steel and sold to Guangdong Yonghe Construction for the construction of our own development projects. Gross profit for the sales to this customer amounting to RMB2.0 million, RMB1.8 million and RMB0.4 million for the years ended 31 March 2020, 2021 and 2022, respectively, is net off under properties under development. In view of the circumstances leading to the existence of overlapping customer and supplier, our Directors are of the view that there are no unusual benefits to our Group or the overlapping customer and supplier other than the profit and loss derived from the arm’s length transaction with the overlapping customer and supplier as disclosed above. Save for that, none of our top five suppliers during the Track Record Period was our customer. Set forth below is the details of our five largest suppliers during the Track Record Period:

Six months ended 30 September 2022							
Supplier	Year of establishment	Status	Services purchased	Background and scale of operation	Business relationship since the year ended 31 March	Total purchase amount	Percentage of our total purchase
						(RMB'000)	
Shenzhen Yunzhu Construction Engineering Co., Ltd.* (深圳雲築建設工程有限公司)	2017	Unlisted company	Public area decoration	Provision of agency and sales of construction materials and interior design and decoration with a registered capital of RMB50 million ⁽¹⁾⁽²⁾	2020	4,012	14.3%
Guangdong Huangpai Decoration Engineering Co., Ltd.* (廣東皇牌裝飾工程有限公司)	2007	Unlisted company	Public area decoration	Provision of interior decoration and landscape engineering with a registered capital of RMB16.8 million ⁽¹⁾⁽²⁾	2020	3,905	13.9%

BUSINESS

Six months ended 30 September 2022

Supplier	Year of establishment	Status	Services purchased	Background and scale of operation	Business relationship since the year ended 31 March	Total purchase amount	Percentage of our total purchase
						(RMB'000)	
Guangdong Dianbai BUILD Group Co., Ltd.* (廣東電白建設集團有限公司)	1986	Unlisted company	Civil construction and pile foundation engineering	Provision of civil engineering construction services with registered capital of RMB408 million ⁽¹⁾⁽²⁾	2019	3,683	13.1%
Dongguan Hanyi Decoration Co., Ltd.* (東莞市瀚藝裝飾工程有限公司)	2019	Unlisted company	Decoration, water and electricity installation, decoration of show flats	Provision of residential interior decoration and electrical installation services with registered capital of RMB1 million ⁽¹⁾⁽²⁾	2020	2,743	9.8%
Huizhou Huiheng Construction Engineering Co., Ltd.* (惠州市惠亨建築工程有限公司)	2017	Unlisted company	Decoration, water and electricity installation, door and window engineering and earthwork	Provision of housing construction works, municipal public works with registered capital of RMB1 million ⁽¹⁾⁽²⁾	2018	2,286	8.2%

Notes:

- (1) Based on the information obtained from the National Enterprise Credit Information Publicity System.
- (2) Based on the information available in the public domain.

Year ended 31 March 2022

Supplier	Year of establishment	Status	Service purchased	Background and scale of operation	Business relationship since the year ended 31 March	Total purchase amount	Percentage of our total purchase
						(RMB'000)	
Guangdong Yonghe Construction (廣東永和建設集團有限公司)	2007	Unlisted company	Civil construction	Provision of construction engineering and residential interior decoration services with registered capital of RMB600 million. ⁽¹⁾⁽²⁾	2019	88,061	47.9%
Hunan Lingyun Construction Co., Ltd.* (湖南凌雲建設有限公司)	2013	Unlisted company	Landscaping	Provision of building construction and decoration services with registered capital of RMB30.06 million. ⁽²⁾	2021	11,814	6.4%

BUSINESS

Year ended 31 March 2022

Supplier	Year of establishment	Status	Service purchased	Background and scale of operation	Business relationship since the year ended 31 March	Total purchase amount	Percentage of our total purchase
						(RMB'000)	
Dongguan Hanyi Decoration Co., Ltd.* (東莞市瀚藝裝飾工程有限公司)	2019	Unlisted company	Decoration, water and electricity installation, decoration of show flats	Provision of residential interior decoration and electrical installation services with registered capital of RMB1 million. ⁽¹⁾⁽²⁾	2020	10,836	5.9%
Shenzhen Paicheng Aluminium Technology Co., Ltd.* (深圳派成鋁業科技有限公司)	1998	Unlisted company	Stone and awning design engineering, door and window installation	Producer of aluminum related products and provision of related technical consultation services with registered capital of RMB120 million. ⁽¹⁾⁽²⁾	2019	9,076	4.9%
Supplier A	2010	Unlisted company	Landscaping	Provision of construction design and engineering and building decoration services with registered capital of RMB60 million. ⁽¹⁾⁽²⁾	2019	8,547	4.6%

Notes:

- (1) Based on the information obtained from the National Enterprise Credit Information Publicity System.
- (2) Based on the information available in the public domain.

Year ended 31 March 2021

Supplier	Year of establishment	Status	Service purchased	Background and scale of operation	Business relationship since the year ended 31 March	Total purchase amount	Percentage of our total purchase
						(RMB'000)	
Guangdong Yonghe Construction (廣東永和建設集團有限公司)	2007	Unlisted company	Civil construction	Provision of construction engineering and residential interior decoration services with registered capital of RMB600 million. ⁽¹⁾⁽²⁾	2019	161,907	58.1%
Guangdong Dianbai BUILD Group Co., Ltd.* (廣東電白建設集團有限公司)	1986	Unlisted company	Civil construction and pile foundation engineering	Provision of civil engineering construction services with registered capital of RMB408 million. ⁽¹⁾⁽²⁾	2019	30,032	10.8%

BUSINESS

Year ended 31 March 2021

Supplier	Year of establishment	Status	Service purchased	Background and scale of operation	Business relationship since the year ended 31 March	Total purchase amount	Percentage of our total purchase
						(RMB'000)	
Shenzhen Zhutai Construction Decoration Co., Ltd.* (深圳市鑄泰建築裝飾有限公司)	2013	Unlisted company	Stone and awning design engineering, door and window installation	Sale, development and installation of parapets, doors and windows and curtain walls with registered capital of RMB10 million. ⁽¹⁾⁽²⁾	2019	11,168	4.0%
Shenzhen Paicheng Aluminium Technology Co., Ltd.* (深圳派成鋁業科技有限公司)	1998	Unlisted company	Stone and awning design engineering, door and window installation	Producer of aluminum related products and provision of related technical consultation services with registered capital of RMB120 million. ⁽¹⁾⁽²⁾	2019	9,762	3.5%
Zhangpu County Makou Huijingyuan Horticulture Garden* (漳浦縣馬口匯景園藝場)	2011	Private/ individually-owned business	Landscaping	Engaging in the flower cultivation and retail sale of it. ⁽²⁾	2020	6,881	2.5%

Notes:

- (1) Based on the information obtained from the National Enterprise Credit Information Publicity System.
- (2) Based on the information available in the public domain.

Year ended 31 March 2020

Supplier	Year of establishment	Status	Service purchased	Background and scale of operation	Business relationship since the year ended 31 March	Total purchase amount	Percentage of our total purchase
						(RMB'000)	
Guangdong Yonghe Construction (廣東永和建設集團有限公司)	2007	Unlisted company	Civil construction	Provision of construction engineering and residential interior decoration services with registered capital of RMB600 million. ⁽¹⁾⁽²⁾	2019	150,525	60.4%
Dongguan Kangxing Decoration Construction Co., Ltd.* (東莞市康興裝飾工程有限公司)	2018	Unlisted company	Renovation	Provision of interior decoration design and works with a registered capital of RMB5 million. ⁽¹⁾⁽²⁾	2020	30,044	12.0%

BUSINESS

Year ended 31 March 2020

Supplier	Year of establishment	Status	Service purchased	Background and scale of operation	Business relationship since the year ended 31 March	Total purchase amount	Percentage of our total purchase
						(RMB'000)	
Guangdong Dianbai BUILD Group Co., Ltd.* (廣東電白建設集團有限公司)	1986	Unlisted company	Civil construction and pile foundation engineering	Provision of civil engineering construction services with registered capital of RMB408 million. ⁽¹⁾⁽²⁾	2019	26,230	10.5%
Shenzhen Pengcheng Jianke Co., Ltd.* (深圳鵬城建科集團有限公司)	2012	Unlisted company	Renovation	Provision of municipal public works and electromechanical engineering construction works with a registered capital of RMB105 million. ⁽¹⁾⁽²⁾	2020	10,679	4.3%
Shenzhen Paicheng Aluminium Technology Co., Ltd.* (深圳派成鋁業科技有限公司)	1998	Unlisted company	Stone and awning design engineering, door and window installation	Producer of aluminum related products and provision of related technical consultation services with registered capital of RMB120 million. ⁽¹⁾⁽²⁾	2019	7,928	3.2%

Notes:

- (1) Based on the information obtained from the National Enterprise Credit Information Publicity System.
- (2) Based on the information available in the public domain.

Our suppliers are selected through a tender process. For contracts with contract sum over RMB150,000, we invite at least three candidates from our approved suppliers list to submit a tender. During the Track Record Period, we procured each of our five largest suppliers by invitation for tender. We select the lowest bid as the winner bid among all bids that meet our technical standards. We believe we are able to secure sufficient supplies from alternative suppliers in a timely manner at comparable cost if one or several of current suppliers fail to provide us with contractor services and raw materials in the quantity and quality meeting our requirements.

BUSINESS

CERTIFICATIONS AND AWARDS

The following table sets out the certifications and awards received by us during the Track Record Period and up to the Latest Practicable Date:

Year of award	Certification/Award	Holder/Recipient	Awarding organisation(s)
2019	Dongguan • Quality Living Award, China Real Estate Network Star Ranking 2019* (中國房地產網絡星光榜2019東莞 • 品質宜居獎)	Castfast Villas	Fang Dr* (房博士)
2019	Dongguan Real Estate Enterprises Integrity Alliance Member Units* (東莞市房地產企業誠信聯盟成員單位)	Dongguan Karrie	Dongguan Real Estate Association* (東莞市房地產業協會)
2019	Dongguan Real Estate Enterprises Integrity Alliance Member Units (Integrity Real Estate)* (東莞市房地產企業誠信聯盟成員單位(誠信樓盤))	Castfast Villas (嘉輝豪庭)	Dongguan Real Estate Association* (東莞市房地產業協會)
2019	Most Popular Brand Award in Dongguan 2019* (2019年東莞最佳人氣口碑獎)	Castfast Villas (嘉輝豪庭)	Anjuke* (安居客)
2020	Most Influential Property Project in Dongguan 2020* (2020年東莞最具影響力地產項目)	Castfast Villas (嘉輝豪庭)	Anjuke* (安居客)

INSURANCE

There are no national mandatory provisions under the applicable PRC laws and regulations requiring property developers to maintain insurance coverage with respect to their property development operations. We do not maintain any insurance policies for our property development projects. Instead, we require the general contractors of our property development projects to maintain insurance policy in accordance with the contracting agreement. We maintain insurance, including social insurance, for our employees as required by applicable PRC laws and regulation and as we consider appropriate for our business operations. We are of the view that we have maintained adequate insurance coverage for our operations and that the scope of our coverage is in line with the industry norms. However, there are certain risks that we are not insured or which we

BUSINESS

may not have sufficient insurance coverages for losses, damages and liabilities that may arise in the course of our business operation. Please refer to the section headed “Risk Factors — Risks relating to our business — Our insurance coverage may not be adequate to cover all risks related to our operations” in this listing document for details.

INFORMATION TECHNOLOGY

We rely on the effective operation of our IT systems for our business operation. In order to ensure our business is operated in a reliable manner, we have designed various IT measures in the technical equipment and personnel aspects implemented various measures in maintaining and upgrading our information technology system to ensure that our rapid development of our business needs and information security are satisfied. We also possess the ability to conduct system maintenance independently in order to modify our customised business platform and to meet our business needs in a timely manner.

However, we may face increasing security risks and threats from cyber-attacks with respect to our IT systems. We require our staff to follow our management guidelines on our IT system and safeguard information in the system. To help combat such attacks, we have also established emergency recovery systems, keep regular backups of all the data in the system and are equipped with efficient anti-virus software. In addition, it is our policy to conduct regular reviews of our IT system and perform the necessary upgrades to prevent and address those potential issues. During the Track Record Period and up to the Latest Practicable Date, we did not experience any disruptions to our IT system that materially impacted our business operations.

Construction, Sales and Operation Management System

To effectively manage our project development process and achieve effective collaboration among personnel responsible for various projects, we utilise ERP system to support our daily operation, management and planning functions. Our ERP system is mainly responsible for cost control, sales, procurement and general project management, financial budgeting and human resources management. Through our ERP system, we are able to collect real time data as to the sale of our properties, material procurement, costs and construction status, which enables our management to keep track and review these data. The ERP system also allows our management to approve relevant transactions and adjust prices and construction schedule due to changing market conditions or other factors as necessary. Through the application of our ERP system, our management is able to monitor the status of our project development, the system enables us to enhance our operating efficiency and our ability to develop multiple projects across different regions in China effectively, which lays a solid foundation for the development of our national layout and standardisation of business operation.

BUSINESS

EMPLOYEES

As at the Latest Practicable Date, we had a total of 61 employees. A breakdown of our employees by function as at the Latest Practicable Date is set forth below:

Function	No of employees
Sales	6
Construction Management and engineering	9
Administration and human resources	5
Finance, accounting and internal audit	15
Product Development and Design	10
Cost Management	6
Purchasing	2
Management	8
Total	61

We believe that the successful implementation of our growth and business strategies relies on a team of experienced, motivated and well-trained managers and employees at all levels. We actively recruit skilled and qualified personnel in Hong Kong and the PRC mainly through internal referrals and advertisements on the Internet. We provide our employees with in-house training on a regular basis.

We enter into individual employment contracts with our employees to cover matters such as wages, salaries, benefits and terms for termination. We generally formulate our employees' remuneration package to include a salary and bonus. We determine salary levels based on each employee's qualification, position, seniority and periodic performance reviews. In our performance reviews, we mainly assess the value that the employee has created for our Group during the performance period and any other meaningful contributions that the employee has made to our Group. As required by PRC regulations, we make contributions to mandatory social security funds for the benefit of our PRC employees that provide for pension insurance, medical insurance, unemployment insurance, personal injury insurance, maternity insurance and housing funds.

As of the Latest Practicable Date, none of our Group's employees belonged to an employee union, which is responsible for negotiating employee contracts of its members and facilitating communication between our employees and us.

During the Track Record Period and up to the Latest Practicable Date, no labour dispute had occurred which materially and adversely affected or was likely to have a material and adverse effect on our operations.

BUSINESS

COMPETITION

The PRC real estate industry is highly fragmented and competitive. As a boutique residential property developer in Dongguan and Huizhou, China, we primarily compete with domestic national comprehensive developers, regional developers and other developers with strategies that are similar to ours, which have business operations in the markets where we operate or intend to enter. We compete on many fronts, including product quality, service quality, price, financial resources, brand recognition, ability to acquire land and other factors. We ranked out of the Top 100 property developers in China in 2021 in terms of contracted sales amount and sales area. We had less than 1% market share in Dongguan and Huizhou in terms of contracted sales amount and sales area in 2021. The competition is keen between those developers out of the Top 100 developers with a relatively low market share due to restrictions in acquiring land, brand reputation, high capital commitment, and tightened regulation restrictions. As new land supply in key cities is limited because land lots in prime locations may have already been acquired by other developers on the market, we may face difficulties in acquiring new land. We may also face competition with other established developers that enjoy higher degree of consumer recognition for their products and reputation. Also, high capital commitment is required in the property development process to acquire land and fund the labour, material, and construction machinery. Lastly, both national and local governments in China have issued various restrictive policies to regulate the real estate market, which may reduce demand for properties and increase financing burden of the developers thereby increasing the competition among the developers. In order to differentiate from other developers, we may leverage on our expertise in urban renewal projects, and our understanding in the local authorities’ urban renewal policies to acquire redevelopment sites or convert former industrial sites into residential development sites in a timely and cost-efficient manner. We have accumulated substantial local knowledge of the communities and developed trust from the local authorities which facilitates our urban renewal process and enables our Group to make well-informed business decisions throughout the process. In the face of intense competition, we devoted effort to improve our product quality, service quality, project management, brand recognition, ability to acquire land and other factors.

In particular, most of the local property markets in the Greater Bay Area with high-growth potential have been increasingly competitive in recent years. An increasing number of property developers from the PRC and overseas have entered the property development markets in the cities where we have operations or plan to have operations, resulting in increased competition for land available for development. Moreover, the PRC government has implemented a series of policies to control the growth and curtail the overheating of, and foreign investment in, the PRC property sector. We believe major entry barriers into the PRC property development industry include a potential entrant’s limited knowledge of local property market conditions and potentially less well-known brand recognition in these markets. Since our Group has solid local market knowledge and experience in property development, we believe that we have the capability of providing high

BUSINESS

quality facilities and services, which in turn enable us to remain competitive in the markets and perpetuate business growth despite the intense competition. Please refer to the section headed “Industry Overview” in this listing document for details of the market analysis.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had one trademark and owned one domain name which were registered in Hong Kong. In addition, we have registered the domain name for the website of our Group on the Internet. See further details of our intellectual property rights are set out in the “Statutory and General Information — B. Further Information About Our Business — 2. Intellectual property rights of our Group” in the Appendix V to this listing document.

We rely to a certain extent on our reputation in marketing our properties but our business is otherwise not materially dependent on any intellectual property rights. We were not aware that we suffered from any infringement of our intellectual property rights by any third parties or violate any intellectual property rights of third parties during the Track Record Period and as of Latest Practicable Date.

QUALIFICATIONS, LICENCES AND PERMITS

We are required to obtain certain qualifications, licences and permits in order to carry on our business operations in the PRC. See the section headed “Regulatory Overview” in this listing document for further details. The following table sets out the details of our existing qualifications, licences and permits that are material to our business operations:

<u>Subsidiary</u>	<u>Certificate</u>	<u>Expiration Date</u>
Dongguan Karrie	Qualification Certificate for Real Estate Development Enterprise	22 August 2025
Boluo Jiayingli	Qualification Certificate for Real Estate Development Enterprise	22 August 2025
Foshan Jiahe	Qualification Certificate for Real Estate Development Enterprise	22 August 2025
Dongguan City Jiaxuntong	Qualification Certificate for Real Estate Development Enterprise	13 October 2025

BUSINESS

Our PRC Legal Advisor(s) have advised us that, up to the Latest Practicable Date, except as otherwise disclosed in the paragraph headed "Legal and Regulatory Compliance — Non-compliance Incidents" in this section before, we had been in compliance with the applicable PRC laws and regulations relating to our business operations in all material respects.

OCCUPATIONAL HEALTH AND SAFETY

We are subject to various PRC laws and regulations with respect to safety and work-related incidents. To maintain a safe working environment, we have established internal policies on safety management whereby different teams are assigned with different safety compliance responsibilities. We have developed a comprehensive management system to implement our policies and procedures in this respect. In addition, we provide regular training to our employees on topics relating to occupational health and safety to enhance the awareness and knowledge of our employees.

Under applicable PRC laws and regulations, our construction companies are responsible for the safety of the construction sites and are required to maintain accident insurance for their workers. We generally require our construction companies to purchase accident insurance in accordance with applicable laws and regulation, adopt effective occupational safety control measures and offer regular physical examinations and training to workers who are exposed to the risk of occupational injuries.

During the Track Record Period and up to the Latest Practicable Date, there had been no reported material safety accident occurred to our employees nor claims for personal or property damages made by our employees against us and no compensation was paid to our employees in respect of claims for personal or property damages that had a material impact on us. During the Track Record Period and up to the Latest Practicable Date, we complied with the applicable PRC labour and safety laws and regulations.

ENVIRONMENTAL MATTERS

We are subject to certain environmental protection laws and regulations, including those relating to air pollution, noise emissions and water and waste discharge. Each of our property development projects is required under PRC laws to undergo environmental impact assessments. We must submit the relevant environmental impact reports, analysis table or registration forms in accordance with certain classification of environmental impact, along with other required documents, for evaluation and approval or filing-record by the authorised environmental protection administrations. The approval from the relevant government authorities will specify the standards applicable to the implementation of the construction project with respect to areas such as air pollution, noise emission and water and waste discharge. Such measures are required to be

BUSINESS

incorporated into the design, construction and operation of the particular project. Upon the completion of construction of a construction project for which an environment impact report or environment impact statement is formulated, the construction unit shall conduct acceptance inspection of the complementary environmental protection facilities pursuant to the standards and procedures stipulated by the environmental protection administrative authorities of the State Council, and formulate the acceptance inspection report.

We take specific measures to ensure our compliance with the applicable environmental laws and regulations, including: (i) strictly selecting construction contractors to ensure compliance with relevant laws and regulations; (ii) applying for review by the relevant government authorities in a timely manner after the project is completed; and (iii) actively adopting equipment and designs that are in compliance with relevant legal standards. We also take voluntary actions with respect to environmental protection and make energy conservation and emission reduction top considerations when designing our property projects. We expect the annual costs of compliance going forward to be substantially similar, assuming that there will not be any material changes in the environmental protection rules and regulations. In terms of our governance on environmental, social and climate-related (the “ESG”) issues, we have implemented various policies which govern the different risks and opportunities by environmental, social and climate-related issues. For example, our environmental protection policy sets out the managing structure as well as measures for environmental protection, in both construction sites and office areas.

Our Directors will be responsible for the monitoring and management of material ESG issues, risks and opportunities, with the assistance by our management. Specifically, our Directors will be principally responsible in setting up our overall ESG vision, goals and strategy, monitoring and reviewing our ESG performance and whether our ESG vision is thus fulfilled. We also intend to establish communication channels with stakeholders, so that we could review the issues material to stakeholders, and monitor how our environmental, social and climate-related performance has impacted different stakeholders. The table below sets forth the environmental, social and climate-related issues that may potentially lead to various risks and opportunities to us.

Material Issues

Potential Risks, Opportunities and Impacts

Energy management

Ineffective energy management may potentially lead to excessive energy usage, which leads to increased operational cost due to unnecessary usage of energy.

BUSINESS

Material Issues

Potential Risks, Opportunities and Impacts

Water & wastewater management

Inefficient water and wastewater management may put our Group at risk of being non-compliant with relevant laws and regulations, which may in turn lead to potential increase of compliance costs and cost to upgrade current water and wastewater treatment facilities.

Physical impacts of climate change

Climate change may lead to risks like more frequent extreme weather conditions. Such risks may lead to potential physical impacts such as potentially more damage in construction sites and delayed project lead times, which may ultimately cause increased operational costs.

Human capital development

The health and safety of employees may be put at risk due to climate-related issues, such as increasingly frequent extreme weather conditions. Meanwhile, strong human capital development may lead to a stronger employee base and a lower turnover rate.

We have established in place various measures to mitigate and manage the risks and opportunities from environmental, social and climate-related issues. We have also set out measures for wastewater control at our construction sites in order to mitigate the potential risks and impacts in water and wastewater management, such as (i) ensuring that rainwater pipes and wastewater pipes are separated, and (ii) assigning specific personnel for wastewater management.

Meanwhile, in order to mitigate the potential risks in relation to occupational health and safety, our operations area management policy sets out various workplace safety measures, such as the prohibition of storage of explosives in workplace. In addition, we also provide workplace health and safety trainings to our employees.

BUSINESS

We have also accounted for our environmental performance, namely greenhouse gas emissions and resource consumption, which also reflects our management for ESG risks. Greenhouse gas emissions consists of Scope 1 and Scope 2 emissions: (i) Scope 1 direct emissions include the greenhouse gas emissions from stationary combustion sources and vehicles; and (ii) Scope 2 energy indirect emissions include the greenhouse gas emissions from usage of purchased electricity. We have taken all of our subsidiaries into consideration for the following quantitative analysis:

Emission	2021
Greenhouse gas emissions (tonnes CO ₂ equivalent)	961.8
Scope 1 (direct emissions) (tonnes CO ₂ equivalent)	6.8
Scope 2 (indirect emissions) (tonnes CO ₂ equivalent)	955.1
Intensity of greenhouse gas emissions (tonnes CO ₂ equivalent/sq.m.)	0.04
Resource Consumption	2021
Water consumption (m ³)	124,912.0
Intensity of water consumption (m ³ /sq.m.)	5.4
Energy consumption (kWh)	1,590,086.0
Electrical energy consumption (kWh)	1,565,451.0
Gasoline energy consumption (Litres)	2,542.0
Intensity of energy consumption (kWh/sq.m.)	68.0

We have taken into account the quantitative information that reflects our management on environmental, social and climate risks. We have incurred approximately RMB130,000, RMB140,000, RMB150,000 and RMB80,000 for the year ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022, respectively, as ESG compliance costs. Such costs include costs for environmental impact assessments, waste management and green building design.

None of our properties had received any material fines or penalties associated with the breach of any environmental laws or regulations during the Track Record Period and up to the Latest Practicable Date.

LEGAL AND REGULATORY COMPLIANCE

Litigation and potential claims

During the Track Record Period and up to the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its business, results of operations or financial condition.

BUSINESS

Non-compliance incidents

Non-compliance Incidents in Relation to Pre-sale Proceeds

Applicable PRC Laws and Regulations Governing Pre-sale Proceeds

The legal regime in relation to the pre-sale proceeds management in the PRC is twofold, including (i) the applicable laws and regulations at the national level which set out the general principles and requirements; and (ii) the applicable laws and regulations at city or county level which set out more specific and comprehensive requirements.

Applicable laws and regulations at national level

Pursuant to the Measures for Administration of Pre-sale of Urban Commodity Properties (《城市商品房預售管理辦法》) promulgated by the Ministry of Construction on 15 November 1994, as amended on 15 August 2001 and 20 July 2004 (the “**Pre-sale Measures**”), the pre-sale proceeds of commodity buildings shall be used to fund the property development costs of the relevant projects. In addition, the Notice on Relevant Issues Concerning the Strengthening of Supervision and Improvement of the Pre-sales System of Commodity Properties (《關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知》) (the “**Pre-sale Notice**”) promulgated by the MOHURD on 13 April 2010 provides that proceeds from pre-sales of commodity buildings shall be fully deposited into a bank account supervised by the competent regulatory authorities to ensure the proceeds would be used to fund the development of property projects. Further, under the Pre-sale Measures and the Pre-sale Notice, city or county level regulatory authorities are delegated and granted the authority to supervise implementation of, and formulate detailed requirements for, the management of pre-sale proceeds of the property projects located in relevant cities or counties.

Applicable laws and regulations at city or county level

The requirements in relation to the receipt and use of pre-sale proceeds under the applicable laws and regulations at city or county level vary from city to city.

Guangdong — Pursuant to the Regulations of Guangdong Province on Pre-Sale Proceeds of Commodity Properties (《廣東省商品房預售管理條例(2014 Revised)》) issued by the Standing Committee of Guangdong Provincial People’s Congress, which became effective since 25 September 2014, pre-sale proceeds of commodity properties shall be deposited into the designated escrow account. Before the completion of the project, the funds in the designated escrow account shall not be used for other purposes but can only be used to purchase the necessary building materials and equipment, to pay taxes and administrative charges, and to pay the construction consideration according to the construction progress.

BUSINESS

Dongguan — According to the Dongguan Commodity Properties Pre-Sale Proceeds Supervision System (東莞市商品房預售款監管工作制度) implemented by Dongguan Construction Bureau and Dongguan Real Estate Administration (東莞市建設局和東莞市房產管理局) on 15 October 2007, the developer shall not directly receive the pre-sale proceed for commodity properties paid by the purchasers, all pre-sale proceeds must be deposited into a designated account.

Huizhou — Pursuant to the Measures for the Supervision of Pre-Sale Proceeds of Commodity Properties of Huizhou (《惠州市商品房預售資金監督管理辦法》) issued by the Office of Huizhou Municipal People’s Government, which became effective since 26 March 2021, pre-sale proceeds of commodity properties shall be deposited into the escrow account. Before the completion of the project, the funds in the escrow account shall not be used for other purposes but can only be used to purchase the necessary building materials and equipment, to pay taxes, progress payment, or the construction costs for supervision, design, testing, etc.

Relationship between Applicable Laws and Regulations at National and Local Level

At the national level, the Urban Real Estate Law, the Pre-sales Measures and the Pre-sale Notice set out the general principle for use of pre-sale proceeds. Such national level laws and regulations have not set detailed standards and scope for determining whether a specific use of pre-sale proceeds is for the development and construction of the relevant projects and defer to local real estate administrative authorities to specify relevant standards for the local markets. Therefore, with respect to the use of pre-sale proceeds, a project company shall primarily follow the implementation rules promulgated by the local real estate administrative authorities at the provincial or city level. In particular, pursuant to the Pre-sale Measures, the MOHURD delegates the authority of formulating detailed regulatory requirements and implementation measures with respect to the supervision of pre-sale proceeds to the relevant governmental authorities at local levels. As such, though the applicable local regulations are generally formulated in line with the national-level principles and framework, such local regulations may vary slightly among different administrative areas.

BUSINESS

Failure to Fully or Directly Deposit the Required Amounts into Designated Escrow Accounts

During the Track Record Period, we failed to fully or directly deposit the required amounts of pre-sale proceeds into the designated escrow accounts in accordance with relevant regulatory requirements for Phases 3, 4 and 5 of Castfast Villas and Louvre Mansion (“**Pre-sale Proceeds Incidents**”). The detailed quantitative information in relation to our deposit of pre-sale proceeds are set forth below:

	For the year ended 31 March			For the six months ended 30 September
	2020	2021	2022	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Pre-sale proceeds received ^(Note 1)	336,606	410,471	835,485	141,525
Phase 3 of Castfast Villas	304,851	—	—	—
Phase 4 of Castfast Villas	31,755	409,541	316,764	44,982
Phase 5 of Castfast Villas	—	—	506,477	93,654
Louvre Mansion	—	930	12,244	2,890
Less: Direct deposit into designated escrow accounts	333,890	324,296	584,430	151,188
Phase 3 of Castfast Villas	306,173	—	—	—
Phase 4 of Castfast Villas	27,717	323,647	306,418	48,155
Phase 5 of Castfast Villas	—	—	266,237	100,143
Louvre Mansion	—	650	11,774	2,890
				For the six months ended 30 September
				2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Gross shortfall/(surplus) as at year/period end ^(Note 2)	2,716	86,175	251,055	(9,663)
Phase 3 of Castfast Villas	(1,322)	—	—	—
Phase 4 of Castfast Villas	4,038	85,895	10,346	(3,174)
Phase 5 of Castfast Villas	—	—	240,239	(6,489)
Louvre Mansion	—	280	470	—
Less: Subsequent additional deposits into escrow accounts	115,403	45,426	306,621	6,710
Phase 3 of Castfast Villas	112,838	—	—	—
Phase 4 of Castfast Villas	2,565	45,426	60,196	2,050
Phase 5 of Castfast Villas	—	—	246,035	3,890
Louvre Mansion	—	—	390	770

BUSINESS

	For the year ended 31 March			For the six months ended 30 September
	2020	2021	2022	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net shortfall/(surplus) as at year/period				
end ^(Note 2)	(112,687)	40,749	(55,566)	(16,373)
Phase 3 of Castfast Villas	(114,160)	—	—	—
Phase 4 of Castfast Villas	1,473	40,469	(49,851)	(5,224)
Phase 5 of Castfast Villas	—	—	(5,795)	(10,379)
Louvre Mansion	—	280	80	(770)
Accumulated net shortfall/(surplus) as at year/period end	(41,822)	42,222	(13,344)	(29,326)
Phase 3 of Castfast Villas	(43,295) ^(Note 3)	—	—	—
Phase 4 of Castfast Villas	1,473	41,942	(7,908) ^(Note 3)	(13,132) ^(Note 3)
Phase 5 of Castfast Villas	—	—	(5,795) ^(Note 3)	(16,174) ^(Note 3)
Louvre Mansion	—	280	360	(20)

- The pre-sale proceeds received represent the total pre-sale proceeds received by our Group after deducting the pre-sale proceeds refunded to customers subsequently upon their requests.
- The actual pre-sale proceeds received was less than the amount deposited into the escrow accounts due to (i) certain customer requested for refund, of which the pre-sale proceeds had been deposited into the escrow accounts and the Company subsequently processed the refunds to customer by using its general accounts in order to speed up the refund process and (ii) certain proceeds were not regarding as pre-sale proceeds but deposited into the escrow accounts.
- Pursuant to the Notice on the Lifting of the Supervision of the Designated Account for the Pre-sale Proceeds of Commodity Properties (關於解除商品房預售款專用賬戶監管的通知) issued by the Housing and Urban-Rural Development Bureau of Dongguan (東莞市住房和城鄉和建設局) on 11 October 2019, since we have obtained the completion certificate for Phase 3 of Castfast Villas and all the conditions for the lifting of the supervision measures of the relevant pre-sale proceeds have been satisfied, the pre-sale proceeds were no longer required to be deposited into the designated account. The relevant pre-sale proceeds have subsequently been deposited into the general accounts. Similarly, pursuant to the Notice on the Lifting of the Supervision of the Designated Account for the Pre-sale Proceeds of Commodity Properties issued by the Housing and Urban-Rural Development Bureau of Dongguan on 1 August 2022, since we have obtained the completion certificate for Phase 4 and Phase 5 of Castfast Villas and all the conditions for the lifting of the supervision measures of the relevant pre-sale proceeds have been satisfied, the pre-sale proceeds were no longer required to be deposited into the designated account. The relevant pre-sale proceeds have subsequently been deposited into the general accounts.

Excluding the gross surplus for Phase 3 of Castfast Villas for the year ended 31 March 2020 due to the uplifting of the supervision measures of the relevant pre-sale proceeds, the gross shortfall (i.e. the aggregate amount of the pre-sale proceeds that our Group did not directly deposit into the designated escrow accounts in accordance with the relevant regulatory requirements) as at 31 March 2020, 2021 and 2022 was RMB2.7 million, RMB86.2 million, RMB251.1 million, respectively, representing 0.8%, 21.0% and 30.0% of the pre-sale proceeds received. As at 30

BUSINESS

September 2022, we had gross surplus of RMB9.7 million. Subsequently, a total sum of RMB115.4 million, RMB45.4 million, RMB306.7 million and RMB6.7 million was deposited into the escrow account, excluding the accumulated net surplus of RMB114.2 million attributable to Phase 3 of Castfast Villas as at 31 March 2022 and RMB55.6 million attributable to Phase 4 and Phase 5 of Castfast Villas as at 31 March 2022, we had accumulated net shortfall deposits of RMB1.5 million (attributable to Phase 4 of Castfast Villas), RMB42.2 million (attributable to Phase 4 of Castfast Villas and Louvre Mansion), RMB0.4 million (attributable to Louvre Mansion) for the years ended 31 March 2020, 2021 and 2022, representing 0.4%, 9.9% and 0.04% of the pre-sale proceeds received. Nevertheless, we had sufficient working capital as our cash and bank deposits amounted to RMB220.6 million, RMB446.9 million and RMB524.1 million as at 31 March 2020, 2021 and 2022. For the six months ended 30 September 2022, we had accumulated net surplus deposits of RMB29.3 million attributable to Phase 4 and Phase 5 of Castfast Villas and the Louvre Mansion.

As at 11 April 2022, all net shortfall of pre-sale proceeds has been deposited into the escrow accounts. We have further implemented enhanced internal control measures including establishing the “Guidelines for the Use of Pre-sale Proceeds” to regulate the collection, deposit and use of pre-sale proceeds in compliance with applicable laws and regulations, which has been circulated to relevant employees for training and compliance. See the paragraph headed “Legal and Regulatory Compliance — Non-compliance incidents — Enhanced Internal Control Measures” in this section for further details.

Our Directors confirm that complying with the regulatory requirements in relation to the depositing of pre-sale proceeds into designated escrow accounts would not cause our Company to breach restrictive covenants on maintaining minimum deposit balances as required by the respective banks. Our Group maintains one designated escrow account with each of the respective banks and would ensure that we maintain the required deposit balances in the said accounts as requested by the respective banks. During the Track Record Period, our Group did not breach the restrictive covenants on maintaining minimum deposit balances as required by the respective banks.

Pre-sale proceeds that were indirectly deposited into the designated escrow accounts accounted for approximately 34.3%, 11.1%, 36.7% and nil of the pre-sale proceeds required to be deposited in designated escrow accounts for the year ended 31 March 2020, 2021 and 2022 and six months ended 30 September 2022, respectively. Such amounts were first deposited into the relevant project companies’ general bank accounts and then subsequently transferred to the designated escrow accounts.

Pre-sale proceeds that were not deposited in full into the designated escrow accounts were deposited in the relevant project companies’ general bank accounts and were used for the respective projects.

BUSINESS

Reasons for Pre-sale Proceeds Incidents

Certain of these intended customers would decide not to proceed with the sale, and once they made such decision, we would have to refund the earnest money and/or down payment promptly upon request. As a result, due to unfamiliarity with the relevant rules and regulations and for administrative convenience for handling refunds, we would deposit the earnest money and/or down payment we received into the general bank accounts and could make refund to the relevant customers if they decided not to proceed with the sale.

Evaluation of the Potential Impacts of the Pre-sale Proceeds Incidents

We are of the view that the Pre-sale Proceeds Incidents did not constitute any material non-compliance for the following reasons:

- (i) the main purpose of governmental supervision for the pre-sale proceeds of commodity properties is to ensure the construction, completion and delivery of the corresponding projects. As there was no material delay or failure to deliver properties pre-sold as a result of any non-compliance with applicable laws and regulations in relation to pre-sale proceeds management during the Track Record Period, the Pre-sale Proceeds Incidents did not have any material impact on the business operation and financial performance of our Group;
- (ii) no penalty has been imposed against our Group as a result of the Pre-sale Proceeds Incidents during the Track Record Period;
- (iii) no pre-sale proceeds received has been illegally used, as all pre-sale proceeds (including pre-sale proceeds that were not deposited into escrow accounts) had been used for the property projects in relation to development of the relevant project; and
- (iv) the Pre-sale Proceeds will unlikely result in any monetary penalty being imposed on the Company and the Company's real estate development qualification will not be affected as a result of the Pre-sale Proceeds Incidents.

On the reasons set out above, the Directors and the PRC Legal Advisors are of the view, and the Sole Sponsor concurs that the Pre-sale Proceeds Incidents did not constitute a material non-compliance.

After we were aware of the Pre-sale Proceeds Incidents, we have deposited relevant amounts into the relevant designated escrow accounts to ensure there was no shortfall. Since 11 April 2022, our Group is in compliance with the regulatory requirements concerning pre-sale proceeds and all

BUSINESS

pre-sale proceeds required to be deposited into the escrow accounts had been duly deposited according to the applicable requirements. Our Directors have reminded our staff as to the importance of the compliance of the relevant requirements and imposed enhanced internal control measures as mentioned in the paragraph headed “Enhanced Internal Control Measures” in this section.

The national regulations on the supervision of pre-sale proceeds did not provide administrative penalties for property developers who fail to fully and directly deposit pre-sale proceeds into their escrow accounts; and for pre-sale proceeds that are used in a non-compliant manner, property developers shall be ordered to rectify such situation within a time limit, and may be imposed of a fine of up to RMB30,000 but not more than three times of illegal gains for each incident should the property developers fail to rectify such situation within the prescribed time period.

According to the Dongguan Commodity Properties Pre-Sale Proceeds Supervision System (東莞市商品房預售款監管工作制度) implemented by Dongguan Construction Bureau and Dongguan Real Estate Administration (東莞市建設局和東莞市房產管理局) on 15 October 2007, if a developer fails to collect the pre-sale proceeds as required, the competent regulatory authorities shall order it to rectify such incidents. The competent regulatory authorities may lower or cancel the real estate development qualification and impose a fine of 10% to 20% of the money they consider to have been illegally used.

Pursuant to the Measures for the Supervision of Pre-Sale Proceeds of Commodity Properties of Huizhou (惠州市商品房預售資金監督管理辦法) issued by the Office of Huizhou Municipal People’s Government, which became effective since 26 March 2021, if a developer fails to collect the pre-sale proceeds as required, the competent regulatory authorities shall order it to rectify such incidents within a time limit, and may be required to suspend withdrawal of pre-sale proceeds from the escrow accounts during the rectification period. The competent regulatory authorities may lower or cancel the real estate development qualification and impose a fine of 10% to 20% of the money they consider to have been illegally used.

According to the relevant laws and regulations in the PRC, if the real estate development enterprise qualification is being lowered or cancelled, i.e. the real estate development enterprise does not obtain the necessary qualification or exceeds the qualification level to engage in real estate development business, it may face the risk of being required by the real estate authorities to rectify the situation within a certain period of time and impose a fine. If the situation is not rectified after the deadline, it may face the risk of having its business license revoked or being required to cancel the real estate development qualification certificate and thus unable to engage in real estate development businesses.

BUSINESS

Interview with the Housing and Urban-Rural Development Bureau of Boluo County

According to the interview with the Head of Proceeds Management Department (資金監管組組長) of the Housing and Urban-Rural Development Bureau of Boluo County (博羅縣住房和城鄉建設局) ("**Boluo Development Bureau**"), which is a competent authority as advised by PRC Legal Advisors, Boluo Development Bureau confirmed that they have not and will not conducted any investigation and administrative punishment on the above-mentioned Pre-sale Proceeds Incidents of Boluo Jiayingli, and the Pre-sale Proceeds Incidents do not constitute material non-compliance of laws and regulations. As advised by our PRC Legal Advisors, Housing and Urban-Rural Development Bureau of Boluo County is the competent authority regulating the pre-sale proceeds of Boluo County, of which Proceeds Management Department is one of the departments in the Housing and Urban-Rural Development Bureau of Boluo County, and during the interview, the Head of Proceeds Management Department confirmed that she was authorised to provide such confirmation regarding Pre-sale Proceeds Incidents. Nothing has come to the attention of our PRC Legal Advisors which would cause them to cast doubt on the competency and authorisation of the Head of Proceeds Management Department to provide such information. Based on the interview with Boluo Development Bureau and considering that all the pre-sale proceeds received by Boluo Jiayingli have been deposited into the designated account, the PRC Legal Advisors confirm that the risk of Boluo Jiayingli being penalised by Boluo Development Bureau is low.

Interview with the Housing and Urban-Rural Development Bureau of Dongguan

According to the interview conducted on 23 June 2022 with the Head of Housing Management Department (房管科科長) of the Housing and Urban-Rural Development Bureau of Dongguan (東莞市住房和城鄉建設局), which is a competent person as advised by PRC Legal Advisors, confirmed that they were fully aware of the Pre-sale Proceeds Incidents, but will not conduct further investigation or penalise, against us for the Pre-sale Proceeds Incidents. As advised by our PRC Legal Advisors, Housing and Urban-Rural Development Bureau of Dongguan is the competent authority regulating the pre-sale proceeds of Dongguan, and during the interview, the Head of Housing Management Department confirmed that he was authorised to provide such confirmation regarding Pre-sale Proceeds Incidents. As advised by our PRC Legal Advisors, the risk of Dongguan Karrie and Dongguan City Jiaxuntong being penalised by the Housing and Urban-Rural Development Bureau of Dongguan with respect to the Pre-sale Proceeds Incidents is low based on (a) the interview result conducted with the Head of Housing Management Department (房管科科長) of the Housing and Urban-Rural Development Bureau of Dongguan (東莞市住房和城鄉建設局) as aforementioned ; (b) that we had not been subject to any administrative penalties or received any notices from the competent authorities with respect to the Pre-sale Proceeds Incidents; (c) that the main purpose of governmental supervision for the pre-sale

BUSINESS

proceeds of commodity properties is to ensure the construction, completion and delivery of the corresponding projects and (d) the Pre-sale Proceeds Incidents did not constitute a material non-compliance incident.

Our Directors confirm that (i) all escrow funds in the designated escrow accounts were only used for the property projects, (ii) all pre-sale proceeds, including pre-sale proceeds that were not deposited into escrow accounts, had been used for the property projects in relation to development of the relevant project and (iii) there were no non-compliance incidents by the Company during the Track Record Period with respect to withdrawal from the escrow accounts to relevant suppliers. Based on the above, our Directors believe that no pre-sale proceeds received has been illegally used, therefore (i) the maximum fine that we could be subject to in relation to the Pre-sale Proceeds Incidents is nil; and (ii) our real estate development qualification will not be affected.

Working Capital Sufficiency

Had we fully complied with the relevant laws and regulations on pre-sale proceeds during the Track Record Period, we believe that we would still have sufficient working capital after considering (i) our cash and cash equivalents balance at the end of a period; (ii) the estimated additional amount of pre-sale proceeds we were required to deposit into the designated escrow amounts under applicable PRC laws and regulations at the end of or during the corresponding period; and (iii) unutilised credit facilities of RMB72.3 million, RMB65.4 million, RMB55.7 million and RMB55.7 million as of 31 March 2020, 2021 and 2022 and 30 September 2022, respectively, as well as other loans from commercial banks and other borrowings from other financial institutions for working capital purposes.

Enhanced Internal Control Measures

Our management has established the “Guidelines for the Use of Pre-sale Proceeds” (the “**Guidelines**”) to regulate the collection, deposit and use of pre-sale proceeds in compliance with applicable laws and regulations, which has been circulated to relevant employees for training and compliance. Below are the key measures provided in the Guidelines:

- Proceeds from the pre-sales of corresponding project shall be deposited to certain designated escrow accounts for each of the relevant project company in compliance with applicable regulations. Daily Receipt Reports (收款日報表) shall be prepared by our sales staff to record receipt of pre-sale proceeds, and update such records on a daily basis. Such Daily Receipt Reports is reviewed by finance staff. In the event that certain pre-sale proceeds are not deposited directly into the designated escrow accounts, the relevant project companies shall cause such amounts to be transferred to the designated escrow accounts in a timely manner, so as to ensure compliance with the applicable laws

BUSINESS

and regulations. Finance centre of our Group shall perform regular review of the escrow accounts from a compliance perspective. Staff in charge of the matter of the relevant project companies shall endeavour to ensure direct deposit of pre-sale proceeds into the designated escrow accounts, and shall in any event ensure deposit before registration of the relevant commodity property sale and purchase agreements with local regulatory authorities.

- Escrow funds should be used for construction and other permitted purposes in compliance with applicable PRC laws and regulations. Fund payments shall be made only after review and approval by the head of finance. To submit escrow fund withdrawal application, the applicant shall provide necessary supporting documents such as, among others, invoices and construction progress reports.
- The finance staff shall compile a detailed ledger of the escrow account based on the payments into and from the escrow account, and perform reconciliation based on the bank statement information at the end of each month. The finance staff shall make permitted payment from the escrow account only after confirming that the balance of the escrow account meets the relevant requirements, subject to approval by head of finance.
- The finance centre of our Group shall perform regular review of the escrow accounts from a compliance perspective, and shall inspect aspects including, among others, the use and flow of the escrow funds, and shall prepare inspection record.
- Staff responsible for handling and monitoring escrow funds shall regularly attend training sessions in respect of latest local laws and regulations governing pre-sale proceeds to familiarise and update their understandings of the applicable laws and regulations.
- Where necessary, our Group’s finance centre shall consider engaging external legal consultants to help our employees, particularly employees at project-company level, to better understand applicable laws and regulations governing pre-sale proceeds.

Commencing from 11 April 2022, we have been in compliance with applicable PRC laws and regulations as well as the local regulatory authorities’ requirements governing the pre-sale proceeds. Going forward, we will continue to strictly comply with the laws, regulations and regulatory requirements to ensure that the escrow funds maintained at our escrow accounts are fully compliant with regulatory requirements. Based on the facts and circumstances regarding the Guidelines for the Use of Pre-sale Proceeds as disclosed, the Directors are of the view, and the Sole Sponsor concur that, such guidelines adopted by our Group are adequately and effectively designed to reasonably prevent such Pre-sale Proceeds Incidents from taking place in the future.

BUSINESS

Delay in completion of construction within the prescribed period as stipulated in the relevant land grant contracts

According to article 26 of the Urban Real Estate Law, land obtained through land grants must be used and developed in accordance with the land use or zoning restrictions and development deadline(s) as prescribed under the relevant land grant contract(s) (國有土地使用權出讓合同), and under the Civil Code, a contract created in accordance with law is binding on the parties to the contract, and each party shall perform its obligations as agreed and may not unilaterally amend or terminate the contract.

During the Track Record Period, we failed to complete construction within the prescribed period as stipulated in certain land grant contracts and therefore failed to comply with the Urban Real Estate Law and the PRC Contract Law in respect of these projects.

According to the land grant contracts, the construction of Phase 4 and Phase 5 of Castfast Villas should be completed by 29 December 2019 but the actual final completion date was 14 May 2021 and 19 November 2021, respectively.

According to the land grant contracts, the construction of Louvre Mansion should be completed by 3 April 2021 but we obtained completion certificate of this project in September 2022.

Reason for non-compliance

Our Directors confirm that the delay in completion was primarily due to a combination of the delay in site-clearance and the impact of COVID-19 which led to the intermittent compulsory lockdown in the cities where our projects are situated. Delay in the site-clearance and negotiation of compensation proposals are considered common for urban renewal projects which lengthened the construction time for urban renewal projects. We have encountered unexpected delays in site-clearance and negotiation of compensation proposals. In addition, the continuing COVID-19 impact which led to intermittent compulsory lockdown in the cities where our projects situated also caused delay in the construction of our projects. We ceased operation of construction sites from mid-January 2020 to late-March 2020 in order to comply with the government's orders and observe control measures in response to COVID-19. Apart from that, short term suspensions occurred from time to time due to COVID-19 related reasons, such as shortage of epidemic prevention materials, traffic control, compulsory COVID-19 testing, etc.

BUSINESS

Legal consequences

The maximum potential liquidated damages is calculated based on terms under the relevant land grant contracts and limitation period. Pursuant to the relevant land grant contract, we shall be liable to pay the relevant authority liquidated damages equivalent to 0.1% of the land grant premium per day. As at the Latest Practicable Date, the maximum potential liquidated damages of such breach of the land grant contract was approximately RMB40.2 million without taken into account the exemption as stipulated by the “Guangdong Province Natural Resources Notice on Promoting Epidemic Prevention and Control and Economic and Social Development and Strengthening Natural Resource Security Services” (廣東省自然資源廳關於全力統籌推進疫情防控和經濟社會發展加強自然資源保障服務的通知) that the delay of commencement and completion of construction projects during epidemic will not be included in the default period.

Potential impact on our operation and financial condition

According to the “Guangdong Province Natural Resources Notice on Promoting Epidemic Prevention and Control and Economic and Social Development and Strengthening Natural Resource Security Services” (廣東省自然資源廳關於全力統籌推進疫情防控和經濟社會發展加強自然資源保障服務的通知) During the period of epidemic, on-site inspections of construction sites (including urban renewal projects) will not be carried out. The delay of commencement and completion of construction projects during epidemic will not be included in the default period.

The PRC Legal Advisors confirm that if the delay in completion was caused by the impact of COVID-19, it is unlikely that we will be required by the competent government authorities to pay the liquidated damages for the duration of the epidemic. Our Directors consider that, given the remoteness of any liability, such non-compliance is unlikely to have any material operational or financial impact on us. Provisions amounted to RMB33.0 million that represents RMB 26.3 million for the delay of Phase 4 and 5 of Castfast Villas, and RMB 6.7 million for the delay of Louvre Mansion were made as of 31 March 2022, being the potential liabilities estimated up to 31 March 2022, based on 0.1% of the land grant premium multiply by the number of days of delay and taken into account the Group’s estimation of the duration of disruption caused by COVID-19, which should be excluded from the determination of default period as stipulated by the “Guangdong Province Natural Resources Notice on Promoting Epidemic Prevention and Control and Economic and Social Development and Strengthening Natural Resource Security Services” (廣東省自然資源廳關於全力統籌推進疫情防控和經濟社會發展加強自然資源保障服務的通知) mentioned above. Such amount was capitalised as part of our Group’s construction cost during the Track Record Period. Notwithstanding the delay of completion of construction projects, the Natural Resources Bureau of Dongguan (東莞市自然資源局) confirmed on 23 June 2022 that they will not investigate, penalise, or take any further actions against our Group for the delay that is related to Phase 4 and 5 of Castfast Villas, accordingly it is no longer probable that an outflow of resources

BUSINESS

embodying economic benefits will be required to settle the obligation, and the provision of RMB26.3 million made that was related to Phase 4 and 5 of Castfast Villas was reversed. The provision amount of RMB9.0 million as at 30 September 2022 represents the provision made for Louvre Mansion, Boluo County as no confirmation from the government authority of Boluo County was obtained as at the Latest Practicable Date. As advised by our PRC Legal Advisors, Natural Resources Bureau of Dongguan is the competent authority to confirm the above since it was the relevant authority entered into the land grant contract with Dongguan Karrie, and during the interview, the Natural Resources Bureau of Dongguan confirmed that it was the competent authority regulating the delay in completion of construction and to provide relevant confirmation.

As advised by our PRC Legal Advisors that the risk of Dongguan Karrie being required to pay the liquidated damages by Natural Resources Bureau of Dongguan with respect to the delay in completion is low based on: (a) the interview conducted with the Chief (主任) of the competent authority, the Natural Resources Bureau of Dongguan (東莞市自然資源局) on 23 June 2022, which confirmed that they will not investigate or penalise, against us for such delay; and (b) that we had not been subject to any administrative penalties or received any notices from the competent authorities with respect to such delay. Based on the foregoing, our Directors are of the view, and the Sole Sponsor concurs that the delay in completion did not constitute a material non-compliance with the applicable laws and regulations in the PRC governing delay in completion. As of the Latest Practicable Date, we had completed the construction of Castfast Villas and Louvre Mansion.

Enhanced internal control policies

Our management has established Policy on Construction Commencement and Completion Management to enhance the monitoring over the progress of construction projects. Any delay in completion of constructions shall be escalated to the general manager and the Board of Directors and seek approval from local government authorities accordingly. We adopted additional internal control policies including the Management Method of the schedule for the Commencement and Completion of Construction Projects (《工程項目開工竣工時間管理辦法》) to regulate the supervision over project construction. Such policies stipulated that our project engineering management centre (項目工程管理部) shall review and approve the commencement and completion schedule for each of our property development projects. It is also responsible for periodical review of the enforcement status of the schedule and it will discuss the status of our projects with the construction teams from time to time. In the event that we notice that the schedule of a project may be delayed, our project engineering management centre will propose measures promptly to remedy such delay to the extent possible. The centre will submit any updated construction schedule to the property development manager (地產總經理) for approval if necessary. If the delayed schedule would not affect our delivery schedule, the property development manager is authorised to approve the updated schedule. If the delivery schedule will be affected by the delay, the property development manager will escalate the matter to our

BUSINESS

Directors for approval. Our contract budget department settlement team (合約預算部結算組) will ensure that the commencement and completion dates and the contractual penalty for delay are specified in our construction contracts of each of our property development projects.

Based on the above, taking into account that (i) we have followed through with the recommendations of the internal control consultant and established policies and measures which would be, among others, effective on monitoring over the progress of construction projects; (ii) our management has become more vigilant in complying with legal requirements on completion of construction projects; and (iii) no recurrence of similar non-compliance had been identified since the establishment of the enhanced internal control policies, our Directors are of the view that our enhanced internal control policies as disclosed above are adequate and effective. Based on the discussion with the internal control consultant on the work done in the internal control review and the follow-up review, nothing has come to the Sole Sponsor’s attention that would lead it to cast doubt on the views of our Directors above.

INTERNAL CONTROLS

We have implemented various risk management policies and measures to identify, assess and manage risks arising from our operations. Details on risk categories identified by our management, internal and external reporting mechanism, remedial measures and contingency management have been codified in our policies. For details of the major risks identified by our management, see “Risk Factors — Risks Relating to Our Business” and “Risks Relating to Our Industry”. In addition, we face various financial risks, including credit and liquidity risks that arise during our ordinary course of business. See “Financial Information — Quantitative and Qualitative Disclosures About Financial Risks” for a discussion of these financial risks.

We have adopted internal policies and procedures on various compliance matters, including the Stock Exchange’s requirements on corporate governance and environmental, social and governance matters. We also engaged an internal control consultant to perform a review on internal control over financial reporting on a number of our key business processes. As of the Latest Practicable Date, no material issues in relation to the internal controls of our Group were unrectified after such review.

BUSINESS

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Spin-off, we have adopted or will adopt, among other things, the following risk management and internal control measures:

- The internal audit department of Karrie International and our audit committee upon establishment is responsible for supervising the compliance with our internal control and risk management policies and will timely conduct routine inspections and report for any non-compliance to ensure our compliance with relevant laws and regulations;
- the establishment of an audit committee responsible for overseeing our financial records, internal control procedures and risk management systems. Our audit committee consists of three members: namely Mr. Choi Wai Hin, Mr. Ho Lai Hong and Dr. Lo Yung Fong. See “Directors, Senior Management and Employees — Directors” for the qualifications and experience of these committee members as well as a detailed description of the responsibility of our audit committee;
- the appointment of Mr. Wong Ho Kwan as our company secretary to ensure the compliance of our operation with relevant laws and regulations. For the biographical details, see “Directors, Senior Management and Employees — Company Secretary”;
- the appointment of Dongxing Securities (Hong Kong) Company Limited as our compliance adviser upon the completion of the Spin-Off to advise us on compliance with the Listing Rules; and
- the engagement of external legal advisors to advise us on compliance with the Listing Rules and to ensure our compliance with relevant regulatory requirements and applicable laws, where necessary.

In order to comply with applicable anti-corruption and anti-bribery laws and regulations of the PRC and Hong Kong, we have formulated and implemented an anti-corruption and anti-bribery regime. Key anti-corruption and anti-bribery measures include the following:

- authorising a committee consisting our management team to assume responsibility for daily execution of our anti-corruption and anti-fraud measures, including handling complaints, ensuring protection for the whistleblower and conducting internal investigations;

BUSINESS

- providing anti-corruption compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations, and including relevant policies and express prohibitions against non-compliance in staff handbooks; and
- undertaking rectification measures with respect to any identified corrupt or fraudulent activities, evaluating the identified corrupt or fraudulent activities and proposing and establishing preventative measures to avoid future non-compliance.

Our Directors are of the view that such controls and measures are sufficient and effective to avoid the occurrence of corruption, bribery, or other improper conduct of our employees. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any government investigation or litigation with respect to claims or allegations of monetary and non-monetary bribery activities.

EFFECT OF COVID-19

The outbreak of COVID-19 in the PRC was first reported at the end of 2019. As a result of this outbreak, many business entities in China, including the Greater Bay Area, were generally required by the relevant PRC authorities to suspend their operations from mid-January 2020 to late-March 2020. According to the National Bureau of Statistics of China, as of 25 March 2020, approximately 96.6% of large and medium sized enterprises has resumed operation.

According to the C&W Report, there has been an outbreak of COVID-19 across the PRC and other countries, which has the following impact on the property market in the PRC. In the first half year of 2020, for commodity residential properties in the PRC, the GFA sold decreased by 7.6% from 661 million sq.m. to 611 million sq.m., whereas the sales amount decreased by 2.8% from approximately RMB6,134 billion to RMB5,963 billion, and the ASP increased by 5.3% from RMB9,269 per sq.m. to RMB9,757 per sq.m., as compared to the same period of 2019. It is believed that the outbreak would only cause a short-term impact on the China's macro-economy and real estate market in 2020 and China's economy will be able to maintain a relatively stable development trend throughout the year due to the following reasons:

- various cities in the PRC where our Group has operation, including Dongguan and Huizhou in the Greater Bay Area, have implemented comprehensive measures to mitigate the impact of COVID-19 on the real estate market, such as promoting online property title registration to avoid face-to-face contact, relaxing the condition of granting the pre-sales permit and capital supervision, and allow extension of time to

BUSINESS

payment of land premium lowering the targeted medium-term lending facility by 20 basis points to 2.95% and lowering one-year loan prime rate and five-year loan prime rate by 20 basis points and 10 basis points, respectively, by The People's Bank of China;

- in April 2020, the average price of primary commodity residential properties of first-tier cities, second-tier cities and third-tier cities increased by 2.9%, 5.6% and 5.1% respectively comparing to April 2019 and it is expected the long-term price trend will not be materially affected;
- the industrial output growth, the sales area and sales amount of primary commodity residential properties, have showed signs of picking up since April 2020 and bounced back to the same or similar level to that of April 2019;
- the travel restrictions and lockdown measures are being relaxed and most of the property developers in the PRC have gradually resumed their business operations, sales activities and construction of property projects;
- the epidemic in the PRC has been gradually brought under control and the number of newly reported cases of COVID-19 and fatalities dropped significantly; and
- the urbanisation is expected to continue to support the demands for improving housing and living standards for both first-time buyers or upgraders which is expected to carry on the trend of maintaining stability in development.

Accordingly, to the national macroeconomic environment, the nominal GDP achieved positive growth, and realised the gradual recovery of the economy in the first half of 2020. We have not encountered material adverse impact on our overall sales as a whole. To comply with the government's orders and observe control measures in response to COVID-19, we ceased operation of construction sites from mid-January 2020 to late-March 2020, resulting in short term project schedules delayed. Our sales and pre-sales activities were suspended in response to the same government orders, which resulted in a short delay of around two months in the sale commencement of Phase 4 of Castfast Villas. The approval process of obtaining pre-sale permits of Phase 5 of Castfast Villas also slowed down for around 9 months during the pandemic. We obtained all necessary pre-sale permits for Phases 3, 4 and 5 of Castfast Villas and Louvre Mansion as of the Latest Practicable Date. Despite the short term delay and suspension, we did not experience material negative financial impact during the Track Record Period due to COVID-19 related reasons. During the Track Record Period, we did not receive any one-off COVID-related government subsidies and any waiver of the real estate tax and land use tax. Our Directors consider that as of the Latest Practicable Date, the outbreak had caused no material adverse impact

BUSINESS

on our overall business operation and financial condition as there were only short term delay and suspension and that the economy had gradually recovered. Despite the outbreak of COVID-19, our GFA sold increased from 17,031 sq.m. for the year ended 31 March 2019 to 23,464 sq.m. for the year ended 31 March 2021, and further increased to 28,053 sq.m. for the year ended 31 March 2022. Our GFA sold was 17,670 sq.m. for the six months ended 30 September 2022.

REAL ESTATE AUSTERITY MEASURES IMPLEMENTED BY THE PRC GOVERNMENT

In the past few years, the PRC government introduced a range of real estate austerity measures to control the growth and overheating of the PRC property market. Such measures include (i) imposing 20% tax on sale of residential properties by individuals who have held their properties for less than five years, and (ii) adjusting the down-payment rate and mortgage interest for purchase of residential properties by individuals who concurrently own other residential properties. For additional information on real estate austerity measures and other recent regulatory developments, please refer to the section headed “Regulatory Overview” in this document.

We believe that such measures will result in a lower demand for properties, which in turn leads to lower transaction volume and property prices. Our Directors believe that while such measures may affect the demand for properties from speculative buyers or property investors, they may have a smaller impact on our target customers who are either first-time home buyers or wish to upgrade their current living environment. Notwithstanding the austerity measures implemented by the PRC government in recent years, we had not experienced any material difficulty in selling our properties and remained profitable during the Track Record Period. We cannot assure you that we will maintain our profitability and growth or that our business will not be affected by further measures or policies introduced by the PRC government in cities where we have operations or where we intend to expand. In particular, the strict restrictions imposed by the PRC government including house purchase restrictions (限購), tighter down-payment requirements (限貸) and limit house sale price (限價) may limit our access to capital, reduce market demand for our properties and increase our finance costs. Please refer to the section headed “Risk Factors — Risks relating to our business — Our operations are subject to extensive government policies and regulations and, in particular, we are susceptible to adverse changes in policies relating to the PRC property sector and in local policies in the regions in which we operate” in this listing document.