Application Proof of

嘉創房地產控股有限公司
KRP Development Holdings Limited

(the "**Company**")

(incorporated in Cayman Islands with limited liability)

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嘉創房地產控股有限公司

KRP Development Holdings Limited

(incorporated in Cayman Islands with limited liability)

[REDACTED] ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Stock code : [REDACTED]

Sole Sponsor

東興證券(香港)
DONGXING SECURITIES (HONG KONG)

This listing document is published in connection with the Listing on the Main Board of the Stock Exchange and contains particulars given in compliance with the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules solely for the purpose of giving information with regard to our Group.

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The Karrie International Shareholders and the Beneficial Karrie International Shareholders located or resident in jurisdictions other than Hong Kong should refer to the important information set out in the section headed "The Distribution and Spin-off — The Distribution — Excluded Karrie International Shareholders" in this listing document.

Your attention is drawn to the section headed "Risk factors" in this listing document. Information regarding the proposed arrangements for the listing of, and dealings and settlement of dealings in, our Shares following completion of the Spin-off is set out in the section headed "Information about this listing document and the Spin-off" in this listing document.

[REDACTED]

EXPECTED TIMETABLE

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IMPORTANCE NOTICE

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CONTENTS

This summary is intended to give you an overview of the information contained in this listing document. Since it is a summary, it does not contain all the information that may be important to you. You should read this listing document in its entirety.

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 conversion 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.

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 regional property developer with our development projects being strategically located in selected cities of the Greater Bay Area which we consider with potential growth

- 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

- Development in alignment with Government's urban renewal policy

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

- Experienced management team supported by motivated and professional staff

OUR STRATEGIES

Our strategies include the following:

- We will continue to expand in selected cities in the Greater Bay Area and focus on redevelopment sites
- 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 seek to strengthen our cost control capability and maintain the quality of the properties
- We seek to further strengthen our reputation and recognition in selected cities in the Greater Bay Area
- We will continue to attract, nurture and motivate a skilled and talented workforce

OUR BUSINESS

Our Group is involved in all phases of planning and building in our residential communities, including land acquisition/transformation, site planning, preparation and improvement of land and design, construction and marketing of homes. We use contractors for most aspects of property construction and monitor the development of the projects with a relatively small internal labour force. We sell our homes primarily through independent real estate agents.

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 at the Valuation Date, we had seven projects on hand, including five completed projects, representing different phases of Castfast Villas and the Louvre Mansion, one project held for future development and one project held for investment. 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. held for future development.

The following table sets forth the movement of our land bank during the Track Record Period:

	Completed GFA Available for Sale	GFA Under Development	Planned GFA for Future Development	Total Land Bank
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*
As at 31 March 2020 *(Note 1)*	**25,771**	**221,764**	**—**	**247,535**
New acquisition of land	—	—	—	—
Transfer from GFA under development to completed GFA available for sale	76,498	(76,498)	—	—
GFA delivered	(23,464)	—	—	(23,464)
As at 31 March 2021	**78,805**	**145,266**	**—**	**224,071**
New acquisition of land	—	—	—	—
Transfer from GFA under development to completed GFA available for sale	100,195	(100,195)	—	—
GFA delivered	(28,053)	—	—	(28,053)
As at 31 March 2022	**150,947**	**45,071**	**—**	**196,018**
New acquisition of land	—	—	131,472	131,472
Remeasurement of area *(Note 2)*	(1,700)	(50)	—	(1,750)
Non-saleable area	—	(2,369)	—	(2,369)
Reclassification from saleable GFA to non-saleable GFA *(Note 3)*	(37,845)	(5,298)	—	(43,143)
Transfer from GFA under development to completed GFA available for sale	37,354	(37,354)	—	—
GFA delivered	(17,670)	—	—	(17,670)
Rounding difference	(3)	—	—	(3)
As at 30 September 2022	**131,083**	**—**	**131,472**	**262,555**

Notes:

1. Assuming that Phase 3 of Castfast Villas was wholly owned by us as at 31 March 2020.

2. Remeasurement of area means correction of minor measurement discrepancies of GFA of a unit or public areas. It is common for our Group to engage an independent surveyor to re-measure the GFA of a property upon completion of the construction.

3. Prior to completion of the construction, the total area of basement stated in the construction works commencement permits is used as the basis for determining the saleable GFA in relation to car parks. After completion of the construction, measurement reports were issued by an independent surveyor engaged by our Group to measure the actual GFA of the car parking spaces and the public areas such as passageways which do not form part of the saleable GFA. Therefore, the actual GFA of the public areas is reclassified from saleable GFA to non-saleable GFA. As at the Latest Practicable Date, all car parks of Castfast Villas and Louvre Mansion had not been launched for sales.

The table below sets forth the details of our property development projects as of the Valuation Date:

	Completed GFA Available for sale	Rentable GFA (excluded from land bank) *(Note)*	Planned GFA for Future Development	Total Land Bank	% of Total Land Bank	Project Nature	Land Acquisition Method
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*			
Completed properties							
Dongguan	**95,273**	**—**	**—**	**95,273**	**36.3%**	Urban renewal projects	Acquisition of redevelopment sites and conversion into residential development sites
Phase 4 of Castfast Villas (東莞嘉輝豪庭第四期)	30,459	—	—	30,459	11.6%		
Phase 5 of Castfast Villas (東莞嘉輝豪庭第五期)	61,818	—	—	61,818	23.5%		
Phase 3 of Castfast Villas (東莞嘉輝豪庭第三期)	2,539	—	—	2,539	1.0%		
3 unsold residential units in Phase 1 of Castfast Villas (東莞嘉輝豪庭第一期未售3單元)	457	—	—	457	0.2%		
Huizhou	**35,810**	**—**	**—**	**35,810**	**13.6%**	New development	Public tender
Louvre Mansions, Huizhou (惠州羅浮公館)	35,810	—	—	35,810	13.6%		
Properties held for future development							
Foshan	**—**	**—**	**131,472**	**131,472**	**50.1%**	Urban renewal projects	Public tender
A parcel of land for future development	—	—	131,472	131,472	50.1%		
Properties held for investment							
Industrial Complex, Yantian, Dongguan (東莞雁田鎮工業園)	—	55,262	—	—	—	Urban renewal projects	Acquisition of redevelopment sites and conversion into residential development sites
Total	**131,083**	**55,262**	**131,472**	**262,555**	**100.0%**		

Note:

As the Industrial Complex will be demolished in the future for development, its current rentable GFA is not indicative of its planned GFA for development. Further, as rental business is not our principal business operation, our rental income was only recognised as other income.

OUR GROUP'S STRATEGIES REGARDING THE SALES OF THE REMAINING SALEABLE GFA

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 carparks) expected to be launched for sale on the market for the first time during the respective years/period.

Our strategies regarding the sales of the remaining unsold saleable GFA include working closely with local real estate agents to manage our property. 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. Please refer to the paragraphs headed "Business — Land bank and property portfolio — Our Group's strategies regarding the sales of the remaining saleable GFA" in this listing document.

OUR CUSTOMERS

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.

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.

COMPETITION

The PRC real estate industry is highly fragmented and competitive. We are a boutique residential property developer operating in Dongguan, Huizhou and Foshan in the Greater Bay Area, which primarily competes with domestic national developers, regional developers and other developers similar to our Group. 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 acquire land for urban renewal projects through (i) public tender or auction; and (ii) acquisition of redevelopment sites or conversion of formerly industrial sites into residential development sites. 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.

HIGHLIGHTS OF RISK FACTORS

Our business faces risks including those set out in the section headed "Risk Factors" in this listing document. Some of the major risks that we face include:

- We are susceptible to adverse movements in the PRC real estate market, particularly in regions and cities where we have property development projects

- We generated a majority of our revenue from our businesses in selected cities in the Greater Bay Area during the Track Record Period, and any significant decline in the economic conditions of the property markets of this area could have a material adverse effect on our results of operations, financial condition and business prospects

- 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

- We may not be able to acquire land reserves in desirable locations that are suitable for development at commercially acceptable prices or at all in the future

- The timing of our property sales and progress of our property development projects may cause our results of operations to fluctuate from period to period, making it difficult to predict our future financial performance.

- We have obtained and may continue to obtain land through urban renewal, which involves a number of risks and uncertainties

PROPERTY VALUATION

According to the property valuation report prepared by Cushman & Wakefield as set out in Appendix III to this listing document, the market value of the properties owned by our Group as at 30 September 2022 was approximately RMB3,006.8 million. Please refer to Appendix III to this listing document for further details.

SUMMARY OF KEY FINANCIAL INFORMATION

The following is a summary of our consolidated financial information as of and for the Track Record Period. We have derived the summary from our consolidated financial information set forth in the Accountants' Report in Appendix I to this listing document. The below summary should be read together with the consolidated financial information in Appendix I to this listing document, including the accompanying notes and the information set forth in the section headed "Financial Information" in this listing document. Our consolidated financial statements have been prepared in accordance with HKFRS.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Years ended 31 March			Six months ended 30 September	
	2020	**2021**	**2022**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	481,778	590,803	775,555	359,868	473,010
Cost of revenue	(132,756)	(161,477)	(188,554)	(88,717)	118,577
Gross profit	349,022	429,326	587,001	271,151	354,433
Operating profit	318,137	381,063	549,415	257,911	329,791
Profit before taxation	314,314	389,984	558,161	262,692	331,113
Income tax charge	(185,377)	(229,481)	(314,501)	(147,427)	(187,986)
Profit for the year/period	128,937	160,503	243,660	115,265	143,127
Total comprehensive income for the year/period	104,530	188,849	257,439	121,322	101,023

Revenue

Our revenue increased significantly by RMB113.1 million or 31.4% from RMB359.9 million for the six months ended 30 September 2021 to RMB473.0 million for the six months ended 30 September 2022, mainly due to the commencement of the sale and delivery of Phase 5 of Castfast Villas and Louvre Mansion which was partially offset by the slight decrease in ASP from RMB29,547 per sq.m. for the six months ended 30 September 2021 to RMB29,118 per sq.m. for the six months ended 30 September 2022.

Our revenue increased significantly by RMB184.8 million or 31.3% from RMB590.8 million for the year ended 31 March 2021 to RMB775.6 million for the year ended 31 March 2022, mainly driven by the commencement of the sale of Phase 5 of Castfast Villas and increased GFA delivered of Phase 4 of Castfast Villas coupled with the increase in ASP from RMB27,444 per sq.m. for the year ended 31 March 2021 to RMB 30,134 per sq.m. for the year ended 31 March 2022.

Our revenue increased by RMB109.0 million or 22.6% from RMB481.8 million for the year ended 31 March 2020 to RMB590.8 million for the year ended 31 March 2021, mainly due to the increase in the total GFA delivered from 19,797 sq.m. for the year ended 31 March 2020 to 23,464 sq.m. for the year ended 31 March 2021, which was primarily attributable to the completion and delivery of Phase 4 of Castfast Villas coupled with the increase in ASP of the Phase 3 of Castfast Villas from RMB26,527 per sq.m. for the year ended 31 March 2020 to RMB27,207 per sq.m. in the year ended 31 March 2021.

The following table sets forth a breakdown of revenue, ASP and GFA sold by projects for the years/periods indicated:

	For the year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
Revenue (RMB'000)					
Phase 3 of Castfast Villas	481,778	487,272	70,593	26,266	11,750
Phase 4 of Castfast Villas	—	103,531	530,235	333,602	112,458
Phase 5 of Castfast Villas	—	—	174,727	—	338,692
Louvre Mansion	—	—	—	—	10,110
Total	481,778	590,803	775,555	359,868	473,010
ASP (RMB/sq.m.) (VAT Inclusive)					
Phase 3 of Castfast Villas	26,527	27,207	27,894	27,538	25,954
Phase 4 of Castfast Villas	—	28,617	29,788	29,718	29,999
Phase 5 of Castfast Villas	—	—	32,321	—	31,974
Louvre Mansion	—	—	—	—	7,133
GFA sold (sq.m.)					
Phase 3 of Castfast Villas	19,797	19,521	2,758	1,040	493
Phase 4 of Castfast Villas	—	3,943	19,402	12,236	4,086
Phase 5 of Castfast Villas	—	—	5,893	—	11,546
Louvre Mansion	—	—	—	—	1,545
Total	19,797	23,464	28,053	13,276	17,670

The increase in ASP of the Phases 3 and 4 of Castfast Villas during the three years ended 31 March 2022 was primarily attributable to prevailing local market prices and the market demands for the properties. The slight decrease in ASP of Phase 3 of Castfast Villas during the six months ended 30 September 2022 was primarily attributable to the sale of units with less favourable locations and the prevailing market condition in Dongguan.

Selling expenses

Our selling expenses increased by RMB3.6 million or 78.8% from RMB4.6 million for the six months ended 30 September 2021 to RMB8.2 million for the six months ended 30 September 2022, primarily due to the increase in commission paid to sales agents of RMB1.6 million and advertising and promotion expenses of RMB1.8 million in relation to the sales of Phase 5 of Castfast Villas and Louvre Mansion.

Our selling expenses decreased by RMB7.5 million or 41.4% from RMB18.0 million for the year ended 31 March 2021 to RMB10.5 million for the year ended 31 March 2022, primarily due to the decreased commission paid to sales agent in relation to the sales of Phase 4 and Phase 5 of Castfast Villas which we engaged agents with lower commission rates. These agents were agents assigned by various professional real estate agent companies in the PRC. We held a number of sales fair where we engaged several 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, therefore, they were willing to accept a lower commission rate.

Our selling expenses increased by RMB1.3 million or 7.9% from RMB16.7 million for the year ended 31 March 2020 to RMB18.0 million for the year ended 31 March 2021, primarily due to slight increase of sales commission paid to real estate agents.

Gross Profit

Our gross profit increased by RMB83.3 million or 30.7% from RMB271.2 million for the six months ended 30 September 2021 to RMB354.4 million for the six months ended 30 September 2022, which is in line with the increase of our revenue.

Our gross profit increased by RMB157.7 million or 36.7% from RMB429.3 million for the year ended 31 March 2021 to RMB587.0 million for the year ended 31 March 2022 in line with the increase of our revenue.

Our gross profit increased by RMB80.3 million or 23.0% from RMB349.0 million for the year ended 31 March 2020 to RMB429.3 million for the year ended 31 March 2021 in line with the increase of our revenue.

Profit for the year/period

Our profit for the period increased by RMB27.9 million or 24.2% from RMB115.3 million for the six months ended 30 September 2021 to RMB143.1 million for the six months ended 30 September 2022 mainly due to the increase in revenue driven by the commencement of sale and delivery of Phase 5 of Castfast Villas and Louvre Mansion.

Our profit for the year increased by RMB83.2 million or 51.8% from RMB160.5 million for the year ended 31 March 2021 to RMB243.7 million for the year ended 31 March 2022 mainly due to the increase in revenue driven by the commencement of the sale of Phase 5 of Castfast Villas and increased GFA delivered of Phase 4 of Castfast Villas.

Our profit for the year increased by RMB31.6 million or 24.5% from RMB128.9 million for the year ended 31 March 2020 to RMB160.5 million for the year ended 31 March 2021 mainly due to the increase in revenue primarily attributable to the completion and delivery of Phase 4 of Castfast Villas coupled with the increase in ASP of the Phase 3 of Castfast Villas from RMB26,527 per sq.m. for the year ended 31 March 2020 to RMB27,207 per sq.m. for the year ended 31 March 2021.

Gross profit and gross profit margin by projects

The following table sets forth a breakdown of gross profit and gross profit margin by projects for the years/periods indicated:

	For the year ended 31 March									For the six months ended 30 September					
	2020			2021			2022			2021			2022		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	RMB'000	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000* (unaudited)	*RMB'000* (unaudited)	*%*	*RMB'000*	*RMB'000*	*%*
Phase 3 of Castfast Villas	481,778	349,022	72.4	487,272	352,866	72.4	70,593	52,007	73.7	26,266	19,262	73.3	11,750	8,425	71.7
Phase 4 of Castfast Villas	—	—	—	103,531	76,460	73.9	530,235	402,193	75.9	333,602	251,889	75.5	112,458	85,821	76.3
Phase 5 of Castfast Villas	—	—	—	—	—	—	174,727	132,801	76.0	—	—	—	338,692	256,531	75.7
Louvre Mansion	—	—	—	—	—	—	—	—	—	—	—	—	10,110	3,656	36.2
Total	**481,778**	**349,022**	**72.4**	**590,803**	**429,326**	**72.7**	**775,555**	**587,001**	**75.7**	**359,868**	**271,151**	**75.3**	**473,010**	**354,433**	**74.9**

We commenced sale of the Louvre Mansion and recognise revenue from September 2022. The gross profit margin of the Louvre Mansion is expected to be lower than the different Phases of Castfast Villas as it is not an urban renewal project and it has a higher land acquisition cost per sq.m.. In contrast, urban renewal projects usually have a lower land acquisition cost but longer development cycle. Urban renewal projects have the characteristic of long cycles and can provide an alternative way for developers to obtain land. Urban renewal projects usually involve longer developing cycle, longer pay back period, greater planning difficulty, and more efforts in negotiations with local government and local existing residents. Urban renewal projects may also involve uncertainties in respect of the preparatory work, including demolition works and resettlement of affected households. Urban renewal developments in general typically consist of the right owner model (權利人自改模式), the government-led model (政府主導模式), and also the cooperation model (村企合作模式), which was phased out by the relevant policy. 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. The right owner is permitted to conduct the three-old transformation projects on its 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. 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. For details, please refer to the sections headed "Industry Overview — Urban Renewal Overview" and "Business — Gross profit and gross profit margin by product series" in this listing document.

Apart from our revenue from sale of properties, we received rental income during the Track Record Period from renting out our Industrial Complex. Industrial Complex is located in Fenggang Town, Dongguan City, Guangdong Province. This site is currently zoned for industrial use and is currently rented out for rental income. The amounts were 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, which is considered to be financially insignificant to the Group. We intend to change the land use to residential use so that we can develop residential properties on the land. However, the proposed change of permitted use is subject to completion of several preparation works before approval for the proposed change of use can be obtained. For details, please refer to the paragraph headed "Description of our development projects" in the "Business" section. Since redevelopment involves sophisticated procedures and various negotiations with local government and villagers, there is an uncertainty of whether we can obtain or if we can obtain, when we can obtain or on what terms we can obtain the government approvals for the proposed change of permitted use of the Industrial Complex.

Major Costs Component

The summary below shows the major costs components of our Group during the Track Record Period:

	For the year ended 31 March						Six months ended 30 September			
	2020		2021		2022		2021		2022	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
							(unaudited)			
Cost of sale for sales of properties										
Construction and labour costs	113,261	85.3	133,934	82.9	152,173	80.7	71,770	80.9	98,031	82.7
Land use rights costs	16,706	12.6	23,517	14.6	31,237	16.6	15,127	17.1	17,056	14.4
Capitalised interest	2,789	2.1	4,026	2.5	5,144	2.7	1,820	2.0	3,490	2.9
Total	132,756	100.0	161,477	100.0	188,554	100.0	88,717	100.0	118,577	100.0

Selected information of our consolidated statements of financial position

	As of 31 March			As of 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	134,893	171,531	229,819	165,419
Current assets	1,586,065	2,029,061	1,745,380	1,409,516
Current liabilities	1,022,476	1,467,217	1,205,248	767,968
Net current assets	563,589	561,844	540,132	641,548
Total assets less current liabilities	698,482	733,375	769,951	806,967
Non-current liabilities	375,407	303,087	21,277	22,270
Net assets	323,075	430,288	748,674	784,697

For further details, please refer to the paragraph headed ''Financial information — Description of certain items in our consolidated statements of financial position'' in this listing document.

Net assets

Our net assets increased by RMB36.0 million or 4.8% from RMB748.7 million as at 31 March 2022 to RMB784.7 million as at 30 September 2022, which was mainly attributable to the net effect of (i) the decrease in bank borrowings of RMB89.8 million mainly due to the repayment of bank loans and (ii) contract liabilities of RMB273.8 million mainly due to the delivery of Phases 4 and 5 of Castfast Villas and partially offset by (i) the decrease in cash and bank deposits of RMB154.5 million, (ii) the decrease in pledged deposits of RMB46.8 million mainly due to the repayment of bank loans and (iii) the decrease in deferred tax assets of RMB65.0 million.

Our net assets increased by RMB318.4 million or 74.0% from RMB430.3 million as at 31 March 2021 to RMB748.7 million as at 31 March 2022, which was mainly attributable to (i) the net effect of our total comprehensive income of approximately RMB257.4 million for the year ended 31 March 2022 and (ii) the capitalisation of the amount due to fellow subsidiaries of RMB374.4 million as consideration for one share of the Company issued, details of the transaction are more fully explained in the section headed "History, Reorganisation and Corporate Structure" in the listing document. These increases were partially offset by the settlement of total consideration of the acquisition of Dongguan City Jiaxuntong of RMB313.5 million as deemed distribution during the year ended 31 March 2022.

Our net assets increased by RMB107.2 million or 33.2% from RMB323.1 million as at 31 March 2020 to RMB430.3 million as at 31 March 2021 which was mainly attributable to the net effect of our total comprehensive income of approximately RMB188.8 million for the year ended 31 March 2021 and partially offset by our dividends and distributions of approximately RMB81.6 million declared during the same year.

Net current assets

Our net current assets generally decreased during the Track Record Period primarily due to continuous increases in contract liabilities and trade and other payables in line with expansion of our property development activities, partially offset by increases in inventories and other contract costs as we accelerated our business expansion. Our net current assets increased from RMB540.1 million as at 31 March 2022 to RMB641.5 million as at 30 September 2022 primarily due to the decrease in bank borrowings and contract liabilities.

Summary of our consolidated cash flow statement

	For the year ended 31 March			For the six months ended 30 September	
	2020	2021	2022	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash generated from/(used in) operating activities	2,252	179,915	483,388	276,829	(60,359)
Net cash generated from investing activities	96,414	8,687	11,181	5,666	2,798
Net cash (used in)/generated from financing activities	(27,364)	38,933	(417,363)	19,594	(99,418)
Increase/(decrease) in cash and cash equivalents	71,302	227,535	77,206	302,089	(156,979)
Cash and cash equivalents at the beginning of the year/period	148,156	220,635	446,860	446,860	524,099
Effect of foreign exchange rate changes	1,177	(1,310)	33	(30)	2,524
Cash and cash equivalents at the end of the year/period	220,635	446,860	524,099	748,919	369,644

Our primary source of cash generated from operating activities is proceeds from the sales of our properties, including pre-sales of properties under development. Our primary uses of cash in operating activities are amounts that we pay for our property development activities, including land use rights costs and construction and labour costs. Our cash and cash equivalents at the end of the year generally increased during the three years ended 31 March 2022 primarily due to increase in net cash generated from operations as a result of increasing profit for the year. Our cash and cash equivalents decreased from RMB748.9 million as at 30 September 2021 to RMB369.6 million as at 30 September 2022 primarily due to (i) net cash used in operating activities as a result of decreasing trade and other payables and contract liabilities; and (ii) net cash used in financing activities as a result of increasing repayment of bank borrowings and distribution paid.

KEY FINANCIAL RATIOS

The following table sets forth key financial ratios as of and for the years/period indicated:

	As of/For the year ended 31 March			As of/for the six months ended 30 September
	2020	2021	2022	2022
Gross profit margin (1)	72.4%	72.7%	75.7%	74.9%
Net profit margin (2)	26.8%	27.2%	31.4%	30.3%
Return on equity (3)	39.9%	37.3%	32.5%	N/A
Return on total assets(4)	7.5%	7.3%	12.3%	N/A
Current ratio (5)	1.6	1.4	1.4	1.8
Gearing ratio (6)	1.2	0.9	0.3	0.2
Net gearing ratio (7)	34.6%	Net Cash	Net Cash	Net Cash

Notes:

(1) Gross profit margin is calculated by dividing the gross profit for the year/period by the revenue for the respective year/period and multiplied by 100%.

(2) Net profit margin is calculated by the profit for the year/period divided by the revenue for the respective year/period and multiplied by 100%.

(3) Return on equity is calculated by dividing the profit for the year with total equity as at the end of the respective year multiplied by 100%.

(4) Return on total assets is calculated by dividing the profit for the year with total assets as at the end of the respective year and multiplied by 100%.

(5) Current ratio is calculated by dividing the current assets by the current liabilities as at the end of the respective dates.

(6) Gearing ratio is calculated by dividing total bank borrowings and lease liabilities with total equity as of the end of the respective dates.

(7) Net gearing ratio is calculated by dividing total bank borrowings and lease liabilities less cash and bank deposits and pledged deposits with total equity as of the end of the respective dates and multiplied by 100%.

Gross Profit Margin

Our gross profit margin decreased slightly from 75.7% for the year ended 31 March 2022 to 74.9% for the six months ended 30 September 2022 primarily due to the lower gross profit margin for Louvre Mansion.

Our gross profit margin increased from 72.7% for the year ended 31 March 2021 to 75.7% for the year ended 31 March 2022, which was mainly due to higher ASP and higher gross profit margin for Phase 4 and Phase 5 of Castfast Villas.

Our gross profit margin remained stable and was 72.4% for the year ended 31 March 2020 and 72.7% for the year ended 31 March 2021.

Net Profit Margin

Our net profit margin remained stable and was 31.4% for the year ended 31 March 2022 and 30.3% for the six months ended 30 September 2022.

Our net profit margin increased from 27.2% for the year ended 31 March 2021 to 31.4% for the year ended 31 March 2022 which was mainly due to higher ASP and higher gross profit margin for Phase 4 and Phase 5 of Castfast Villas.

Our net profit margin increased from 26.8% for the year ended 31 March 2020 to 27.2% for the year ended 31 March 2021.

Return on equity

Our return on equity was 39.9%, 37.3% and 32.5% for the years ended 31 March 2020, 2021 and 2022, respectively. For the years ended 31 March 2020, 2021 and 2022, we continued to record an increase in profit for the year which contributed to an increase in our total equity at a greater magnitude given our low level of equity base and therefore our return on equity continued to decrease.

Return on total assets

Our return on total assets remained relatively stable at 7.5% and 7.3% for the years ended 31 March 2020 and 2021, respectively. Our return on total assets increased to 12.3% for the year ended 31 March 2022 primarily due to increase in our profit for the year ended 31 March 2022.

Current ratio

Our current ratio remained relatively stable at 1.6, 1.4, 1.4 and 1.8 times as of 31 March 2020, 2021 and 2022 and 30 September 2022, respectively.

Gearing ratio

Our gearing ratio was 1.2, 0.9, 0.3 and 0.2 times as of 31 March 2020, 2021 and 2022 and 30 September 2022, respectively. Our decrease in gearing ratio generally corresponds to the gradual decrease in our bank and other borrowings, coupled with effect of the increase in our total equity resulting from the profit for the year/period.

Net gearing ratio

Our net gearing ratio was 34.6% as of 31 March 2020. We had net cash as of 31 March 2021, 31 March 2022 and 30 September 2022, respectively. Our decrease in net gearing ratio generally corresponds to the decrease in our bank and other borrowings, and increment of pre-sale proceeds, coupled with the effect of the increase in our total equity resulting from the profit for the year/period.

For further details of our key financial ratios, see the section headed "Financial Information — Key Financial Ratios" in this listing document.

The proposed three red lines policy

In a public forum held in August 2020, MOHURD, the PBOC and certain property developers jointly discussed the long term regulatory mechanisms for the real estate sector in the PRC, which indicated that the proposed new standards, regulations or rules governing the external financing of property developers in the PRC:

The three ratios are required under such newly proposed standard, also known as the "Three Red-Lines", including: (a) liability-to-asset ratio after excluding contractual liabilities should not exceed 70.0%; (b) net gearing ratio should not exceed 100%; and (c) non-restricted cash-to-current borrowing ratio should not be lower than 1.0. For property developers who are not in compliance with all of three red-lines, they need to commit the target of deleveraging by 30 June 2023. It is further stipulated that (i) for property developers which comply with all of the three red-lines, their size of interest bearing liabilities may increase by less than 15% annually; (ii) for property developers which only comply with two of the three red-lines, their size of interest-bearing liabilities may increase by less than 10% annually; (iii) for property developers which only comply with one of the three red-lines, their size of interest-bearing liabilities may increase by less than 5% annually; and (iv) for property developers which fail to comply with all of the three red-lines, their size of interest-bearing liabilities shall not increase at all.

As of 30 September 2022, we had (1) liability-to-asset ratio after excluding contractual liabilities (calculated by dividing total liabilities minus contract liabilities by total assets minus contract liabilities) of 45.6%, which is below the cap ratio of 70.0%; (2) net gearing ratio (calculated based on the total bank borrowing and lease liabilities less cash and bank balances divided by the total equity at the end of the year/period multiplied by 100%) was not applicable as we were at a net cash position; and (3) non-restricted cash-to-current borrowing ratio (calculated by dividing non-restricted cash and cash equivalents by current borrowings) of 2.7, which was higher than the minimum requirement of 1.0.

OUR CONTROLLING SHAREHOLDER

Immediately following the completion of the spin-off, our Company will cease to be a subsidiary of Karrie International, and Mr. Ho Cheuk Fai, Ms. Ho Po Chu, New Sense Enterprises Limited (wholly-owned by TMF (BVI) Limited ("**TMF**") as trustee for The Ho Family Trust), Honford Investments Limited (wholly-owned by TMF as trustee for The Ho Family Trust), Castfast Properties Development Co., Limited (**[REDACTED]** of the issued share capital of which is beneficially owned by Honford Investments Limited) and The Wedding City Co., Limited (**[REDACTED]** and **[REDACTED]** of the issued share capital of which is beneficially owned by Mr. Ho Cheuk Fai and Ms. Ho Po Chu, respectively) will be the Controlling Shareholder of our Company. As they will together continue to control more than 30% of the issued share capital of our Company, they will be regarded as a group of Controlling Shareholders under the Listing Rules. For more information, see the section headed "Relationship with Controlling Shareholders" in this listing document.

REASONS FOR AND BENEFITS OF THE SPIN-OFF AND THE LISTING

Our Listing constitutes a Spin-off from Karrie International. Karrie International is a well-established company listed on the Main Board for over 25 years. Prior to the completion of the Spin-off, Karrie International is principally engaged in (i) the metal and plastic business; (ii) the electronic manufacturing business; and (iii) the real estate business.

The industrial businesses of Karrie International, comprising the (i) metal and plastic business and (ii) electronic manufacturing business, have been the core focus of Karrie International Group and have demonstrated an overall growing trend in terms of revenue over the years. Going forward, the directors of Karrie International intend to continue to strengthen its industrial businesses, by (i) enhancing its product integration capacities and improving its supply chain management, etc.; (ii) strengthening its talent training; and (iii) expanding its business scope and identifying new prospective customers. To continue the success of its industrial businesses, directors of Karrie International consider that it is Karrie International's strategy to concentrate resources to support the expansion and strengthening of these core business segments, while the Spin-off creates a separate fund raising platform for our Group to develop its real estate business in the PRC without having to compete for capital resources with other business segments of the Karrie International Group. In light of the PRC government policy to develop the Greater Bay Area into a world-class cluster and the success of Phase 3 of Castfast Villas, our Directors consider that there will be growth potential in the property market in selected cities in the Greater Bay Area going forward. In this connection, in light of our Group's gradually maturing real estate business and the government policy which aims to stimulate the development of the Greater Bay Area, our Directors consider that we would require dedicated management personnel and staff and financial resources to materialise our business strategies and expansion plan and seize the market growth. Our Directors believe the Spin-off can help facilitate such goal.

Taking into account the above, our Directors and the directors of Karrie International believe that the Spin-off is in the interests of our Group and the Karrie International Group and will position each of our Group and the Karrie International Group better for growth in their respective businesses and deliver clear benefits to both by the following:

(a) More defined business focus and efficient resource allocation;

(b) Clarifies the equity story and creates or unlocks value for shareholders by better identifying and establishing the value of our Group; and

(c) Enhances access to capital markets for our Group and increases financing flexibility.

Please refer to the section headed "The Distribution and Spin-off" in this listing document for details.

DIVIDEND

Prior to the acquisition of Dongguan City Jiaxuntong which was approved by the Karrie International Shareholders on 21 February 2022, our Company distributed and paid RMB10.0 million and RMB20.0 million to Mr. Ho Cheuk Fai during the years ended 31 March 2020 and 2021 respectively. During the year ended 31 March 2021, dividend of RMB61,636,000 have also been declared and was capitalised as part of loan capitalisation on 8 March 2022. Such dividend was declared by Castfast Industrial and Kwong Hing to Karrie International BVI, the immediate holding company that is a subsidiary of Karrie International and will not be part of our Group after the completion of the Spin-off. During the six months ended 30 September 2022, our Company declared and paid an interim dividend RMB65,000,000 to Karrie International. We may declare dividends in the future after taking into account various factors. Any declaration of dividends, is subject to our results of operations, working capital and cash position, future business and earnings, capital requirements, contractual restrictions, if any, as well as any other factors which our Directors may consider relevant. In addition, any declaration and payment as well as the amount of the dividends will be subject to the provisions of (i) our Articles of Association, which require any final dividends to be approved by our Shareholders at a general meeting, and (ii) the Cayman Companies Act, which provides that dividends may be paid out of sums standing to the credit of its share premium account provided that immediately following the payment of dividend, our Company shall be able to pay its debts as they fall due in the ordinary course of business. Any future declarations and payments of dividends will be at the discretion of our Directors and may require the approval of our Shareholders. Under applicable PRC law, each of our subsidiaries in the PRC may only distribute after-tax profits after it has made allocations or allowances for recovery of accumulated losses and allocations to the statutory reserves.

SUMMARY OF NON-COMPLIANCE INCIDENTS

During the Track Record Period, we had identified certain incidents of non-compliance with relevant laws and regulations in the PRC, such as non-compliance incidents in relation to pre-sale proceeds, failure to fully or directly deposit the required amounts into designated escrow accounts and delay in completion of construction within the prescribed period as stipulated in the relevant land grant contracts. Such non-compliance incidents have not resulted and are not expected to result, in any material impact on our Group's financial condition and operations. Please refer to the section headed "Business — Legal and Regulatory Compliance — Non-compliance incidents" of this listing document for further details of these non-compliance incidents.

[REDACTED]

For the year ended 31 March 2020, we did not incur any **[REDACTED]**. We incurred **[REDACTED]** of approximately **[REDACTED]**, **[REDACTED]** and **[REDACTED]** for the years ended 31 March 2021 and 2022 and the six months ended 30 September 2022, respectively. Approximately **[REDACTED]** of **[REDACTED]** is expected to be recognised and charged to our consolidated statements of profit or loss subsequent to the Track Record Period. The total amount of **[REDACTED]** for the Listing are estimated to be **[REDACTED]**, of which (i) no **[REDACTED]** expenses (including but not limited to commission and fee) will be involved due to **[REDACTED]**, (ii) **[REDACTED]** expenses amount to RMB**[REDACTED]**, comprising fees and expenses of accountants of RMB**[REDACTED]**, fees and expenses of legal advisors RMB**[REDACTED]** and other fees and expenses of RMB**[REDACTED]**.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Development Pipeline

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 (the "**Development Area**") into a cultural and creative town. The actual cooperation includes but not limited to urban planning, land development, urban renewal, real estate development, urban operation, etc. We will assist Hecheng Sub-district Office in planning the area, leading the conceptual planning scheme for the area, assisting in the preparation of special planning, market research and urban development research. In particular, Hecheng Sub-district Office has launched one portion of residential land (approximately 34,448 sq.m.) (the "**Hecheng Neighbourhood Parcel**") in the Development Area for auction on 25 March 2022, and we have participated into such auction and successfully obtained the land.

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 Hecheng Neighbourhood Parcel is situated at Hecheng Neighbourhood, Gaoming District, Guangdong Province, Foshan City, the PRC, north to Fulong Bridge and west to Hefu Road (中國廣東省佛山市高明區荷城街道富龍大橋以北、荷富路以西) with a total site area of approximately 34,448 sq.m. 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 shall be settled on or before 27 March 2023. The Hecheng Neighbourhood Parcel is for residential use with a term of 70 years, compatible with retail commercial, wholesale market, catering, hotel and business and financial use with a term of 40 years. The acquisition of the Hecheng Neighbourhood Parcel has been disclosed in the announcement dated 1 April 2022 issued by Karrie International.

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.

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 matching our investment requirements after considering the acquisition price, the location of the land, the status and planning of our nearby projects. As at the Latest Practicable Date, there are no other potential lands that are being considered by the Company and/or are up for bidding in the Development Area.

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 such as places with no property price restriction and with good infrastructure and transport link.

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. In 2022, there has been an increasing number of COVID-19 cases, including the COVID-19 Delta and Omicron variant cases, in multiple cities in China. Certain measures to keep COVID-19 in check, including travel restrictions and stay-at-home orders have been reinstated.

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 of Phase 4 of Castfast Villas were suspended from January 2020 to March 2020 in response to the same government orders, which resulted in a short delay in the sale commencement of Phase 4 of Castfast Villas. Apart from that, short term suspensions in construction and sales activities occurred from time to time due to COVID-19 related reasons, such as stay home orders, traffic control, COVID-19 testings, etc. The approval process of obtaining pre-sale permits also slowed down during the pandemic. Accordingly, we obtained the pre-sale permits of certain block of Phase 4 of Castfast Villas in June 2020, which was a 2-month delay from our original plan and the pre-sale permits of certain blocks of Phase 5 were first obtained in June 2021, which was a 9-month delay from our original plan. 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. 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. Despite the short term delay and suspension, we did not experience material negative operational and financial impact during the Track Record Period due to COVID-19 related reasons. However, our Directors believe that COVID-19 pandemic may affect our operation and financial performance negatively in the future, such as slowing down sales activities and delaying revenue recognition.

Recent regulatory development

Draft Overseas Listing Administration Provisions

On 24 December 2021, China Securities Regulatory Commission ("**CSRC**") issued the Provisions of State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》) (the "**Draft Overseas Listing Administration Provisions**") and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) (the "**Draft Overseas Listing Filing Measures**", together with the Draft Overseas Listing Administration Provisions, the ("**Draft Regulations on Listing**"). The Draft Regulations on Listing, if adopted and became effective, will reform the existing regulatory regime for overseas offering and listing of the PRC domestic companies' securities, and will regulate both direct and indirect overseas offering and listing of the PRC domestic companies' securities by adopting a filing-based regulatory regime.

According to the Draft Regulations on Listing, the PRC domestic companies that are going to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfil the required filing procedures with CSRC and report relevant information. Overseas offerings and listings by the PRC domestic enterprises that are prohibited by applicable laws and regulations, constitute threat to or endanger national security, involve material ownership disputes, where the PRC domestic companies, their controlling shareholder or actual controller involving in certain criminal offence, or where directors, supervisors and senior management of the issuer involving in certain criminal offence or administrative penalties, among other circumstances, are explicitly forbidden.

The Draft Overseas Listing Filing Measures provides that if an issuer meets the following criteria, its overseas securities offering and listing will be deemed as indirect overseas offering by the PRC domestic companies: (i) any of the revenue, net profit, total assets or net assets of the PRC domestic enterprises in the latest fiscal year accounted for more than 50% of the respective total revenue, net profit, total assets or net assets of the issuer as extracted from the audited consolidated financial statements in the latest fiscal year (the "**Financial Criteria**"); (ii) a majority of the officers responsible for management of the issuer are the PRC citizens or have their usual place of residence located in Mainland China, the issuer's major business is located at Mainland China (the "**Operational Criteria**"). Where an issuer makes an application for initial public offering to competent overseas regulators, the issuer shall make filings to CSRC within three working days after submission of such application (the "**CSRC filing**").

At the press conference held for the Draft Regulations on Listing, officials from CSRC clarified that implementation of the Draft Regulations on Listing will not have retroactive effect, which means the initial public offerings by the PRC domestic companies conducted before the foregoing regulations become effective will not be subject to such regulations, or such issuers will not be required to make filings with CSRC. Further, the new regulations will grant a proper transition period for existing overseas-listed companies that do not have subsequent financing activities to comply with the filing requirement.

We meet both the Operational Criteria and the Financial Criteria, therefore, as advised by our PRC Legal Advisors, the Draft Regulations on Listing may be applicable to our listing and we may be required to carry out the filings with CSRC in accordance with the Draft Regulations on Listing. Our management believes that even if the obligation of the CSRC filing is triggered, it does not impose new compliance requirements on our business, and we do not foresee any obstacles which may prevent us from completing such filing, nor would the Draft Regulations on listing have a material adverse impact on our business operations.

As of the Latest Practicable Date, the final version and effective date of the Draft Regulations on Listing are subject to change with substantial uncertainties. Therefore, as advised by our PRC Legal Advisors, we are currently not subject to any filing procedures with or approval by CSRC. During the Track Record Period and up to the Latest Practicable Date, we had not received any inquiries, notices, warnings, or sanctions regarding our Listings from CSRC or any other PRC government authorities with respect to the filing requirement under the new regulatory regime.

Further, to our best knowledge, none of the circumstances stipulated in Article 7 of the Draft Overseas Listing Administration Provisions that would prohibit the PRC domestic companies from conducting overseas offerings and listings exists for us, and our PRC Legal Advisors are of the view that and the Sole Sponsor concurs that we do not fall within any of the circumstances stipulated in Article 7 of the Draft Overseas Listing Administration Provisions which would prohibit the PRC domestic companies from conducting overseas offerings and listings. Therefore, if the Draft Regulations on Listing become effective in their current form, other than uncertainties which may be further clarified in the final version of the Draft Regulations on Listing or their implementation rules, we do not foresee any impediment for us to comply with the Draft Regulations on listing in any material respect.

Recent Regulations on the Real Estate Industry

On 23 October 2021, the Standing Committee of the National People's Congress ("**Standing Committee of the NPC**") passed a resolution to authorise the State Council to carry out pilot projects for the Real Estate Tax Reform in certain regions. According to the Real Estate Tax Reform Policy, real estate tax is proposed to be imposed on land owners and property owners of various types of properties, such as residential or non-residential properties, except for rural homestead and buildings. Furthermore, the Real Estate Tax Reform Policy authorise the State Council to formulate specific measures for the real estate tax pilot program, determine the list of cities for the pilot program, file records with the Standing Committee of the NPC and authorise the local governments of pilot cities or regions to formulate specific implementing rules. However, during the Track Record Period and up to the Latest Practicable Date, the Real Estate Tax Reform Policy had not yet specified the pilot cities or regions, tax base or rate or other details of the proposed real estate tax, and the specific measures and implementing rules for the pilot program have not been promulgated yet.

According to C&W, the Real Estate Tax Reform Policy may affect the availability of newly constructed projects for the property market; however, the Real Estate Tax Reform Policy is not expected to have a material adverse impact on the landscape for property demand and supply in the long run. In 2011, as one the pilot cities of property tax collection on personal housing, Shanghai started to levy taxes on personal housing. After the introduction, the total GFA of commodity residential properties sold and the total sales amount of commodity residential properties in Shanghai both decreased initially. However, after 2011, the total GFA sold and the total sales amount both bounced back. According to C&W, the nature of the pilot program in Shanghai is similar to the real estate tax pilot program authorised by the Real Estate Tax Reform Policy. Based on the experience of Shanghai, it is expected that the market will take time to digest the policy, and the transaction volume and sales amount are both expected to decrease within a short period after the announcement of the policy. The performance of the real estate market is still dependent on many other factors such as economic performance, disposal income, market demand, and supply, etc. If this policy is introduced to individual buyers in Dongguan and Huizhou in this pilot scheme, the residential property market in Dongguan and Huizhou would be cooled down due to the increase in the holding cost of residential properties. However, in view of the strong demand for new commodity residential properties in Dongguan, Huizhou and Foshan which have a mix of fundamental and investment demand according to C&W Report and by making reference to the experience of Shanghai which only had a short term impact on sales amount of commodity residential properties, our Directors are of the view that the transaction volume and sales amount will resume to normal after the market has digested the news, depending on the aforementioned factors. Therefore, our Directors and the PRC Legal Advisors are of the view that the aforesaid recent regulatory developments are not expected to have material adverse impact on our operation and financial performance in the long run, and nothing has come to the attention of the Sole Sponsor that would cause the Sole Sponsor to disagree with the Directors' view above.

On 28 December 2020, the PBOC and the China Banking and Insurance Regulatory Commission (the "**CBIRC**") promulgated the Notice on Establishment of a Concentration Management System for Real Estate Loans of Financial Institutions (《關於建立銀行業金融機構房地產貸款集中度管理制度的通知》) (the "**Joint Notice**") to strengthen financial regulations in real estate industry. The Joint Notice requires the ratio of real estate loans and the ratio of personal housing loans shall not exceed the upper limit of the ratio of real estate loans or the upper limit of the ratio of personal housing loans determined by the PBOC and the CBIRC, and the development banks and policy banks shall implement this requirements by making the necessary changes. Financial institutions in the banking industry whose concentration of real estate loans exceeds the management requirements shall have an adjustment plan to progressively attain the management requirements within the business adjustment transitional period. The Joint Notice does not raise the interest rates of individual housing loans, but limits the proportion of individual housing loans of various commercial banks, which are control measures taken by the PRC government to curb the real estate market and promote steady and healthy development of the real estate market. According to the C&W Report, the Joint Notice mainly affects residential properties, and in the short term, in light of the Joint Notice, some banks and financial institutions may be reluctant to provide financing to personal housing mortgages, which in turn affects purchasing power of personal housing buyers, residential property sales and the growth of real estate sector. It will defer the purchase decision and result in reduction in transaction volume in the short term. However, according to C&W Report, real estate demand is dependent on various factors including population growth, disposable income, interest rate, inflation, etc. and it is expected that such policy can support the stable and healthy development of the real estate market in the long run. Moreover, it is expected that the impact of the Joint Notice would be balanced out by the introduction of different policies by the PRC government to stimulate the real estate market, such as the adjustment of the China loan prime rate by the PBOC and further optimisation and relaxation of housing purchase policies during January 2022 to August 2022. As such, our Directors consider that the impact of the Joint Notice, if any at all, would be manageable as these policies will only defer the purchase decision and result in reduction in transaction volume in the short run according to the C&W Report. In light of the aforesaid, our Directors and the PRC Legal Advisors consider that the business operations and financial performance of our Group would unlikely be materially adversely affected by the Joint Notice for property purchasers in the long run in the PRC, and nothing has come to the attention of the Sole Sponsor that would cause the Sole Sponsor to disagree with the Directors' view above.

Our Directors confirm that the aforementioned recent regulatory developments had no material adverse impact on our Group up to the Latest Practicable Date.

No Material Adverse Change

Our Directors confirm that, as of the date of this Document, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since 30 September 2022, the end of the period reported on in the Accountants' Report included in Appendix I to this listing document.

In this listing document, the following expressions and terms shall have the meanings set out below unless the context otherwise requires. Certain terms are explained in the section headed "Glossary of Technical Terms" in this listing document.

"Abundant Tech"	Abundant Tech International Development Limited (創達國際發展有限公司), a company incorporated in the BVI with limited liability on 1 February 2017, which is a direct wholly-owned subsidiary of Benefit Master
"Accountants' Report"	the accountants' report set out in Appendix I to this listing document
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company conditionally adopted on [•] 2022 and effective on the Listing Date, a summary of which is set out in the section headed "Appendix IV — Summary of the Constitution of our Company and the Cayman Islands Company Law" to this listing document, as amended or supplemented from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Beneficial Karrie International Shareholder(s)"	beneficial owner(s) of Karrie International Shares whose Karrie International Shares are registered in the name of a Registered Karrie International Shareholder
"Benefit Master"	Benefit Master Limited, a company incorporated in the BVI with limited liability on 8 September 2015, which is a direct wholly-owned subsidiary of our Company
"Board" or "Board of Directors"	the board of directors of our Company
"Boluo Jiayingli"	Boluo County Jiayingli Real Estate Development Co., Ltd.* (博羅縣嘉盈利房地產開發有限公司), a company established in the PRC with limited liability on 11 January 2017, which is a direct wholly-owned subsidiary of Kar Gain

"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Castfast Industrial"	Castfast Industrial (Yan Tien) Limited (雁田嘉輝塑膠五金廠有限公司), a company incorporated in Hong Kong with limited liability on 29 September 1987, which is a direct wholly-owned subsidiary of Benefit Master
"Castfast Villas"	our residential property located in Fenggang Town, Dongguan City, Guangdong Province
"Cayman Companies Act" or "Companies Act"	the Companies Act Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Civil Code"	the Civil Code of the PRC (《中華人民共和國民法典》), which was promulgated by the NPC and became effective on 1 January 2021
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Company" or "our Company"	KRP Development Holdings Limited (嘉創房地產控股有限公司), a company incorporated in the Cayman Islands with limited liability on 2 September 2020
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and, in the context of this listing document, means the controlling shareholders of our Company, namely, Mr. Ho Cheuk Fai, Ms. Ho Po Chu, New Sense Enterprises Limited, Honford Investments Limited, Castfast Properties Development Co., Limited and The Wedding City Co., Limited, as further detailed in the section headed "Relationship with Controlling Shareholders" in this listing document
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Corporate Division"	the corporate division of Dongguan City Jiaxuntong into two companies, details of which are set out in "History, Reorganisation and Corporate Structure — Reorganisation — Corporate Division of Dongguan City Jiaxuntong" in this listing document
"COVID-19"	Novel Coronavirus (COVID-19) or Novel Coronavirus Pneumonia, a respiratory illness that was quickly spread around the world in 2020
"Cushman & Wakefield" or "C&W"	Cushman & Wakefield Limited, an independent market research company
"C&W Report"	a report commissioned by us and independently prepared by Cushman & Wakefield, the industry consultant

"Deed of Indemnity"	the deed of indemnity dated [•] 2022 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of our subsidiaries) to provide certain indemnities, particulars of which are set out in "Appendix V — Statutory and General Information G. Other Information — 1. Tax and other indemnities" to this listing document
"Deed of Non-competition"	the deed of non-competition dated [•] 2022 and executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of our subsidiaries), details of which are set out in the section headed "Relationship with Controlling Shareholders — Deed of Non-Competition" in this listing document
"Director(s)" or "our Director(s)"	the director(s) of our Company
"Distribution Record Date"	the record date for determining entitlements to the Distribution, being **[REDACTED]**
"Distribution"	the conditional special interim dividend expected to be declared by the Karrie International Board on [•] 2022 to be satisfied by way of the distribution in specie of such number of Shares held by Karrie International to, inter alia, the Qualifying Karrie International Shareholders, in the proportion of one Share for every **[REDACTED]** Karrie International Shares held by them on the Distribution Record Date, the record date for determining entitlements to the Distribution, being **[REDACTED]**, further details of which are set out in the section headed "The Distribution and Spin-off" in this listing document
"Dongguan City Jiahao"	Dongguan City Jiahao Industry Co. Ltd.* (東莞市嘉灝實業有限公司), a company established in the PRC with limited liability on 8 March 2016, which is a direct wholly-owned subsidiary of Dongguan Jiahui

"Dongguan City Jiali"	Dongguan City Jiali Development Event Planning Co., Ltd.* (東莞市嘉利拓展活動策劃有限公司), a company established in the PRC with limited liability on 5 February 2018, which is a direct wholly-owned subsidiary of Dongguan Fenggang Caston and became part of the Karrie International BVI Remaining Group
"Dongguan City Jiaxuntong"	Dongguan City Jiaxuntong Computer Products Limited* (東莞市嘉訊通電腦產品有限公司), a company established in the PRC with limited liability on 7 September 2000 and is directly wholly-owned by Kar Info Property, which is in turn wholly-owned by Mr. Ho Cheuk Fai, prior to the Reorganisation
"Dongguan Fenggang Caston"	Dongguan Fenggang Caston Metal & Plastics Company Limited* (東莞鳳崗嘉安塑膠五金有限公司), a company established in the PRC with limited liability on 24 May 2011, which is an indirect wholly-owned subsidiary of Karrie International BVI and is part of the Karrie International BVI Remaining Group
"Dongguan Jiading"	Dongguan Jiading Properties Development Co., Ltd* (東莞嘉鼎房地產開發有限公司), a company established in the PRC with limited liability on 11 May 2021, which is a direct wholly-owned subsidiary of Kar King
"Dongguan Jiafeng"	Dongguan Jiafeng Properties Development Co., Ltd.* (東莞嘉灃房地產開發有限公司), a company established in the PRC with limited liability on 4 July 2021, which is a direct wholly-owned subsidiary of Castfast Industrial
"Dongguan Jiahui"	Dongguan Jiahui Wedding Exhibition Service Co., Ltd.* (東莞嘉輝婚慶會展服務有限公司), a company established in the PRC with limited liability on 1 August 2013, which is a direct wholly-owned subsidiary of Gold Praiseworthy Wedding
"Dongguan Jiazhan"	Dongguan Jiazhan Properties Development Co., Ltd.* (東莞嘉展房地產開發有限公司), a company established in the PRC with limited liability on 30 September 2021, which is a direct wholly-owned subsidiary of KRP Development

"Dongguan Karrie"	Dongguan Karrie Properties Development Co., Ltd.* (東莞嘉創房地產開發有限公司), a company established in the PRC with limited liability on 17 September 2013, which is a direct wholly-owned subsidiary of Castfast Industrial
"Dongguan Wansheng"	Dongguan Wansheng Trading Co., Ltd.* (東莞萬升貿易有限公司), a company established in the PRC with limited liability on 21 March 2017, which is a direct wholly-owned subsidiary of Kar York
"EIT Law"	Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法), as amended or supplemented from time to time
"EIT"	the PRC enterprise income tax
"Excluded Jurisdiction"	those jurisdiction(s) outside Hong Kong in respect of which the Karrie International Board and our Board have determined, after making relevant enquiries and based on the legal advice received, that it is necessary or expedient not to issue Shares pursuant to the Distribution, on account of either the legal restrictions under the applicable laws of such jurisdiction(s) and/or the requirements of the relevant regulatory bodies or stock exchanges in such jurisdiction(s). As at the Latest Practicable Date, there had no Excluded Jurisdiction.
"Excluded Karrie International Shareholder(s)"	the Overseas Karrie International Shareholder(s) with registered address(es) in an Excluded Jurisdiction, and Karrie International Shareholders or Beneficial Karrie International Shareholders who are otherwise known by Karrie International to be residents of, or located in, jurisdictions outside Hong Kong as at the Distribution Record Date, whom the Karrie International Board and our Board, after making relevant enquiries and based on the legal advice provided by their legal advisors, consider it necessary or expedient to exclude from receiving Shares pursuant to the Distribution on account of the legal restrictions under the applicable laws of the relevant jurisdictions where they are located or resident in and/or the requirements of the relevant regulatory bodies or stock exchanges in those jurisdictions

"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"Foshan City Jianuo"	Foshan City Jianuo Properties Development Co., Ltd* (佛山市嘉諾房地產開發有限公司), a company established in the PRC with limited liability on 5 July 2021, which is owned as to 95% by Dongguan Jiading and 5% by an independent third party, namely Foshan Yuheng Real Estate Investment Co., Ltd.* (佛山市譽衡房地產投資有限公司)
"Foshan Jiahe"	Foshan Jiahe Properties Development Co., Ltd* (佛山嘉荷房地產開發有限公司), a company established in the PRC with limited liability on 11 March 2022, which is a direct wholly-owned subsidiary of Foshan Jiazhen
"Foshan Jiazhen"	Foshan Jiazhen Properties Development Co., Ltd* (佛山嘉鎮房地產開發有限公司), a company established in the PRC with limited liability on 9 March 2022, which is a direct wholly-owned subsidiary of Dongguan Karrie
"FY" or "financial year"	financial year of our Company ended or ending 31 March
"Gold Praiseworthy"	Gold Praiseworthy Limited, a company incorporated in the BVI with limited liability on 1 June 2012, which is a direct wholly-owned subsidiary of Benefit Master
"Gold Praiseworthy Wedding"	Gold Praiseworthy Wedding Convention Limited (金激賞婚慶會展有限公司), a company incorporated in Hong Kong with limited liability on 23 August 2012, which is a direct wholly-owned subsidiary of Gold Praiseworthy
"Greater Bay Area"	the Guangdong-Hong Kong-Macao Greater Bay Area comprises the two Special Administrative Regions of Hong Kong and Macao, and the nine cities of Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan Jiangmen and Zhaoqing in Guangdong Province (excluding for the purposes of this listing document only, Hong Kong and Macau)

"Group", "our Group", "we", "our" or "us"	our Company and, except where the context otherwise requires, all of its subsidiaries or where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries were engaged in and which were subsequently assumed by it
"HK$", "HKD" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards which include standards and interpretations promulgated by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong Branch Share Registrar"	**[REDACTED]**
"Hong Kong"	the Hong Kong Special Administrative Region
"independent third party(ies)"	individuals(s) or company(ies), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not connected person(s) of our Company within the meaning ascribed thereto under the Listing Rules
"Kar Gain"	Kar Gain Enterprise Company Limited (嘉盈利企業有限公司), a company incorporated in Hong Kong with limited liability on 4 December 2014, which is a direct wholly-owned subsidiary of Benefit Master
"Kar Info International"	Kar Info International Property Limited, a company incorporated in the BVI with limited liability on 15 April 2015, which is a direct wholly-owned subsidiary of Benefit Master

"Kar Info Property"	Kar Info Property Limited (嘉訊通(香港)置業有限公司), a company incorporated in Hong Kong with limited liability on 17 July 2009, which is a direct wholly-owned subsidiary of Kar Info International prior to the Reorganisation
"Kar King"	Kar King Development Company Limited (嘉鼎發展有限公司), a company incorporated in Hong Kong with limited liability on 10 October 2012, which is a direct wholly-owned subsidiary of Benefit Master
"Kar York"	Kar York Industrial Company Limited (嘉泰裕實業有限公司), a company incorporated in Hong Kong with limited liability on 26 May 2014, which is a direct wholly-owned subsidiary of Benefit Master
"Karrie Industrial"	Karrie Industrial Company Limited, a company incorporated in Hong Kong with limited liability on 7 October 1980, which is a direct wholly-owned subsidiary of Karrie International BVI and is part of the Karrie International BVI Remaining Group
"Karrie International Board"	the board of directors of Karrie International
"Karrie International BVI"	Karrie International (BVI) Limited, a company incorporated in the BVI with limited liability on 5 July 1996, which is a direct wholly-owned subsidiary of Karrie International
"Karrie International BVI Remaining Group"	Karrie International BVI and its subsidiaries (including Dongguan Fenggang Caston and Karrie Industrial but excluding our Group)
"Karrie International Group"	Karrie International and its subsidiaries prior to completion of the Spin-off, which includes our Group
"Karrie International"	Karrie International Holdings Limited (嘉利國際控股有限公司), a company incorporated in the Bermuda with limited liability on 29 October 1996, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1050)
"Karrie International Remaining Group"	Karrie International and its subsidiaries (excluding our Group and Karrie International BVI Remaining Group)

"Karrie International Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of Karrie International
"Karrie International Shareholder(s)"	holder(s) of Karrie International Share(s)
"Karrie International Share Options"	the outstanding share options as at the Latest Practicable Date to subscribe for 2,150,000 Karrie International Shares under the share option scheme conditionally adopted by Karrie International on 24 August 2012
"Karrie Properties"	Karrie Properties Management Limited (嘉利房地產管理有限公司), a company incorporated in Hong Kong with limited liability on 11 March 1988, which is a direct wholly-owned subsidiary of Benefit Master
"KRP Development"	KRP Development Company Limited (嘉創物業發展有限公司), a company incorporated in Hong Kong with limited liability on 9 June 2021, which is a direct wholly-owned subsidiary of Benefit Master
"Kwong Hing"	Kwong Hing Computer Metallic Components Limited (廣興電腦金屬配件有限公司), a company incorporated in Hong Kong with limited liability on 11 December 1981, which is a direct wholly-owned subsidiary of Benefit Master
"Latest Practicable Date"	20 November 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this listing document prior to its publication
"Louvre Mansion"	our property development project located in Boluo County, Huizhou City, Guangdong Province
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date expected to be on or around **[REDACTED]**, on which the Shares are first listed and from which dealings in the Shares are permitted to take place on the Main Board of the Stock Exchange

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Macau"	the Macau Special Administrative Region
"Main Board"	the stock market operated by the Stock Exchange prior to the establishment of the GEM (excluding the options market) and which stock market continues to be operated by the Stock Exchange in parallel with the GEM
"Massive Era"	Massive Era Limited, a company incorporated in the BVI with limited liability on 1 April 2015, which is the direct wholly-owned subsidiary of Benefit Master
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company conditionally adopted on 2 September 2020 and effective on the Listing Date, as amended or supplemented from time to time
"MLR" or "Ministry of Land and Resources"	The Ministry of Land and Resources of the PRC (中華人民共和國國土資源部), which will be incorporated into the Ministry of National Resources of the PRC (中華人民共和國自然資源部) in accordance with the institutional reform initiated in 2018
"MOHURD" or "Ministry of Construction"	the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) or its predecessor, the Ministry of Construction of the PRC (中華人民共和國建設部)
"Overseas Karrie International Shareholder(s)"	Karrie International Shareholder(s) whose address(es), as shown on the register of members of Karrie International on the Distribution Record Date, is or are in jurisdiction(s) outside Hong Kong
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Phase 3 Project Company"	Dongguan City Jiaxuntong Computer Products Limited* (東莞市嘉訊通電腦產品有限公司), the subsisting company after the completion of the Corporate Division, which is an indirect wholly-owned subsidiary of Benefit Master

"PRC" or "China"	the People's Republic of China, excluding for the purposes of this listing document only, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"PRC Company Law"	Company Law of the PRC, as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	generally accepted accounting principles in the PRC
"PRC Legal Advisors"	Fangda Partners, the legal advisor to our Company as to PRC law
"Qualifying Karrie International Shareholder(s)"	Karrie International Shareholder(s) whose name(s) appear on the register of members of Karrie International on the Distribution Record Date, but excluding the Excluded Karrie International Shareholder(s).
"Registered Karrie International Shareholder(s)"	in respect of a Beneficial Karrie International Shareholder, any nominee, trustee, depositary or any other authorised custodian or third party whose name is entered in the register of members of Karrie International as the holder of the Karrie International Shares in which the Beneficial Karrie International Shareholder is beneficially interested
"Relevant Person"	the Sole Sponsor, any of its, our Company's or Karrie International's respective directors, officers or representatives or any other person involved in the Listing
"Remaining Group"	Karrie International BVI Remaining Group and Karrie International Remaining Group
"Reorganisation"	the reorganisation of our Group in preparation for the Listing, details of which are set out in the section headed "History, Reorganisation and Corporate Structure — Reorganisation" in this listing document
"RMB"	Renminbi, the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange of the PRC* (中華人民共和國國家外匯管理局)

"SAIC"	the State Administration for Industry and Commerce
"SAT"	State Administration of Taxation of the PRC* (中華人民共和國國家稅務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on [•], the principal terms of which are summarised under the appendix headed "Appendix V — Statutory and General Information — E. Share Option Scheme" to this listing document
"Share(s)"	ordinary share(s) with a nominal value of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of Shares
"Sole Sponsor"	Dongxing Securities (Hong Kong) Company Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
"Spin-off"	the spin-off of our Company by way of the Distribution and the separate listing of our Shares on the Main Board by way of introduction
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended or supplemented from time to time
"The Ho Family Trust"	the family trust of which Mr. Ho Cheuk Fai is the settlor and beneficiary

"Three Red Lines"	refers to the financial ratios under the proposed PBOC standard. For details, please see the section headed "Financial Information — Key Financial Ratio — The Proposed Three Red Lines Policies" in this listing document
"Track Record Period"	the three years ended 31 March 2022 and the six months ended 30 September 2022
"Urban Real Estate Law"	Law of the PRC on the Administration of Urban Real Estate (《中華人民共和國城市房地產管理法》) promulgated by the Standing Committee of the NPC on 5 July 1994, became effective on 1 January 1995, as amended on 30 August 2007 and 27 August 2009 respectively
"U.S. Securities Act"	the United States Securities Act 1933, as amended or supplemented from time to time
"U.S." or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"US$", "USD" or "U.S. dollar"	United States dollars, the lawful currency of the United States
"Valuation Date"	30 September 2022
"%"	per cent

In this listing document, unless the context otherwise requires, the terms "**applicable percentage ratio**", "**associate**", "**close associate**", "**connected person**", "**core connected person**", "**connected transaction**", "**controlling shareholder**", "**subsidiary**" and "**substantial shareholder**" have the meanings given to such terms in the Listing Rules.

The English names of Chinese entities marked with "*" are translations of their Chinese names and are included in this listing document for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name will prevail.

Certain amounts and percentage figures included in this listing document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

There may be differences between certain data in this listing document and publicly available information which may be attributable to different methods of calculation, presentation or otherwise.

Unless otherwise specified, certain amounts denominated in HK$ and US$ have been translated into RMB at the following exchange rates:

RMB1.00 = HK$1.101 and RMB1.00 = US$0.141 (being the prevailing exchange rate on 20 November 2022 as quoted by the People's Bank of China).

The above exchange rates are for illustrative purposes only and such conversions shall not be construed as representations that amounts in HK$ were or could have been or could be converted into RMB at such rates or any other exchange rates.

Unless otherwise specified, all references to any shareholdings in our Company refer to such shareholdings immediately following completion of the Spin-off.

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain terms used in this listing document in connection with our Group and our business. Some of these definitions may not correspond to standard industry definitions.

"average selling price" or "ASP"	average selling price
"building ownership certificate" or "real estate title certificate"	building ownership certificate issued by the competent authority of housing with respect to the ownership rights of buildings (房屋所有權證) or real estate title certificate issued by local real estate bureaus or competent authorities in the PRC (不動產權證), which has gradually replaced building ownership certificate since March 2015
"CAD"	civil air defence
"CAGR"	compound annual growth rate
"completion certificate(s)"	construction works completion inspection acceptance certificate/record issued by local construction bureaus or competent authorities in the PRC with respect to the completion of development projects (竣工驗收備案)
"construction contractor(s)"	general contractors and specialised contractors
"construction land planning permit(s)"	construction land planning permit issued by local urban and rural planning bureaus or competent authorities in the PRC (建設用地規劃許可證)
"construction works commencement permit(s)"	construction works commencement permit issued by local construction bureaus or competent authorities in the PRC (建築工程施工許可證)
"construction works planning permit(s)"	construction works planning permit issued by local urban and rural planning bureaus or competent authorities in the PRC (建設工程規劃許可證)
"development projects"	being all our development projects which (i) are held for future development; (ii) are under development; and (iii) have completed the development

"Development Regulations"	the Administrative Ordinance on Development and Management of Urban Real Estate (《城市房地產開發經營管理條例》) promulgated by the State Council and became effective on 20 July 1998 and amended on 8 January 2011 and 19 March 2018
"general contractor(s)"	general contractors who carry out construction works
"GDP"	gross domestic product
"GFA"	gross floor area
"land bank"	an area which is held by our Group for disposal and/or future development, being an aggregate of (i) GFA unsold in respect of completed development projects; (ii) GFA under development in respect of development projects under development; and (iii) planned GFA in respect of development projects held for future development
"land grant contract"	a land use right grant contract (土地使用權出讓合同)
"land use rights certificate" or "real estate title certificate"	a certificate (or certificates as the case may be) of the right of a party to use a parcel of land (土地使用權證) and the real estate title certificate has gradually replaced land use rights certificate since March 2015
"LAT" or "land appreciation tax"	land appreciation tax of the PRC
"plot ratio"	The ratio between the gross floor area of a building to its site and the floor area underground
"pre-sale permit"	a pre-sale permit authorising a developer to start the pre-sale of a property under construction (商品房預售許可證)
"residential properties"	properties which are purely residential or mixed-use properties containing residential units and ancillary facilities that are non-residential in nature such as commercial or office units but excluding pure commercial properties

"saleable GFA"	GFA attributable to the land parcel for sale
"site area"	the total area of a land parcel with land use right certificate which has been or will be utilised for the development of our Group's development projects
"sq.m."	square metres
"specialised contractors"	contractors who carry out construction works in relation to, among others, installation and utilities construction
"total GFA"	a property development project or project phase which has been completed (i.e. completed GFA) or is under development (i.e. GFA under development) comprises saleable GFA and non-saleable GFA

FORWARD-LOOKING STATEMENTS

This listing document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed in the section headed "Risk Factors" in this listing document, which may cause our actual results, performance or achievements to be materially different from the performance or achievements expressed or implied by the forward-looking statements. All statements other than statements of historical fact contained in this listing document as they relate to our Group or our management are forward-looking statements, including, without limitation, statements relating to:

- our business strategies, objectives and expectations regarding our future operating plans, margins, profitability, liquidity and capital resources;
- our capital expenditure and expansion plans;
- our ability to identify and successfully take advantage of new business development opportunities;
- our ability to control costs;
- our dividend policy; and
- other prospective financial information.

The words "anticipate", "believe", "can", "could", "estimate", "expect", "intend", "may", "might", "plan", "seek", "will", "would" and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These statements are based on assumptions regarding our present and future business, our business strategies and the environment in which we will operate. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in such forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations of the Hong Kong and the PRC relating to any aspect of our business or operations;
- general economic, market and business conditions in Hong Kong and the PRC;
- macroeconomic policies of the Hong Kong government and the PRC government;

- inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices;

- developments of our competitors and other competitive pressures within the industries in which we and our tenants operate;

- various business opportunities that we may pursue; and

- the risk factors discussed in this listing document as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation, and undertake no obligation, to update or otherwise revise the forward-looking statements in this listing document, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this listing document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this listing document are qualified by reference to the cautionary statements set out in this section.

In this listing document, statements of or references to our intentions or those of any of our Directors are made as at the date of this listing document. Any of these intentions may change in light of future developments.

You should carefully consider all the information in this listing document and, in particular, the risks and uncertainties described below before making an investment in our Shares.

The occurrence of any of the following events could materially and adversely affect our business, financial condition, results of operations or prospects. If any of these events occur, the trading price of our Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.

Our business and operations involve certain risks and uncertainties, many of which are beyond our control. These risks can be broadly categorised as (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in the PRC; and (iv) risks relating to the Spin-Off and our Shares.

RISKS RELATING TO OUR BUSINESS

We are susceptible to adverse movements in the PRC real estate market, particularly in regions and cities where we have property development projects.

As at 30 September 2022, we had property development projects in Dongguan, Huizhou and Foshan in the Greater Bay Area. We intend to continue growing our market share, which may involve undertaking property development projects in selected cities of the Greater Bay Area. For more information, please see the section headed "Business — Our Business Strategies" in this listing document. Our profitability is correlated to the performance of the PRC real estate market, which is sensitive to economic fluctuations and closely monitored by the PRC government. Any adverse movements in the prices, supply of or demand for properties in the PRC may have a material adverse effect on our business, financial condition and results of operations.

The real estate market may be affected by local, regional, national and global factors beyond our control, such as speculative activities, financial conditions, government policies, protests or political unrest, natural disasters, epidemics and hostilities, among others. Although demand for residential properties in China generally grew in recent years, we cannot guarantee that the real estate market in regions and cities where we have undertaken, or will undertake, property development projects will continue to grow or that market downturns will not occur. The rising demand for residential properties in China was also accompanied by fluctuations in property prices, raising concerns over the affordability of housing and the sustainability of the growth of the real estate market.

Investors may be discouraged from acquiring new properties due to the lack of a liquid secondary market for residential properties. In addition, the limited amounts and types of mortgage financing available to individuals, together with the lack of long-term security of legal title and enforceability of property rights, may also inhibit demand for residential property. The risk of over-supply is also increasing in parts of the PRC where property investment, trading and speculation have become more active.

Due to an increase in demand for residential properties in the PRC in the last few years, the PRC Government adopted measures to limit the price level of properties in order to prevent the market from becoming overheated. Such austerity measures may affect property price level, market demand and supply and our business performance. If as a result of any one or more of these or similar factors, demand for residential property or market prices decline significantly, our business, results of operations, financial conditions and prospects could be materially and adversely affected.

We generated all of our revenue from our businesses in selected cities in the Greater Bay Area during the Track Record Period, and any significant decline in the economic conditions of the property markets in this area could have a material adverse effect on our results of operations, financial condition and business prospects.

During the Track Record Period, all of our revenue were generated from sale of properties in Dongguan and Huizhou. We expect to continue to derive a major portion of our revenue from Dongguan, Huizhou and Foshan in the Greater Bay Area. As a result, we are exposed to a greater geographical concentration risk than some of our competitors in the PRC whose operations are more geographically diversified.

The demand for residential properties in the PRC has, to a certain extent, fluctuated in recent years. Such fluctuation is often due to changes in market conditions and government policies. Please see the section headed "Industry Overview — Real Estate Market of Selected Districts and Cities in the PRC" in this listing document for more information on the selected economic and market information of selected cities. In addition, demand for residential properties has been affected and will continue to be affected by the macro-economic control measures implemented by the PRC government from time to time. In recent years, the PRC government has announced a series of measures designed to stabilise the growth of the PRC economy and to stabilise the growth of specific sectors, including the property market, to a more sustainable level.

For as long as the majority of our businesses remain concentrated in the relevant cities in the Greater Bay Area, if the area in general experience any significant economic downturn due to imbalances in the respective local economy, disturbances in local financial markets, protests or political unrest, natural disasters, epidemic, hostilities or any other reason, or if more restrictive government policies on the real estate industry are imposed, or if the property market conditions of these three regions otherwise decline, our business, results of operations and financial condition may be materially and adversely affected.

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.

The real estate market in the PRC is highly subject to government policies and regulations. According to the C&W Report, from 2014 to 2019, driven by accelerated urbanisation in China, the relaxation of one-child policy, development of megalopolis and shanty town redevelopment, the average selling prices of residential properties sold have increased significantly. In order to avoid overheating of the real estate market, the PRC central and local government has promulgated various tightening measures to stabilise housing prices in recent years and control speculative demand. In particular, the PRC government imposed a series of strict restrictions, including house purchase restrictions (限購), tighter down-payment requirements (限貸), and limit house sale price (限價). These policies may limit our access to capital, reduce market demand for our properties and increase our finance costs. Affected by the relevant regulations, the overall real estate market in the PRC gradually cooled down. In recent years, a series of regulations and policies have been issued by the PRC government to generally control the growth of the property market, including those relating to idle land, house loans to buyers, financing to property developers, etc. Please see the section headed "Regulatory Overview" in this document for further details. These policies may lead to a drop in the transaction volume of properties, which may affect our ability to obtain financing, acquire land for future developments, sell our properties at a profit or generate sufficient operating cash flow from sales.

We cannot assure you that the PRC government will not adopt additional, or more stringent, industry policies, regulations and measures in the future. It is also impossible to ascertain the extent of the impact of any such measures or to accurately estimate our sales volume and revenue had such measures not been introduced. If we fail to adapt our operations to new policies, regulations or measures that may come into effect from time to time with respect to the property industry, or if our marketing and pricing strategies are ineffective in promoting sales as a response, such policies and market condition changes may affect our sales, result in the delay of our pre-sale schedules, or cause us to lower our ASP and/or incur additional costs, in which case our operating cash flows, gross profit margins, business, results of operations, financial condition and prospects may be materially and adversely affected.

We may not be able to acquire land reserves in desirable locations that are suitable for development at commercially acceptable prices or at all in the future.

The growth and success of our business depend on our ability to continue acquiring land reserves located in desirable locations at commercially reasonable prices. Our ability to acquire land depends on a variety of factors that we cannot control such as general economic conditions, our effectiveness in identifying and acquiring lands suitable for development and the competition for such lands. 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. During the Track Record Period, part of our completed projects were developed on land obtained through public tender, auction or listing-for-sale process organised by government authorities, acquisitions and urban renewal projects, and we may continue to acquire land for our property development projects through such methods.

In addition, our ability to acquire land depends on a variety of factors that we cannot control, such as general economic conditions, governmental land policies, and the competition among real estate developers for such land parcels. The PRC government and relevant local authorities control the supplies and prices of the new land parcels and approve the planning and use of such land parcels. Local governments control the availability of land acquisitions by public tender, auction or listing-for-sale process organised by government authorities. Specific regulations are in place to control the methods and procedures by which land parcels are acquired and developed in the PRC. Please see the section headed "Regulatory Overview" in this listing document for details. Furthermore, the rapid development of the cities we plan to enter into in the Greater Bay Area in recent years has resulted in a shortage in the supply of undeveloped land in desirable locations and increased land acquisition costs, which is one of the largest components of our cost of sales. As a result, our cost for acquiring land use rights may rise further in the future. Our business, financial condition, results of operations and prospects may be materially and adversely affected if we are unable to acquire lands for development in a timely manner or at prices that allow us to achieve reasonable returns upon sales to our customers.

We may not be successful in managing our growth and expansion into new regions and cities.

We experienced a rapid growth during the Track Record Period in which our revenue amounted to RMB481.8 million, RMB590.8 million, RMB775.6 million and RMB473.0 million, respectively. In order to continue to achieve sustainable growth, we need to continue to seek development opportunities in selected cities with the potential for growth, such as Foshan. As of the Latest Practicable Date, we had established presence in three cities in China with an aggregate total land bank attributable to us of 262,555 sq.m as of the Valuation Date. We have established our reputation in Dongguan and Huizhou. Expanding into new geographical locations involve uncertainties and challenges as we may be less familiar with local regulatory practices and customs, customer preferences and behaviour, the reliability of local contractors and suppliers, business practices and business environments and municipal-planning policies in relevant sub-markets. In addition, expanding our business into new geographical locations would entail competition with developers who have a better-established local presence or greater access to local workforce, expertise and knowledge than we do. Competitive pressures may compel us to reduce prices and increase our costs, thus lowering our profit margins. There is no guarantee that we will be able to pass any additional costs onto our customers. Furthermore, the construction, market and tax-related regulations in our target cities may be different from each other and we may face additional expenses or difficulties in complying with new procedures and adapting to new environments.

Certain cities may also subject us to higher land acquisition costs. As we may face challenges not previously encountered, we may fail to recognise or properly assess risks or take full advantage of opportunities, or otherwise fail to adequately leverage our experience to meet challenges encountered in these new markets. For example, we may have difficulty in accurately predicting market demand for our properties in the cities into which we expand.

In addition, expanding into new regions and cities requires a significant amount of capital and management resources. We may not be able to manage the growth in our workforce to match the expansion of our business, and accordingly, experience issues such as capital constraints, construction delays, and lack of skilful and qualified personnel. Moreover, expanding our geographical reach will divert management attention from our existing operations. There is no guarantee that we will be able to hire, train or retain sufficient talent to successfully implement our expansion plans. Any of these issues could have a material adverse effect on our business, financial conditions, results of operations and prospects.

Our business is dependent on the market recognition of the product series "Villas" (豪庭) and "Mansion" (公館) and reputation of our Directors, senior management team and other key personnel. Any infringement of our intellectual property rights may materially and adversely affect our business.

We rely, to a significant extent, on our "Villas" (豪庭) and "Mansion" (公館) product series and reputation of our Directors, senior management team and other key personnel to attract potential customers. Any negative incident or negative publicity concerning us or our properties or our Directors, senior management team and other key personnel may materially and adversely affect our reputation, financial position and business, results of operations.

We believe that we are recognised in our markets for the quality of our products. We have also placed great importance on the continuous enhancement of our reputation and the increase in our reputation recognition. Any negative incident or negative publicity about us or our properties may materially and adversely affect our reputation, business, financial condition and results of operations. Our reputation, which is based largely on consumer perceptions with a variety of subjective qualities, can be damaged even by isolated business incidents that damage homebuyers' trust. Demand for our properties and our reputation could diminish significantly if we fail to preserve the quality of our properties or fail to deliver a consistently positive buyers' experience, or if we are perceived to act in an unethical or socially irresponsible manner. Any negative publicity and the resulting decrease in reputation, or any failure to establish our reputation in the cities in which we currently operate, may have a material adverse effect on our business, financial condition and results of operations.

Our development strategy also depends on our ability to use, develop and protect our intellectual properties, such as our trademarks. As a result, we could be subject to trademark disputes. The defence and prosecution of intellectual property lawsuits and related legal and administrative proceedings can be both costly and time-consuming and may significantly divert our resources and the time and attention of our management personnel. An adverse ruling in any such litigation or proceedings could subject us to significant liabilities to third parties, require us to seek licenses from third parties and to pay ongoing royalties, or subject us to injunctions prohibiting the use of such name and/or logo. In addition, any unauthorised use or inappropriate use of our name may damage our reputation and materially and adversely affect our business. If we are unable to preserve, sustain or strengthen our reputation or our reputation is damaged, we may not be able to maintain our business reputation and pace of development, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We have obtained and may continue to obtain land through urban renewal, which involves a number of risks and uncertainties.

Urban renewal is a reconstruction strategy implemented in provinces such as Guangdong which focuses on the transformation of old towns, old factories and old villages. As at the Valuation Date, we had three urban renewal projects, namely Phases 3, 4 and 5 of Castfast Villas. Urban renewal projects usually involve longer developing cycle, larger capital pressure, greater planning difficulty, and more efforts in negotiations with local government and local existing residents. Moreover, the development of urban renewal projects may involve more procedures than usual. For such reasons, our involvement in urban renewal projects increase the time and resources which may be required for us to complete the planning and obtain the necessary approvals, and our business operation and financial conditions may be adversely affected.

We may, in the future, acquire more parcels of land through urban renewal or participate in more urban renewal projects when suitable opportunities arise. Our participation in the urban renewal projects in the future may expose us to the same or similar risks and uncertainties.

Urban renewal projects may also involve uncertainties in respect of the preparatory work, which is typically responsible for the site clearing process undertaken by the relevant local governmental authority, which involves demolition works and resettlement of affected households. Any delay may prolong the resettlement process and the subsequent land acquisition and development process and/or increase the land development costs, which may in turn adversely affect our cash flows, financial conditions and results of operations.

Our historical financial growth, including revenue and profit margin growth, may not be indicative of our future financial performance.

For the three years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022, we had experienced growth in our financial performance. Our revenue increased from approximately RMB481.8 million for the year ended 31 March 2020 to approximately RMB590.8 million for the year ended 31 March 2021, and further to approximately RMB775.6 million for the year ended 31 March 2022. Our revenue increased from approximately RMB359.9 million for the six months ended 30 September 2021 to approximately RMB473.0 million for the six months ended 30 September 2022.

For the three years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022, our gross profit was approximately RMB349.0 million, RMB429.3 million, RMB587.0 million and RMB354.4 million, respectively, and our gross profit margin was 72.4%, 72.7%, 75.7% and 74.9% in the same periods, respectively. Nevertheless, our historical financial information is a mere analysis of our past performance and does not have any implication or may not necessarily reflect our financial performance in the future. Our business and financial prospect will depend on our capability to secure new property development opportunities and deliver existing property projects according to their development schedule and to control our costs. In particular, the average selling prices per sq.m. and the gross profit margin of our property products vary by the type of properties we develop and sell. We offer two main series of residential property developments, namely, "Villas" (豪庭) series and "Mansion" (公館). Generally, "Villas" (豪庭), which mainly targets home upgraders or middle and higher-income households, respectively, command relatively higher ASP as compared to that of "Mansion" (公館), which mainly target first-time and retirees home purchasers. The profit margin from the sales of Phase 3 Castfast Villas, Phase 4 Castfast Villas and Phase 5 Castfast Villas during the Track Record Period would likely be higher than the sales of the Louvre Mansions (the project which was completed in September 2022), or other types of properties going forward. Moreover, the land acquisition cost per square metre of the Hecheng Neighbourhood Parcel is higher than the average land acquisition costs per square metre of Phases 3, 4 and 5 of the Castfast Villas. Our gross profit margin for the future project to be developed on the Hecheng Neighbourhood Parcel is expected to the lower than Phases 3, 4 and 5 of the Castfast Villas and there is a possibility that the effect on the gross profit margin on the Group can be material.

Revenue from sales of properties has constituted, and is expected to continue to constitute, a substantial source of our total revenue. Our operating results for any given period primarily depend on the recognised GFA and the ASP of the properties we recognise during such period and the market demand for those properties. Conditions of the property markets change from period to period and are affected by the economic, political and regulatory developments in China in general as well as in the cities and regions in which we operate. The recognised ASP of our properties may also fluctuate from period to period depending on the ASP for properties in cities and regions where we develop and sell property projects.

However, there is no assurance that our financial performance, including revenue and profit margin, in the future will remain at a level comparable to those recorded during the Track Record Period. If we fail to secure new property development opportunities, deliver existing property projects according to their development schedule or control our cost, or fail to maintain our profit margin at a level comparable to that recorded during the Track Record Period, our business, financial condition and results of operations may be materially and adversely affected.

The timing of our property sales and progress of our property development projects may cause our results of operations to fluctuate from period to period, making it difficult to predict our future financial performance.

During the Track Record Period, we derived approximately RMB481.8 million, RMB590.8 million, RMB775.6 million and RMB473.0 million from sales of our properties in the PRC. The timing of completion and delivery for our properties generally depends on our construction timetables. We recognise revenue when the property is accepted or deemed as accepted by the customer. Periods during which we make a significant number of pre-sales may not be periods during which we generate corresponding levels of revenue. Therefore, our results of operations may vary from period to period depending on the number of properties being delivered in the relevant period. Our results of operations of any given period may not be indicative of our future financial performance, although they may influence our share prices from time to time. The effect of timing on our results of operations is accentuated by the fact that, given the capital-intensive nature of our business, the number of projects we can take on at a time is limited, and the delivery timing of a limited number of projects could have a potentially significant impact on our financial performance.

Moreover, our construction timetables are always subject to change due to factors beyond our control, such as market or economic conditions, natural disasters, adverse weather conditions and delays in obtaining the requisite permits, licenses and certificates from the relevant government authorities. If our results of operations do not meet market expectations, we may experience material and adverse effects on our share prices, particularly as it may be difficult for investors to predict our future financial performance.

We may fail to complete our property development projects on time or at all

Property development projects typically require significant capital resources and a substantial amount of time may pass before they generate revenue. The progress of a property development project may be affected by various factors, which may include, among others:

- changes in market conditions, economic downturns and/or decline in customer interest;
- availability and cost of financing;
- delays in or failure to obtain the requisite permits, licenses and certificates from relevant government authorities;
- changes in government policies, rules or regulations;
- increases in the prices of our raw materials;
- shortages of materials, equipment, contractors and skilled labour;
- latent geographical or environmental conditions giving rise to the need to modify initial plans for our property development projects;
- unforeseen problems related to engineering and design;
- construction accidents, labour disputes and strikes; and
- natural disasters or adverse weather conditions.

Before we are affected by one or more of the above factors and must modify our plans, we may have already expended significant capital resources with little or no prospect of recovering or mitigating our losses. Substantial capital expenditures are generally incurred for business operations to do with land acquisition and construction. Construction itself may take longer than a year before we generate positive net cash flow through pre-sales, sales and leases. Consequently, any failure to complete property development projects on time or at all may adversely affect our business and results of operations. Our customers may be entitled to claim compensation for late delivery or terminate pre-sale agreements. We may suffer material and adverse effects on our reputation and access to future business opportunities in the long term. We are also unable to guarantee that any legal proceedings or renegotiations resulting from delays or failures to deliver will have a favourable outcome. For more information, see the paragraph headed "— We are exposed to disputes, claims or litigation" in this section below.

Property development projects could fail for various reasons, a number of which we have no control over. These include but are not limited to: (i) our failure to obtain the relevant government approvals; (ii) changes in land use rights ownership (and in the case of urban renewal developments, changes in the regulatory environment); (iii) unexpected urban or infrastructure development in the vicinity (for example, the compulsory acquisition of land by the government for the construction of a high speed rail tracks); (iv) changes in relevant laws and policies; (v) breach of the relevant acquisition contracts by our counterparties (including existing use rights land owners) and (vi) our failure to win the bidding under the urban renewal project. In the event of an unsuccessful property development project, there is no guarantee that we would be able to recoup all or part of our resources committed, including any sums prepaid to original land use rights owners or deposits paid for potential acquisitions of subsidiaries under relevant agreements, which may have a material adverse effect on our business, financial condition and results of operations.

On the other hand, as we plan to acquire land in sites designated for urban renewal, the land parcels that we acquire in the future for development may have existing buildings or other structures or may be occupied by incumbent residents or other third parties, which require resettlement and demolition. Given the nature of resettlement and demolition, which depends on various external factors that are beyond our control, we cannot guarantee that there will not be any delay in our development schedule. If the party responsible for the resettlement or demolition and the original residents fail to reach an agreement on the amount of compensation, either of them may apply to the relevant authorities for a ruling on the amount of compensation. Dissenting residents may also refuse to relocate. Such administrative process or resistance or refusal to relocate may delay the timetable of our development projects or, in extreme cases, prevent their completion. The occurrence of any of the above events may have an adverse effect on our business, financial condition and results of operations.

The national and regional economies in China and our business may be adversely affected by factors beyond our control such as natural disasters, epidemics and pandemics.

Our business is subject to general economic and social conditions in China, in particular, in cities where our property development projects are located. Certain factors beyond our control may adversely affect the economy, infrastructure and livelihood of people in the regions where we conduct our business operations. Some regions in China may be susceptible to the threat of natural disasters, epidemics or pandemics such as Severe Acute Respiratory Syndrome (SARS), H1N1 influenza, H5N1 influenza, H7N9 influenza, H3N2 influenza and COVID-19. Serious natural disasters may result in, among others, power shortages or failures, loss of life, injuries, destruction of assets and disruption of our business operations.

Severe communicable disease outbreaks may cause a widespread health crisis that materially and adversely affects economic systems and financial markets. COVID-19 was detected toward the end of 2019 and quickly spread across China in early 2020. On 11 March 2020, the World Health Organization declared COVID-19 outbreak a pandemic. In response to the COVID-19 pandemic, government around the world have imposed travel restrictions and/or lockdown to contain its spread. For example, China imposed lockdown on various local communities, cities and regions since the outbreak of COVID-19 in 2020. There is no assurance that more countries will not impose similar travel restrictions or lockdowns in response to the pandemic. There is also no assurance that the current containment measures will be effective in halting the pandemic. The governments of certain cities where we have projects and business operations, for instance, Dongguan implemented travel and other restrictions in efforts to curb the spread of COVID-19. As a result, sales offices and construction of certain of our property projects were temporarily shut down for a short period. For details, please refer to the section headed "Business — Effect of the COVID-19" in this listing document. Therefore, the completion of our property development projects may be delayed and sales might be lower than expected which may, in turn, lead to material increases in property development costs, late delivery charges that result in an adverse effect on our business operations, profitability and cash flows. Moreover, it is possible for the local authorities to impose additional restrictions and/or measures to further contain the spread of COVID-19, which may have further adverse impact on the abovementioned consequences and result in the worsening of the general economic and social conditions of relevant regions or cities. It is possible that customers who have entered into sales contracts with us to purchase properties could default on their mortgage or payments if the general economic situation further deteriorates as a result of the pandemic. The highly-transmissible Delta and Omicron variants of COVID-19 have also caused authorities in the PRC to reimpose restrictions such as travel restrictions and stay-at-home orders. Short term suspensions in construction and sales activities occurred from time to time due to COVID-19 related reasons, such as stay home orders, traffic control, COVID-19 testings, etc. The approval process of obtaining pre-sale permits also slowed down 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. COVID-19 pandemic may affect our operation and financial performance negatively in the future, such as slowing down sales activities and delaying revenue recognition. The longer-term trajectory of COVID-19 and the effects of mutations in the virus, both in terms of scope and intensity of the pandemic, together with their impact on our industry and the broader economy are still difficult to assess or predict and pose significant uncertainties that will be difficult to quantify. The extent to which the COVID-19 pandemic may affect our operations and financial performance will depend on future developments, which are highly uncertain and cannot be predicted. Any of these issues could have a material adverse effect on our business, financial conditions, results of operations and prospects.

We may not have adequate financing to fund our future land acquisitions and property development, and such capital resources may not be available on commercially reasonable terms or at all.

Property development is capital intensive. We expect to continue to incur a high level of capital expenditure for land acquisition and construction for the foreseeable future. For information on our capital commitments as of 31 March 2020, 2021 and 2022 and 30 September 2022, please see the section headed "Financial Information — Commitments" in this listing document.

During the Track Record Period, we financed our property development projects primarily through a combination of internally generated funds, proceeds from pre-sales and sales of our properties, borrowings from banks and amounts due to fellow subsidiaries. Our ability to obtain external financing in the future and the cost of such financing are subject to uncertainties beyond our control, including: (i) requirements to obtain PRC government approvals necessary for obtaining financing in the domestic or international markets; (ii) our future results of operations, financial condition and cash flows; (iii) the condition of the international and domestic financial markets and the availability of financing; (iv) changes in the monetary policies of the PRC government with respect to bank interest rates and lending practices; and (v) changes in policies regarding regulation and control of the property market.

The PRC government has implemented a number of measures to manage the growth of the money supply and the availability of credit, especially with respect to the property sector. For example:

- requiring that at least (i) 20% of the total investment for affordable housing or commodity housing property development projects is funded by the developer's own capital; and (ii) 25% of the total investment for all other types of property development projects is funded by the developer's own capital;

- restricting commercial banks from granting loans to real estate developers which will be used to pay land premium;

- restricting trust companies from providing financing to real estate developers that have not obtained the relevant land use right certificates, construction land planning permits, construction work planning permits or construction work commencement permits, or to projects that fail to meet project capital ratio requirements;

- restricting trust companies from funding projects developed by real estate developers which, or whose controlling shareholders, do not have second-level or above qualification;

- prohibiting PRC commercial banks from extending any existing loans or granting any new or revolving credit facilities in any form to real estate developers with non-compliance records in relation to, among other things, holding and speculating idle lands, using the land outside the scope of the designated purpose, postponing construction commencement or completion, hoarding properties and rigging price for properties;

- prohibiting PRC commercial banks from taking commodity properties that have been vacant for more than three years as security for loans to real estate developers; and

- prohibiting real estate developers from using borrowings obtained from local banks to fund property developments outside the regions in which the lending banks reside.

In addition, the PBOC regulates the reserve requirement ratio for commercial banks in the PRC, which affects the availability and cost of financing that we may obtain from them. We cannot assure you that the PRC government will not introduce additional measures that may restrict our access to capital resources and external financing. Failure to secure sufficient external financing on favorable terms, or at all, may hinder our ability to implement and complete our property development projects.

Apart from the above, the PRC government also implemented restrictions on the ability of PRC real estate developers to obtain offshore financing which could affect our ability to deploy the funds raised outside of the PRC in our business operation. For example, on 23 May 2007, the MOFCOM and the SAFE jointly promulgated the Notice on Further Strengthening and Regulating the Approval and Supervision of Foreign Direct Investment in the Real Estate Industry (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》), as further amended on 28 October 2015 by the MOFCOM, which provides that the authority responsible for foreign exchange administration and designated foreign exchange bank shall not handle procedure of settlement, sale and remittance of capital exchange for such foreign-invested real estate enterprises as have not completed the procedure of record for file in the MOFCOM. In addition, pursuant to the Guidelines for Administration over Foreign Debt Registration (《外債登記管理操作指引》) promulgated by SAFE on 28 April 2013 and effective from 13 May 2013 and amended on 4 May 2015, real estate enterprises with foreign investment approved by local MOFCOM branches and filed with the MOFCOM after (and including) 1 June 2007 are not allowed to register foreign debt contracts with the SAFE or its local branches. Under the guidance, if the foreign-invested real estate enterprise does not obtain the land use right certificate, or the project capital for project development does not reach 35% of the total amount of project investment, such enterprise shall not incur foreign debt and the SAFE or its local branches shall not register foreign debt or process foreign debt exchange settlement for such enterprise. Also, according to the Circular of the General Office of the National Development and Reform Commission on Requirements for Record-filing for Issuance of Foreign Debts by Real Estate Enterprises (《國家發展改革委辦公廳關於對房地產企業發行外債申請備案登記有關要求的通知》(發改辦外資[2019]778號)) promulgated by the NDRC and came into effect on 9 July 2019, foreign debts issued by real estate enterprises could only be used for repaying medium-and long-term offshore debts that will be due in the upcoming year.

Furthermore, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require registration with industrial and commercial administration authorities as well as foreign exchange authorities, and submission of the investment information to competent departments of commerce through the enterprise registration system and the enterprise credit information publicity system, which may take considerable time and delay the actual contribution to the PRC subsidiaries. This may adversely affect the financial condition of the PRC subsidiaries and may cause delays to the development undertaken by such PRC subsidiaries. In addition, our PRC subsidiaries which are foreign-invested enterprises shall register with the foreign exchange authorities after established, and shall undergo modification registration in case of any subsequent capital modification, such as capital increase or decrease or equity transfer. We cannot assure you that we have completed or will complete in a timely manner all relevant necessary registration for all our operating subsidiaries in the PRC to comply with this regulation. Moreover, we cannot assure you that the PRC government will not introduce any new policies that further restrict our ability to deploy, or that prevent us from deploying, in the PRC the funds raised outside of the PRC. Therefore, we may not be able to use all or any of the capital that we may raise outside the PRC to finance our projects in a timely manner, or at all.

The above measures and other similar government actions and policy initiatives have limited our ability and flexibility in using bank loans and trust financing arrangements to finance our property development projects. Should the PRC government introduce similar additional initiatives, we may not be able to secure adequate financing or renew our existing credit facilities prior to their expiration on commercially reasonable terms or at all. Furthermore, we cannot assure you that our current business operations of external financing will remain fully compliant with the rapidly evolving regulatory environment on a timely basis, or at all.

We may fail to obtain or experience delays in obtaining the relevant PRC governmental approvals, licenses or permits for our real estate development projects.

The property development industry in the PRC is heavily regulated and property developers must be in compliance with various laws and regulations, including rules promulgated by national and local governments to enforce these laws and regulations. Like other property developers in China, we must apply to the relevant government authorities to obtain (and renew those relating to on-going operations) various licenses, permits, certificates and approval to engage in property development enterprise, land use rights certificates, construction work commencement permits, construction work planning permits, construction land planning permits, pre-sales permits and completion certificates. We must meet specific conditions in order for the government authorities to issue or renew any certificate, license or permit. For instance, we intend to develop a residential project at the Industrial Complex located in Fenggang Town which is currently zoned for industrial use. We intend to apply for the change of land use to residential use so that we can develop residential properties on the land. For further details of our property development at the Industrial Complex, please refer to the paragraph headed "Description of our development projects" in the "Business" section. However, the proposed change of permitted use is subject to completion of several preparation works before approval for the proposed change of use can be obtained, including: (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 for the affected villagers regarding demolition, resettlement plan and resettlement compensation, (iv) discuss and negotiate with local government authorities on the redevelopment terms such as any top-up land premium and the amounts (if any), and the saleable GFA taking into account the requirements 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. Since redevelopment involves sophisticated procedures and various negotiations with local government and villagers, there is an uncertainty of whether we can obtain or if we can obtain, when we can obtain or on what terms we can obtain the government approvals for the proposed change of permitted use of the Industrial Complex.

In addition, during the COVID-19 pandemic, we experienced slight delay in the approval process of obtaining pre-sale permits. See "Summary — Recent Developments and No Material Adverse Change — Effect of COVID-19" and "Business — Effect of COVID-19" of this listing document for further information. We cannot assure you that we will be able to adapt to new rules and regulations that may come into effect from time to time with respect to the property development industry or that we will not encounter material delays or difficulties in fulfilling the necessary conditions to obtain and/or renew all necessary certificates or permits for our operations in a timely manner, or at all, in the future. In the event that we fail to obtain, renew or abide by or encounter significant delays in obtaining or renewing, the necessary government approvals for any of our property development projects, we may not be able to continue with our development plans, and our business, financial condition and results of operations may be materially adversely affected.

Moreover, as the real estate industry is closely monitored by the PRC government, we anticipate that new policies will be promulgated from time to time in relation to the conditions for issuance or renewal of such approvals, licenses or permits. We cannot guarantee that such new policies will not present unexpected obstacles toward our ability to obtain or renew the required permits, licenses and certificates or that we will be able to overcome these obstacles in a timely manner, or at all. Loss of or failure to renew our permits, licenses and certificates may stall the progress of our property development projects. For more information, see the paragraph headed "— We may fail to complete our property development projects on time, or at all" in this section.

We may be subject to fines or forfeit land to the PRC government if we fail to pay land grant premium or fail to develop properties within the time and in accordance with the terms set out in the relevant land grant contracts.

Under PRC laws, if we fail to develop a property project according to the terms of the land grant contract, including those relating to the payment of land premium, the designated use of the land and the time for commencement and completion of the property development, government authorities may issue a warning, impose a penalty and/or order us to forfeit the land. Specifically, under current PRC laws, if we fail to pay any outstanding land grant premium by the stipulated deadlines, we may be subject to late payment penalties or the repossession of the land by the government. If we fail to commence development within one year of the commencement date stipulated in the land grant contract, the relevant PRC land bureau may issue a warning to us and impose an idle land penalty of up to 20% of the land premium. If we fail to commence development within two years from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may confiscate our land use rights without compensation, unless the delay in the development is caused by government action or is due to a force majeure. Moreover, if a property developer commences development of the property in accordance with the timeframe stipulated in then the land grant contract but, suspended for more than one year without government approval and falls under either of the following two situations: (i) the developed land area is less than one-third of the total land area, or (ii) the total invested capital is less than one-fourth of the total planned investment in the project, then the land may be treated as idle land and will be subject to the risk of forfeiture. In September 2007, MLR issued a new notice to further enhance control of the land supply by requiring developers to develop land according to the terms of the land grant contracts and restricting or prohibiting any non-compliant developers from participating in future land auctions. In January 2008, the State Council issued a Notice of the State Council on Promoting Land Saving and Efficient Use (國務院關於促進節約集約用地的通知)

to escalate the enforcement of existing rules on idle land management. Furthermore, the MLR issued a Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (關於嚴格建設用地管理促進批而未用土地利用的通知) in August 2009, which reiterated the applicable rules with regards to idle land management. On 1 June 2012, the MLR promulgated the revised Measures on the Disposal of Idle Land (閒置土地處置辦法), which went into effect 1 July 2012. These further measures may prevent competent land authorities from accepting any application for new land use rights or processing any title transfer transaction, lease transaction, mortgage transaction or land registration application with respect to idle land prior to the completion of the required rectification procedures. We cannot assure you that circumstances leading to the repossession of land or delays in the completion of a property development will not arise in the future. If our land is repossessed, we will not be able to continue our property development on the forfeited land, recover the costs incurred for the initial acquisition of the repossessed land or recover development costs and other costs incurred up to the date of the repossession. In addition, we cannot assure you that regulations relating to idle land or other aspects of land use rights grant contracts will not become more restrictive or punitive in the future. If we fail to comply with the terms of any land use rights grant contract as a result of delays in project development, or as a result of other factor, we may lose the opportunity to develop the project as well as our past investments in the land, which could materially and adversely affect our business, financial condition and results of operations.

During the Track Record Period, we failed to complete construction within the prescribed period as stipulated in certain land grant contracts for 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 this project was completed in September 2022. For details of the non-compliance incidents and the remedial measures taken, see the section headed "Business — Legal and Regulatory Compliance — Non-compliance Incidents" in this listing document.

We have indebtedness and may incur additional indebtedness in the future, which may materially and adversely affect our financial condition and results of operations.

We maintain a substantial level of borrowings to finance our operations during the Track Record Period. As of 31 March 2020, 2021 and 2022 and 30 September 2022, our total bank borrowings amounted to approximately RMB382.4 million, RMB370.5 million, RMB236.5 million and RMB146.7 million, respectively. We may from time to time in the future consider other debt financing opportunities to refinance our existing loans or incur additional borrowings to support our business operation and expansion. Our net gearing ratio, as calculated by dividing total bank borrowings less cash and bank deposits and pledged deposits by total equity as of the end of the respective period and multiplied by 100%, was approximately 34.6% as of 31 March 2020, and we had net cash and net cash as of 31 March 2021 and 2022 and 30 September 2022, respectively.

Our indebtedness could have an adverse effect on us, for example by: (i) increasing our vulnerability to adverse developments in general economic or industry conditions, such as significant increases in interest rates; and (ii) limiting our flexibility in the planning for, or reacting to, changes in our business or the industry in which we operate. We have indebtedness and may incur additional indebtedness in the future, and we may not be able to generate sufficient cash to satisfy our existing and future debt obligations.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by, among other things, prevailing economic conditions, PRC governmental regulation, the demand for properties in the regions we operate and other factors, many of which are beyond our control. We may not generate sufficient cash flow to pay our anticipated operating expenses and to service our debts, in which case we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, disposing of our assets, restructuring or refinancing our indebtedness or seeking equity capital. As a result, our cash flow, cash available for distributions, financial condition and results of operations may be materially and adversely affected.

There are uncertainties about the recoverability of our deferred tax assets, which could adversely affect our results of operations.

We recorded deferred tax assets of RMB56.7 million, RMB94.0 million, RMB148.2 million and RMB83.2 million, respectively, as of 31 March 2020, 2021 and 2022 and 30 September 2022. We periodically assess the probability of the realisation of deferred tax assets, using significant judgements and estimates with respect to, among other things, historical operating results, expectations of future earnings and tax planning strategies. In particular, deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised. However, there is no assurance that our expectation of future earnings could be accurate due to factors beyond our control, such as general economic conditions and negative development of the regulatory environment, in which case, we may not be able to recover our deferred tax assets which thereby could have an adverse effect on our results of operations.

We rely on contractors during the construction and development stages of our property development projects, who may not perform in accordance with our expectations.

We rely on contractors during the construction and development stage of our property development projects, selecting them based on factors such as market reputation, qualifications, prices and track record. Our contractors are also generally responsible for procuring construction materials, as well as the design of nonstandard projects, landscaping, and interior design work. However, we cannot guarantee that the services rendered or construction materials provided will always meet our expectations. For example, in the event that our contractors fail to deliver properties that are safe for habitation or use on schedule, this may affect our own timelines for delivery to our customers. There can also be no assurance that our contractors will not encounter financial or other difficulties that cause delays, create quality defects or force them to stop working altogether. Additionally, it is possible that we do not discover quality defects until after delivery and there is resulting damage to person or property. We may incur additional costs while taking remedial measures such as replacing contractors, purchasing new construction materials and paying compensation. Any or all of them may materially and adversely affect our business, results of operations, market reputation and access to future business opportunities.

We are exposed to contractual and legal risks related to pre-sales.

We are subject to legal and contractual risks related to pre-sales, which could have an adverse effect on our business, financial condition and result of operations. Under current PRC laws and regulations, property developers must fulfil certain conditions before they can commence pre-sales of the relevant properties and pre-sale proceeds may only be used to finance the related development. We depend on cash flows from pre-sales of properties as an important source of funding for our property developments. Any ban or additional restrictions on pre-sales may require us to seek alternative sources of funding to finance our developments, and if sufficient alternative funding are not available under commercial acceptable terms, or at all, our cash flow and prospects, and business, results of operations and financial condition could be materially and adversely affected.

Moreover, we make certain undertakings in our pre-sale contracts, and our pre-sale contracts and the PRC laws and regulations provide for remedies for breach of these undertakings. For example, if we fail to complete delivery of a pre-sold property on time, we may be liable to the relevant customers for such late delivery under the relevant pre-sale contracts or pursuant to relevant PRC laws and regulations. If our delay extends beyond a specified period, the purchasers may terminate their pre-sale contracts and claim for compensation. A customer may also terminate his or her contract with us and/or bring claims for compensation for certain other contractual disputes; if the interior decoration of the relevant unit is inferior to what is set out in the contract;

or if the customer fails to receive the individual property ownership certificate within a statutory period due to our fault. Any of such factors could have a material adverse effect on our business, financial condition and results of operations.

We rely on real estate agents to sell and market our property development projects, who may not perform in accordance with our expectations.

During the Track Record Period, we relied on our own sales and marketing team as well as local real estate agents to sell and market our property development projects. We ordinarily engage independent real estate agencies in the marketing and sales of each of our projects. We selected local real estate agents based on factors such as market reputation, qualifications, prices and track record. As the local real estate agents are independent third parties, we cannot assure you that they have complied in all material respects with PRC laws and regulations relevant to property sales or fulfil material terms and requirements set forth the contracts with us. In the event that our local real estate agents fail to comply with such PRC laws and regulations or fulfil material terms and requirements set forth the contracts with us, particularly in relation to representations and warranties or sales and marketing campaigns, we may suffer material and adverse effects on our reputation. We may also lose our customers, suffer reputation damage and therefore our market share in the long term. Additionally, there is no guarantee that our real estate agents will perform up to our standards of professionalism and effectiveness. We may suffer material and adverse effects on our business and results of operations, as well as incur additional costs while seeking to replace real estate agents unsuited to the task of selling and marketing our properties.

The LAT calculated by the relevant PRC tax authorities may be different from our calculation of LAT liabilities for provision purposes, which may have a material adverse effect on our financial condition.

Properties that we develop for sale are subject to a LAT. Under PRC tax laws and regulations, all income derived from the sale or transfer of land use rights, buildings and their ancillary facilities in China are subject to LAT at rates ranging from 30% to 60% on the appreciated value of the properties. LAT is calculated based on the proceeds received from the sale of properties less deductible expenditures. We make provision for the estimated full amount of applicable LAT in accordance with relevant PRC tax laws and regulations.

As of the Latest Practicable Date, we had not had any disagreements with the relevant authorities respecting our LAT calculations. However, we cannot assure you that this will always be the case going forward. The relevant authorities may conclude that we are liable for more substantial LAT payments with respect to past liabilities and present obligations. Furthermore, as we expand into provinces and cities in which we have no existing business operations, we may find that our original provisions for LAT will be insufficient to cover our actual LAT obligations due to lack of experience in and knowledge of our new markets. We may experience material adverse effects on our cash flow, financial condition and results of operations while seeking to pay the shortfall amount to relevant authorities, which may in turn lead to restrictions on our ability to implement our business strategies.

We are susceptible to the effects that interest rate hikes may have on our homebuyers' mortgage rates and our financing costs.

Changes in interest rates generally affect our homebuyers' mortgage rates and our financing costs. In the wake of the financial crisis, the PBOC began reducing benchmark interest rates from June 2012 onwards. For example, on 6 June 2012, China's benchmark one-year lending and deposit rate was lowered to 6.31% from 6.56% on 8 June 2012; it was lowered several more times until it reached 4.35% on 24 October 2015. While the PRC economy grows and the U.S. Federal Reserve increases its own benchmark interest rates, we anticipate that the PBOC may adjust benchmark interest rates upward. Any hike in benchmark interest rates is likely to increase our customer's mortgage rates and our financing costs. Increases in mortgage rates may slow growth in the real estate market, while increases in our financing costs may materially and adversely affect our results of operations.

The appraised value of our properties may be different from their actual realisable value and are subject to change, and if the actual realisable value of our properties is substantially lower than their appraised value, there may be a material adverse effect on our business, financial condition and results of operation.

The appraised value of our properties as contained in the property valuation report set out in Appendix III to this listing document is based on multiple assumptions that include elements of subjectivity and uncertainty. The appraised values of our properties may differ materially from the price we could receive in an actual sale of the properties in the market and should not be taken as their actual realisable value or an estimate of their realisable value. With respect to properties under development and properties held for future development, the valuations are based on the assumptions that, as the case may be, (i) it will be developed and completed in accordance with the latest development proposals; (ii) all consents, approvals, and licenses from relevant government authorities for the development proposals have been obtained without onerous conditions or delays; and (iii) the design and construction of the developments are in compliance with the local planning and other relevant regulations and have been approved by the relevant authorities.

In addition, the appraised value of properties is based on key assumptions including their market position, levels of yield, rent and/or price. Even though our property valuer adopted calculation methodologies used in valuing similar types of properties when preparing the property valuation report, the assumptions adopted may prove to be incorrect. If any of these assumptions turns out to be incorrect or the actual realisable value of any of our properties is significantly lower than its appraised value, our business, financial condition and results of operations may be materially and adversely affected.

Provisions for properties under development and completed properties held for sale may adversely affect our financial position.

The real estate market volatility may subject us to risks in connection with possible provisions of impairment for properties under development as well as completed properties held for sale, if we fail to complete the construction and sell the properties in time at our desired prices. As at each of 31 March 2020, 2021 and 2022 and 30 September 2022, our properties under development for sale amounted to RMB606.9 million, RMB861.9 million, RMB149.7 million and nil, respectively, whereas our completed properties held for sale amounted to RMB179.4 million, RMB88.8 million, RMB876.7 million and RMB913.0 million, respectively. Provisions of impairment may arise when the carrying value of a property exceeds its recoverable amount. In particular, if we fail to complete the construction or sell the properties in time at our desired prices, the volatility of the real estate market may subject us to risks in connection with possible impairment losses for properties under development as well as completed properties held for sale. We cannot assure you that we may not incur provisions, if any or at similar level, during adverse market conditions in the future. If we incur provisions of impairment or experience increases in provisions of impairment for properties under development and completed properties held for sale, our financial position may be adversely affected.

The fair value of our investment properties is likely to fluctuate from time to time and may decrease significantly in the future, it may also change due to the uncertainty of accounting estimates in the valuation of investment properties with the use of significant unobservable inputs in the valuation techniques, which may materially and adversely affect our profitability.

As at each of 31 March 2020, 2021 and 2022 and 30 September 2022, we recorded investment properties of approximately RMB76.3 million, RMB76.4 million, RMB77.3 million and RMB77.8 million respectively. We recorded net valuation gain on investment properties of RMB80,000 for the year ended 31 March 2020, which became net valuation loss of RMB235,000 for the year ended 31 March 2021. We then recorded net valuation gain of RMB900,000 for the year ended 31 March 2022 and RMB490,000 for the six months ended 30 September 2022. We are required to reassess the fair value of our investment properties at the end of each reporting period. Under HKFRSs, gains or losses arising from changes in the fair value of our investment properties are included in our consolidated statements of profit or loss for the period in which they arise. Our investment properties are appraised by an independent property valuer at each of the relevant reporting date and are measured at fair value with significant unobservable inputs used in the valuation techniques. We recognised the aggregate fair value of our investment properties and relevant deferred tax on our consolidated statements of financial position and changes in fair value of investment properties and the relevant deferred income tax expenses on our consolidated statements of profit or loss. Gains or losses arising from changes in the fair value of any such investment properties will affect our results of operations in the periods in which they arise and the impact may be significant.

Fair value gains in investment properties would not change our cash position as long as these properties are held by us, and thus would not increase our liquidity in spite of the increased profit. Nevertheless, impairment losses in investment properties would have a negative effect on our results of operations, even though such losses would not change our cash position as long as these properties are held by us. The amount of revaluation adjustment has been, and will continue to be, subject to market fluctuations and the changes of significant unobservable inputs in the valuation techniques. As a result, we cannot assure you that changes in the market conditions or valuation techniques will continue to create fair value gains on our investment properties or that the fair value of our investment properties may materially differ from the amounts it would receive in actual sales of the investment properties. Any significant decreases in the fair value of our investment properties or any significant decreases in the amount we receive in actual sales of the investment properties as compared with the recorded fair value of such properties would materially and adversely impact our results of operations.

We might be subject to impairment losses for prepayments, deposits and other receivables.

We might be subject to impairment losses for prepayments, deposits and other receivables. As at 31 March 2020, 31 March 2021 and 31 March 2022 and 30 September 2022, (i) the prepayments of the Group amounted to approximately RMB34.5 million, RMB49.1 million, RMB54.1 million and RMB18.2 million, respectively; (ii) the deposits of the Group amounted to approximately RMB0.3 million, RMB0.3 million, RMB31.9 million and RMB78.5 million, respectively; (iii) other receivables of the Group amounted to approximately RMB4.3 million, RMB2.9 million, RMB0.6 million and RMB0.8 million, respectively. Our prepayments mainly included prepayments of VAT, as well as the prepayments made to our suppliers or contractors in relation to the feasibility studies, advertising and promotional fee. Our deposits were deposits for office equipment and tendering of land. Other receivables were mainly receivables of Dongguan Wansheng, our subsidiary for procuring construction materials.

Pursuant to relevant tax laws and regulations, we are required to prepay non-refundable VAT for our pre-sold properties at the time the sales are contracted. Such prepaid amount is calculated based on the contracted selling price with reference to a fixed rate stipulated in the relevant tax laws and regulations. However, the final settlement amount of VAT is determined by the amount of input VAT and output VAT based on the applicable VAT rate in effect when the properties are delivered. While the prepaid VAT may enable us to reduce future tax payment, our prepaid VAT may also pose risks to us as its recoverability is dependent on the then applicable VAT rate in effect. Upon the final settlement, our prepaid VAT will be deducted from our VAT liabilities in the event that the final settlement amount of VAT exceeds the prepaid amount. However, such prepaid VAT will not be refunded if the prepaid amount exceeds the settlement amount. Therefore, there is no assurance that the prepaid VAT can be recovered. Efforts by the PRC government to increase tax revenues could also result in revisions to tax laws and regulations or their interpretation, which could increase our various tax liabilities. If there is an adjustment of applicable VAT tax rate in effect or a significant increase in the cost of sales of our property projects, which resulted in a decrease in such projects' gross profits, the associated final settlement of VAT may be adjusted to an amount lower than our prepaid VAT. As a result, we may not be able to recover our prepaid VAT, which could have a material adverse impact on our business, financial condition and results of operations.

Further, there can be no assurance that we will not have bad debts in the future. As there is limited financial or public information on some of our counterparties, we cannot assure you that all of our counterparties are creditworthy and reputable and will not default on us in the future, despite our efforts to conduct credit assessments on them. As a result, we are exposed to risks that our counterparties may fail to fulfil their obligations to us under our business arrangements with them. We may need to provide allowance for impairment of our prepayments, deposits and other receivables, which could adversely affect our cash flow position and our ability to meet our working capital requirements, thereby materially and adversely affecting our business, financial condition and results of operations.

We guarantee the mortgage loans provided by financial institutions to our homebuyers and consequently, we are liable to the mortgagees if our customers default.

Our homebuyers may apply for mortgages to purchase our properties. As consistent with market practice, we guarantee these mortgages for up to and until purchasers of our properties obtain a "strata-title building ownership certificate" (分戶產權證) and register it in favour of the mortgage bank. The outstanding guarantees to the banks amounted to RMB521.9 million, RMB421.6 million, RMB695.8 million and RMB819.5 million as at 31 March 2020, 2021 and 2022 and 30 September 2022 which will be terminated upon the completion of the transfer procedures with the property buyers in respect of the legal title of the properties. The guarantee period may range from one to three years, and we generally deposit with the mortgage bank a sum equal to or less than five percent of the mortgage amount. In the event that a customer defaults on the mortgage payment, the mortgage bank may deduct the deposited sum from the payment due and demand our immediate payment of the outstanding balance. Once we have satisfied our obligations under the guarantee, the bank would then assign its rights under the mortgage to us and we would have full recourse to the property.

As we generally rely on credit assessments conducted by banks on our customers in making our guarantees, we cannot guarantee that they will be sufficient. Yet even if we were to conduct our own credit assessments on the customers, we cannot guarantee that one or more of our customers will not default on us going forward, particularly as there is limited financial or public information on many of them. There can also be no assurance that we will be able to estimate and make appropriate provision for defaults. Furthermore, any significant decline of the economic condition of the PRC or local markets in which we operate may lead to lowered income of our customers and, subsequently, an increased risk of default on loans. In the event that several guarantee payment obligations arise at a time, we may experience material and adverse effects on our business, financial condition and results of operations, especially if the market value of our properties depreciates substantially or the prevailing conditions prevent us from reselling our properties on favourable terms.

Our operations may be dependent on a limited number of major suppliers.

Our suppliers are mainly construction contractors. During the Track Record Period, we were dependent to a certain extent on a limited number of major suppliers for our property development business. Some of our general contractors and sub-contractors are local level operating entities owned or controlled by group companies in China. Our five largest suppliers, substantially all of whom were general contractor companies in China, accounted for approximately 90.4%, 78.9%, 69.7% and 59.3% of our total costs of total purchase for the years ended 31 March 2020, 2021 and 2022 and six months ended 30 September 2022, respectively, and our single largest supplier accounted for 60.4%, 58.1%, 47.9% and 14.3% of our total costs of total purchase during the same periods, respectively. See the section headed "Business — Our Suppliers" in this listing document for more details. If a large number of our current major suppliers decide to terminate business relationships with us or, if the services or raw materials supplied by our current suppliers fail to meet our standards, or if our current service or raw material supplies are interrupted for any reason, we may not be able to easily switch to other qualified suppliers in a timely fashion, which may materially and adversely affect our business and financial results. Also see the paragraph headed "— We may fail to complete our property development projects on time, or at all" below in this section.

Our actual cost of sales for our property development and sales of a property development project may deviate from our initial estimations.

Our actual cost of sales for our property development and sales of a property development project may deviate from our initial estimations due to fluctuations in various costs, which could in turn have a material adverse effect on our business, results of operations and financial condition. We estimate the relevant total cost of sales for our property development and sales which comprise land costs, construction costs and capitalised interest expenses at the outset of every development project. While we have operating procedures to monitor the progress of development works to minimise deviation from the pre-approved budgets, our total development costs are subject to numerous factors which may be beyond our control. Our construction costs have been affected by rising construction and installation costs and labour costs in the PRC in recent years, and we expect a continuous upward movement in construction and installation costs in the PRC in the future.

Furthermore, the PRC property market is significantly affected by policy and regulatory measures introduced by the PRC government from time to time which may affect various aspects of our property development operations, including but not limited to our cost of financing as well as the schedule of development of our development projects, which in turn may result in deviation from our initial estimated development costs. We cannot assure you, however, that we will be able to continue to manage our development costs in the future. The profitability of the property development projects depends on the revenue recognition of the sale of properties, the actual cost of sales and relevant expenses incurred within the relevant financial year. If the actual development costs of our development projects deviate materially from our initial estimations, our business, results of operations and financial condition may be materially and adversely affected.

Inappropriate marketing activities or advertising of our properties may lead to penalties, undermine our sales and marketing efforts, cause deterioration to our reputation, and have a material adverse effect on our business.

As a real estate developer in the PRC, we are subject to a number of laws and regulations regarding the marketing and promotion of our property projects, our business and our reputation. If any of our advertisements are deemed false, misleading or failing to comply with the relevant laws and regulations, such as the PRC Advertising Law, we may be required to ceased to publish the advertisement and eliminate adverse effects and face a fine that may range from three to five times of the advertising fee. In addition, any false advertising may cast doubt on our other disclosures, advertisements, filings and other publications, deteriorate our reputation, and consequently have a material and adverse effect on our business, financial condition and results of operations.

We may be subject to fines due to the lack of registration of our leases.

Pursuant to relevant PRC regulations, parties to a lease agreement are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. During the Track Record Period, we leased certain properties from independent third-party landlords mainly for our office premises. During the Track Record Period, we failed to register one lease agreement in the PRC under which we are the tenant. The failure to register the lease agreements does not affect the validity of the lease agreements under the relevant PRC laws and regulations, or our rights or entitlements to lease out the investment properties to tenants. However, we may be required by relevant government authorities to file the lease agreements to complete the registration formalities and may be subject to a fine for non-registration within the prescribed time limit, which may range from RMB1,000 to RMB10,000 per lease agreement. The imposition of the above fines could require us to make additional efforts and/or incur additional expenses, any of which could materially and adversely impact our business, financial condition and results of operations. The registration of these lease agreements to which we are a party requires additional steps to be taken by the respective other parties to the lease agreement which are beyond our control. We cannot assure you that the other parties to our lease agreements will be cooperative and that we can complete the registration of these lease agreements and any other lease agreements that we may enter into in the future. Furthermore, there are inherent risks of accidents, injuries or prohibited activities (such as illegal drug use, gambling, violence or prostitution by guests and infringement of third parties' intellectual property or other rights by our tenants) taking place in public places of our commercial properties, such as shopping malls. The occurrence of one or more accidents, injuries or prohibited activities at any of our investment properties could adversely affect our reputation among customers and guests, decrease our overall rents and occupancy rates and increase our costs by requiring us to implement additional safeguard measures. In addition, if accidents, injuries or prohibited activities occur at any of our investment properties, we may be held liable for costs, damages and fines. Our current insurance policies may not provide adequate or any coverage for such losses and we may be unable to renew our insurance policies or obtain new insurance policies without increases in premiums and deductibles or decreases in coverage levels, or at all.

Failure to retain the key management personnel may materially and adversely affect our business and results of operations.

Our continued success and growth depend on our ability to identify, hire, train and retain suitably skilled and qualified employees, including management personnel, with relevant professional skills. The services of our Directors and members of senior management are essential to our success and future growth. The loss of a significant number of our Directors and senior management could have a material adverse effect on our business if we are unable to find suitable replacements in a timely manner. We may not be able to successfully attract, assimilate or retain all of the personnel we need. We may also need to offer superior compensation and other benefits to attract and retain key personnel and therefore cannot assure you that we will have the resources to fully achieve our staffing needs. In addition, if any Director or any member of our senior management or any of our other key personnel were to join a competitor or carry on a competing business, we may lose customers and other key professionals and staff members. Due to the intense competition for management and other personnel in the PRC property sector, any failure to recruit and retain the necessary management personnel and other qualified employees could have a material adverse impact on our business prospects.

If we lose the service of our key management, we may not be able to locate and obtain the service of qualified replacements. As a result, if we fail to retain our key management personnel, our competitiveness, business, financial condition and results of operations could be materially and adversely affected.

The total GFA of some of our property development projects may be different from the original authorised area.

Government's grants of land use rights for a parcel of land specify in the land grant contract the permitted total GFA that the developer may develop on the land. In addition, the total GFA is also set out in the relevant urban planning approvals and construction permits. However, the actual GFA constructed may be different from the total GFA authorised in the land grant contract or relevant construction permits due to factors such as subsequent planning and design adjustments. The actual GFA may be subject to approval when the relevant authorities inspect the properties after completion. The developer may be required to pay additional land premium and/or administrative fines or take corrective actions in respect of the adjusted land use and excess GFA before a completion certificate (工程竣工驗收備案表) can be issued to the real estate developers. Until the completion certificate is issued, we would not be able to deliver individual units to purchasers or to recognise the related pre-sale proceeds as revenue. The methodology for calculating the additional land premium is generally the same as the original land grant contract. If issues related to excess GFA cause delays in the delivery of our products, we may also incur liabilities to purchasers under our sales and purchase agreements. There can be no assurance that the constructed total GFA for each of our existing projects under development or any future property developments will not exceed permitted total GFA. Any of these factors may adversely affect our business.

The property development business is subject to claims under statutory quality warranties, and if a number of claims are brought against us under our warranties, our reputation, business, results of operation and financial condition may be materially and adversely affected.

Under the Regulations on Administration of Development and Operation of Urban Real Estate (《城市房地產開發經營管理條例》) enacted by the State Council on July 20, 1998 and amended on 8 January 2011, 24 March 2019 and 29 November 2020, and the Regulation for the Administration of Sales of Commodity Buildings (《商品房銷售管理辦法》), which went into effect on 1 June 2001, all real estate developers in the PRC must provide certain quality warranties for the properties they construct or sell. We are required to provide these warranties to our customers. During the Track Record Period, we did not receive any claims brought against us under statutory quality warranties. Generally, we receive quality warranties from third-party contractors with respect to our property development projects. We did not retain any amount to cover the payment obligation under quality warranties during the Track Record Period. If a large number of claims were brought against us under our warranties and if we were unable to obtain reimbursement for such claims from third-party contractors in a timely manner or at all, we could incur expenses to resolve such claims or face delays in remedying the related defects, which could in turn diminish our reputation, and adversely affect our business, financial condition and results of operations.

We are exposed to disputes, claims or litigation.

As a property developer, we are subject to claims in respect of various matters from our working parties and other parties concerned with our projects. Such claims may include claims for compensation due to late completion of projects or, disputes relating to late or insufficient payment and claims in respect of personal injuries and labour compensation in relation to the works. We cannot assure you that we will not be involved in any major legal proceedings in the future. Any involvement on these disputes may materially and adversely affect our business, financial condition and results of operations.

Our insurance coverage may not be adequate to cover all risks related to our operations.

We maintain insurance policies that are required under PRC laws and regulations. See the section headed "Business — Insurance" in this listing document for details. However, there are certain types of losses for which insurance coverage is not generally available on commercial terms acceptable to us, such as insurance against losses suffered due to business interruption, earthquake, flooding or other natural disasters, war, terrorist attack or civil disorder, or loss or damage caused by industrial actions. If we suffer any losses, damages or liabilities in the course of our business operations arising from events for which we do not have any or adequate insurance cover, we have to bear such losses, damages or liabilities by ourselves.

We cannot assure you that such coverage will be available or sufficient to cover all our risk exposures in relation to our business operations. If insurance coverage is unavailable or insufficient, our business, financial condition and results of operations may be adversely affected.

We may be subject to fines and penalties as a result of our non-compliance with PRC laws and regulations in relation to non-compliance incidents during the Track Record Period.

During the Track Record Period, certain of our subsidiaries 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 certain projects. 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. During the Track Record Period, we also failed to complete construction within the prescribed period as stipulated in certain land grant contracts for and therefore failed to comply with the Urban Real Estate Law and the PRC Contract Law in respect of these projects. For details of the non-compliance incidents and the remedial measures taken, see the section headed "Business — Legal and Regulatory Compliance — Non-compliance Incidents" in this listing document for details.

There is no assurance that we will not be subject to penalties or fines imposed by the relevant PRC governmental authorities as a result of such non-compliance incidents or be ordered to rectify such non-compliance incidents. Any such penalties, fines, or complaints may harm our corporate reputation and may have an adverse effect on our financial condition and results of operations.

We may not be able to timely prevent or detect actions by our employees or workers which may engage in bribery, corrupt or other improper conduct.

Although we have implemented relevant internal control measures to supervise and monitor our employees and workers to comply with the PRC anti-bribery, anti-corruption and other related laws and regulations. Bribery and other misconduct by our employees or workers may be difficult to prevent or to detect on a timely basis.

Failure to effectively supervise and monitor our employees or workers or to comply with the PRC anti-bribery, anti-corruption and other related laws and regulations may subject us to financial losses and our reputation and results of operations and business may materially and adversely affected.

We may experience failures in or disruptions to our information technology systems.

We rely on our information technology systems to manage key operational functions such as processing financial data and coordinating business operations among teams at our Group and local level. However, we cannot assure you that damages or interruptions caused by power outages, computer viruses, hardware and software failures, telecommunication failures, fires, natural disasters, security breaches and other similar occurrences relating to our information systems will not occur going forward. We may incur significant costs in restoring any damaged information technology systems or to comply with any relevant data protection requirements under the relevant PRC laws and regulations. Failures in or disruptions to our information technology systems and loss or leakage of confidential information could cause transaction errors, processing inefficiencies and the loss of customers and sales. We may thus experience material adverse effects on our business and results of operations.

We may not be able to fulfil our obligation in respect of contract liabilities.

Our contract liabilities consist of the amounts received by our Group from customers when they sign the sale and purchase agreement. These receipts in advance are recognised as contract liabilities until the properties are completed and accepted by the customers, or deemed as accepted according to the sale and purchase agreement, whichever is earlier, as the point in time when the control of completed property is transferred to the customer resulting in recognition of the corresponding revenue. Since the revenue from property development and sales is only recognised upon the delivery of properties, the timing of such delivery may affect the amount and growth rate of our revenue from sales of properties. Moreover, we make certain undertakings in our pre-sale contracts, and our pre-sale contracts and the PRC laws and regulations provide for remedies for breach of these undertakings. For example, if we fail to complete delivery of a pre-sold property on time, we may be liable to the relevant customers for such late delivery under the relevant pre-sale contracts or pursuant to relevant PRC laws and regulations. If our delay extends beyond a specified period, the purchasers may terminate their pre-sale contracts and claim for compensation. Any of such factors could have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO OUR INDUSTRY

We face intense competition, which may materially and adversely affect our business, financial performance and results of operation.

The property market in Dongguan, Huizhou and Foshan in the Greater Bay Area, has been highly competitive in recent years. Property developers from the PRC and overseas have entered the property development markets in the region where we have operations and those which we may enter in the future. Our competitors include overseas listed foreign developers and top-tier domestic developers and they may have better access to resources, especially financial resources than us. Competition among property developers may cause an increase in land costs and raw material costs, shortages in quality construction contractors, temporary local market surpluses in property supply leading to property price declines, and higher costs to attract or retain talented employees, thereby affecting our profitability. If we fail to compete effectively, our financial condition, results of operations and prospects may be materially and adversely affected.

We are exposed to risks associated with operating in an industry yet in the adjustment and optimisation stage.

As the real estate industry in China is yet in the adjustment and optimisation stage, investors may be discouraged from acquiring properties as there is a limited amount of accurate financial and regulatory information publicly available. Other factors that discourage investment in real estate may include the limited number of mortgage financing options available, legal uncertainties to do with enforcement of title and the lack of a liquid secondary market for residential properties. Although demand for private residential property has grown in recent years, the real estate market has experienced volatility and price fluctuations. The risk of over-supply has also surfaced as investments in real estate are increasingly made for speculative reasons. We are exposed to risks associated with operating in such a business environment. Any of these factors may reduce demand for our properties. We may be forced to lower our prices, and the resulting decrease in our profit margins may materially and adversely affect our business and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

The PRC economic, political, social conditions as well as government policies could adversely affect our business, prospects, financial performance and results of operations.

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to structure, level of government involvement, level of development, growth rate, control of foreign exchange, and allocation of resources. While the PRC economy has grown significantly in the past 30 years, growth has been uneven, both geographically and among the various sectors of the economy. Many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. The PRC economy has grown significantly in recent decades, but there can be no assurance that this growth will continue or continue at the same pace. In addition, demand for our services and our business, financial position and results of operations may be adversely affected by (i) political instability or changes in social conditions in the PRC; (ii) changes in laws, regulations or policies or the interpretation of laws, regulations or policies; (iii) measures which may be introduced to control inflation or deflation; (iv) changes in the rate or method of taxation; and (v) imposition of additional restrictions on currency conversion and remittances abroad.

The PRC legal system has inherent uncertainties that could limit the legal protection available to you.

All of our operating subsidiaries are located in China and are subject to PRC laws and regulations. The PRC legal system is based on written statutes. Prior court decisions are not legally binding and can only be cited as reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies in applying and enforcing such laws. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, as these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited volume of published cases and their non-binding nature, any particular interpretation of PRC laws and regulations may not be definitive.

In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis, if at all, and some of which may have a retroactive effect. The PRC may not accord equivalent rights, or protection for such rights, to those that you might expect in countries with more sophisticated real estate laws and regulations. Furthermore, the PRC is geographically large and divided into various provinces and municipalities. As such, when PRC laws, rules, regulations and policies apply in different parts in the PRC, there may be varying applications and interpretations. Legislation or regulations, particularly for local applications, may be enacted without sufficient prior notice or announcement to the public. Accordingly, we may not be aware of the existence of new legislation or regulations. There is at present no integrated system in the PRC from which information can be obtained in respect of legal actions, arbitrations or administrative actions. Even if an individual court-by-court search were performed, certain courts may refuse to make their documentation available for inspection. As a result, the legal protections available to you under the PRC legal system may be limited.

PRC regulations of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from making loans or additional capital contributions to our PRC subsidiaries.

As an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans provided by us to our PRC subsidiaries are subject to PRC regulations. For example, loans by us to our PRC subsidiaries in China to finance their activities cannot exceed statutory limits and must be registered or filed on record. We may also decide to finance our PRC subsidiaries through capital contributions. These capital contributions must be filed with or approved by the MOFCOM or its local counterpart and registered with the SAIC or its local branch. We cannot assure you that we will be able to obtain these government registrations or approvals or to complete filing and registration procedures on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to receive such registrations or approvals or fail to complete such filing or registration procedures, our ability to use proceeds of any future financing we conduct and to capitalise our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

Fluctuations in the value of the Renminbi and governmental control of currency conversion may limit our ability to use capital effectively.

Substantially all of our revenue and expenditures are denominated in Renminbi, while any dividends we pay on our Shares will be in Hong Kong Dollars. Fluctuations in the exchange rates between the Renminbi and the Hong Kong Dollar or U.S. Dollar will affect the relative purchasing power in Renminbi terms. Fluctuations in the exchange rates may also cause us to incur foreign exchange losses and affect the relative value of any dividend distributed by us. Currently, we have not entered into any hedging transactions to mitigate our exposure to foreign exchange risk. Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve certain exchange rate targets and policy goals. In August 2015, PBOC changed the way it calculates the mid-point price of Renminbi against the U.S. dollar, requiring the market-makers who submit for reference rates to consider the previous day's closing spot rate, foreign exchange demand and supply as well as changes in major currency rates. The value of the Renminbi depreciated against the U.S. Dollar by 4.8%, 6.2%, 5.3% and 1.4% in 2015, 2016, 2018 and 2019 respectively, but appreciated against the U.S. Dollar by 6.7% in 2017. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against Hong Kong Dollar or U.S. Dollar in the future.

In addition, conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that we will have sufficient foreign exchange to meet our foreign exchange needs. Under China's current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE. But we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange businesses. Foreign exchange transactions under the capital account, however, must be directly reviewed and handled by banks in accordance with the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (關於進一步簡化和改進直接投資外匯管理政策的通知) (the "**Circular 13**"), and the SAFE and its branches must perform indirect regulation over the foreign exchange registration via banks. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Any insufficiency of foreign exchange may restrict our ability to obtain adequate foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we fail to convert Renminbi into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business may be materially and adversely affected.

Our investments in the PRC are subject to the PRC government's control over foreign investment in the property sector.

The PRC government has imposed restrictions on foreign investment in the property sector to curtail over-heating of the property sector by, among other things, increasing the capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control on cross-border investment and financing activities and imposing restrictions on purchases of properties in China by foreign persons. Restrictions imposed by the PRC government on foreign investment in the property sector may affect our ability to make further investments in our PRC subsidiaries and as a result may limit our business growth and have a material and adverse effect on our business, results of operations and financial condition.

We may be deemed as a PRC resident enterprise under the EIT Law and be subject to PRC taxation on our worldwide income.

Under the EIT Law, commencing 1 January 2008, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and will generally be subject to the uniform 25% EIT rate as to their global income. Under the Implementation Regulations for the EIT Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. In April 2009, the PRC State Administration of Taxation promulgated a circular, amended in December 2017, to clarify the definition of "de facto management bodies" for enterprises incorporated overseas with controlling shareholders being onshore enterprises or enterprise groups in China. However, it remains unclear how the tax authorities will explain the regulation. Therefore, we may be treated as a PRC resident enterprise for EIT purposes.

The tax consequences of such treatment are currently unclear, as they will depend on how PRC finance and tax authorities apply or enforce the EIT Law and the Implementation regulations. We face uncertainty relating to the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the "**SAT Circular No. 7**") issued by the PRC State Administration of Taxation. On 3 February 2015, the PRC State Administration of Taxation issued the SAT Circular No. 7, amended on 1 December 2017 and 29 December 2017 SAT Circular No. 7 provides comprehensive guidelines relating to indirect transfers by a non-PRC resident enterprise of assets (including equity interests) of a PRC resident enterprise (the "**PRC Taxable Assets**"). For example, SAT Circular No. 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-PRC resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets. The PRC tax authorities may disregard the existence of such overseas holding company and consider the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC EIT and lack any other reasonable commercial purpose. Although SAT Circular No. 7 contains certain exemptions (including (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of PRC Taxable Assets, if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from PRC EIT under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under SAT Circular No. 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, if such transaction were determined by the tax authorities to lack reasonable commercial purpose. As a result, we may be subject to tax under SAT Circular No. 7 and may be required to expend valuable resources to comply with SAT Circular No. 7 or to establish that we should not be taxed under SAT Circular No. 7, which may have a material adverse effect on our business, financial condition, results of operations and growth prospects.

Our investment properties are located on land that is under long-term land use rights granted by the PRC government. There is uncertainty about the amount of the land grant premium that we will have to pay and additional conditions that may be imposed if we decide to seek an extension of the land use rights for our investment properties.

Our investment properties are held by us under land use rights granted by the PRC government. Under PRC laws, the maximum term of the land use rights ranges from 40 years to 70 years depending on the land use purpose. Upon expiration, the land use rights will revert to the PRC government unless the holder of the land use rights applies for and is granted an extension of the term of the land use rights. These land use rights do not have automatic rights of renewal and holders of land use rights are required to apply for extensions of the land use rights one year prior to the expiration of their terms. If an application for extension is granted (and such grant would usually be given by the PRC government unless the land in issue is to be taken back for the purpose of public interests), the holder of the land use rights will be required to, among other things, pay a land grant premium. If no application is made, or if such application is not granted, the properties under the land use rights will be reverted to the PRC government without any compensation. As none of the land use rights granted by the PRC government which are similar to those granted for our investment properties has, as of the Latest Practicable Date, run its full term, there is no precedent to provide an indication of the amount of the land grant premium which we will have to pay and any additional conditions which may be imposed if we decide to seek an extension of the land use rights for our investment properties upon the expiry thereof.

In certain circumstances, the PRC government may, where it considers it to be in the public interest, terminate land use rights before the expiration of the term. In addition, the PRC government has the right to terminate long-term land use rights and expropriate the land in the event the grantee fails to observe or perform certain terms and conditions pursuant to the land use rights grant contracts. If the PRC government charges a high land grant premium, imposes additional conditions, or does not grant an extension of the term of the land use rights of any of our investment properties, our operations could be disrupted, and our business, financial condition and results of operations could be materially and adversely affected.

Our Company is a holding company and rely primarily on dividends paid by its subsidiaries, joint venture and associates to fund any cash and financing requirements. Our Company's ability to pay dividends and utilise cash resources in our subsidiaries therefore depend on their earnings and distributions.

Our Company is a holding company and we conduct our business operations primarily through our Company's subsidiaries in the PRC. Our Company's ability to make dividend payments and other distributions in cash, to pay expenses and finance other subsidiaries depends upon the receipt of dividends, distributions or advances from its subsidiaries. The ability of the subsidiaries to pay dividends or other distributions may in turn be subject to their earnings, financial position, cash requirements and availability of cash. These restrictions could reduce the amount of dividends or other distributions that our Company receives, which could in turn restrict our Company's ability to fund our business operations and to pay dividends to our shareholders.

In addition, declaration of dividends by our subsidiaries is at the discretion of the shareholders of such subsidiaries in accordance with their respective articles of association. Payments of dividends by its subsidiaries are also subject to restrictions under the PRC laws. In addition, if the subsidiaries obtained loan from banks, they may be restricted from making distributions to us due to restrictive financial covenants contained in relevant loan and banking facilities agreements. Any of the above factors may affect our cash inflow and ability to pay dividends. As we expect to continue to invest in subsidiaries for our property development projects, our liquidity may be further restricted if we are not able to receive dividends from our existing or future subsidiaries, which may in turn could materially and adversely affect our ability to conduct our business.

You may experience difficulties in effecting service of process or enforcing foreign judgements against us, our Directors or senior management residing in China.

Our Company is incorporated in the Cayman Islands. Substantially all of our assets are located in China and certain of our Directors and senior management reside in China. Therefore, it may not be possible to effect service of process within Hong Kong or elsewhere outside of China upon us or our Directors or senior management. Moreover, China has not entered into treaties for the reciprocal recognition and enforcement of court judgements with Japan, the United Kingdom, the United States and many other countries. As a result, recognition and enforcement in China of a court judgement obtained in other jurisdictions may be difficult or impossible.

In addition, on 14th July 2006, China and Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判决的安排) (the "**Arrangement**"). Pursuant to the Arrangement, a party with a final court judgement rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgement in China. Similarly, a party with a final judgement rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgement in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between the parties after the effective date of the arrangement in which a Hong Kong or PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgement rendered by a Hong Kong court in China if the parties in dispute do not agree to enter into a choice of court agreement in writing. On 18 January 2019, the Supreme People's Court of the PRC and Hong Kong entered into an agreement regarding the scope of judgements which may be enforced between China and Hong Kong (關於內地與香港特別行政區法院相互認可和執行民商案件判決的安排) (the "**New Arrangement**"). The New Arrangement will broaden the scope of judgements that may be enforced between China and Hong Kong under the Arrangement.

Whereas a choice of jurisdiction needs to be agreed in writing in the form of an agreement between the parties for the selected jurisdiction to have exclusive jurisdiction over a matter under the Arrangement, the New Arrangement provides that the court where the judgement was sought could apply jurisdiction in accordance with the certain rules without the parties' agreement. The New Arrangement will replace the Arrangement when the former becomes effective. However, as of the Latest Practicable Date, the New Arrangement has not become effective and no specific date has been determined as its effective date. The Arrangement continues to apply and, as such, it may be difficult or impossible for investors to enforce a Hong Kong court judgement against our assets or our Directors or senior management in China.

RISKS RELATING TO THE SPIN-OFF AND OUR SHARES

Shareholders' interest may be diluted as a result of additional equity fund raising.

We may issue additional Shares to raise additional funds in the future to finance our business expansion. If additional funds are raised through the issuance of new equity or equity-linked securities of our Group, other than on a pro rata basis to existing Shareholders, then (a) the percentage ownership of those existing Shareholders may be reduced, and they may experience subsequent dilution, and/or (b) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of our existing Shareholders.

There has been no existing public market for our Shares and there may be a lack of liquidity and volatility in its price and trading volume.

Prior to the Listing, there had been no public market for our Shares. We have made an application for the listing of, and permission to deal in, our Shares on the Stock Exchange. The Listing, however, does not guarantee that an active and liquid trading market for our Shares will develop or, if it does develop, that it will be sustained following the Listing or that the market price of our Shares will not fluctuate following completion of the Listing.

The price and trading volume of our Shares may be volatile. Factors such as the following may affect the volume and price at which our Shares will trade:

- actual or anticipated fluctuations in our results of operations;
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general economic, market or regulatory conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies and other industries; and
- other events or factors beyond our Group's control.

Future issues, offers or sales of our Shares may adversely affect the prevailing market price of our Shares.

Future sales or perceived sales of a substantial amount of our Shares or other securities relating to our Shares in the public market may negatively impact the market price of our Shares, or adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate. There is no assurance that any of our Shareholders will not dispose of any Shares they now own or may own in the future, following the Spin-off or the expiration of any relevant lock-up periods. Future issues of our Shares by our Company or the disposal of our Shares by any of our Shareholders or the perception that such issues or sale may occur, may negatively affect the prevailing market price of our Shares. In addition, we may raise additional funds by issuing new equity securities in the future to finance expansion of the existing business or develop new businesses. If the new equity securities are not issued to the existing Shareholders on a pro-rata basis, the ownership percentages of the existing Shareholders may be reduced.

Our Controlling Shareholders may have substantial control over our Company and their interests may not be aligned with the interests of other Shareholders.

Following the Listing, our Controlling Shareholders will continue to have substantial control over our Company. Subject to the Articles of Association, the Memorandum of Association and the Listing Rules, our Controlling Shareholders by virtue of their controlling beneficial ownership of the share capital of our Company, will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders, including but not limited to mergers, consolidations and the sale of all, or substantially all, of our assets, election of Directors and other significant corporate actions, by voting at the general meeting of our Shareholders and at Board meetings. Our Controlling Shareholders' interests may differ from the interests of other Shareholders, and our Controlling Shareholders are free to exercise vote according to their own interests. To the extent that the interests of our Controlling Shareholders conflict with the interests of other Shareholders, or if our Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of our other Shareholders, those Shareholders could be disadvantaged and harmed by the actions of our Controlling Shareholders.

You may face difficulties in protecting your interests under the laws of the Cayman Islands.

We are a Cayman Islands company and our corporate affairs are governed by, among other things, our Memorandum of Association, Articles of Association, the Companies Act and common law of the Cayman Islands.

The rights of Shareholders to take action against our Directors, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions. Such differences may mean that the remedies available to the minority Shareholders may be different from those they would have under the laws of other jurisdictions.

Facts and statistics in this listing document should not be unduly relied upon.

Certain facts and other statistics in this listing document that do not relate directly to our operations, including those relating to the PRC, the PRC economy and the PRC real estate industry have been derived from various official government publications. However, we cannot guarantee the quality or reliability of these sources. They have not been prepared or independently verified by our Group, the Sole Sponsors, or any of their respective directors, officers, affiliates, advisors or representatives, or any other parties involved in the Spin-off, and such information may not be consistent with other publicly available information.

We, the Sole Sponsor, or any of their respective directors, officers, affiliates, advisors or representatives, or any other parties involved in the Spin-off make no representation as to the completeness or accuracy of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy (as the case may be) in other publications or jurisdictions. Therefore, you should not rely unduly upon such facts and statistics contained in this listing document.

The entire listing document should be read carefully and any information contained in press articles, media and/or research reports regarding our Group, our business, our industry or the Spin-off not contained in this listing document should not be relied upon.

There may be certain coverage in the press and/or media regarding our Group, our business, our industry and the Spin-off. There had been, prior to the publication of this listing document, and there may be, subsequent to the date of this listing document but prior to the completion of the Spin-off, press and/or media coverage regarding our Group, our business, our industry and the Spin-off containing, among other matters, certain financial information, projections, valuations and other forward-looking information about us and the Spin-off. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information disseminated in the articles or media and that such information was not sourced from or authorised by our Group. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, publication or underlying assumptions. To the extent that any of the information in the media or publications other than this listing document is inconsistent or conflicts with the information contained in this listing document, we disclaim it. Accordingly, you should read the entire listing document carefully and should make investment decisions about us on the basis of the information contained in this listing document only and should not rely on any other information.

Forward-looking statements contained in this listing document are subject to risks and uncertainties.

This document contains certain statements that are "forward-looking" and indicated by the use of forward-looking terms such as "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "ought to", "may", "plan", "potential", "project", "seek", "should", "shall", "will" or "would" or similar expressions. You are cautioned that any forward-looking statement involves risks and uncertainties and any or all of the assumptions relating to the forward-looking statements could prove to be inaccurate. As a result, the forward-looking statement could be incorrect. The inclusion of forward-looking statements in this listing document should not be regarded as a representation by us that the plans and objectives will be achieved, and you should not place undue reliance on such statements.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Ho Man Chung (何文忠先生)	Room 2913, Ka Ming House, Ka Shing Court 33 Pak Wo Road Fanling, the New Territories Hong Kong	Chinese
Mr. Ho Wai Hon, Brian (何偉汗先生)	Flat H, 33/F., Block 3 Phase 1, Belvedere Garden 530-590 Castle Peak Road Tsuen Wan, the New Territories Hong Kong	Chinese
Ms. Yiu Yuet Fung (姚月鳳女士)	Flat 6, 24/F, Block A New Kwai Fong Gardens Kwai Fong, the New Territories Hong Kong	Chinese
Mr. Zhu Nianhua (祝年化先生)	Room 1701, Unit 2, Building 4 Castfast Villas Phase 3 Da Long Industry District Fenggang Town, Dongguan City Guangdong Province, PRC	Chinese
Non-executive Director		
Mr. Ho Cheuk Fai (何焯輝先生)	1-2/F, Block E1, Shatin Heights 8003 Tai Po Road Shatin, the New Territories Hong Kong	Chinese
Independent Non-executive Directors		
Mr. Choi Wai Hin (蔡瑋軒先生)	Room C, 15/F, Block 2 Palm Cove Tuen Mun, the New Territories Hong Kong	Chinese
Mr. Ho Lai Hong (何麗康先生)	Tower 18-H, 18/F South Horizons Ap Lei Chau Hong Kong	British
Dr. Lo Yung Fong (羅容芳博士)	Unit 104, 17/F, Block A Mei Foo Sun Chuen 104 Broadway Street, Mei Foo Hong Kong	Canadian

For further information of our Directors, please refer to the section headed "Directors, Senior Management and Employees" in this listing document.

PARTIES INVOLVED IN THE SPIN-OFF

Sole Sponsor	**Dongxing Securities (Hong Kong) Company Limited** Room 7503B-7504, 75/F, International Commerce Centre 1 Austin Road West Kowloon, Hong Kong *(A licenced corporation permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO)*
Legal Advisors to our Company	*As to Hong Kong laws* **Winston & Strawn** 42/F, Bank of China Tower 1 Garden Road Central, Hong Kong *As to PRC laws* **Fangda Partners** 17/F, Tower One, Kerry Plaza 1 Zhong Xin Si Road Futian District, Shenzhen, PRC *As to Cayman Islands laws* **Conyers Dill & Pearman** 29/F, One Exchange Square 8 Connaught Place Central, Hong Kong

Legal Advisors to the Sole Sponsor	*As to Hong Kong laws* **Jingtian & Gongcheng LLP** Suites 3203-3207, 32/F, Edinburgh Tower, The Landmark 15 Queen's Road Central Hong Kong *As to PRC laws* **Jingtian & Gongcheng** 45/F, K. Wah Centre, 1010 Huaihai Road (M) Xuhui District, Shanghai, PRC
Auditors and Reporting Accountants	**KPMG** Certified Public Accountants 8th Floor, Prince's Building 10 Chater Road Central, Hong Kong
Industry Consultant	**Cushman & Wakefield Limited** 27/F, One Island East Taikoo Place 18 Westlands Road Quarry Bay Hong Kong
Property Valuer	**Cushman & Wakefield Limited** 27/F, One Island East Taikoo Place 18 Westlands Road Quarry Bay Hong Kong

CORPORATE INFORMATION

Registered office in the Cayman Islands	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Unit 80, 7/F., Woon Lee Commercial Building 7–9 Austin Ave, Tsim Sha Tsui Hong Kong
Headquarter in the PRC	Shop 426, 4/F, Jialehui Shopping Centre, Dalong Industrial District, Fenggang Town, Dongguan City, Guangdong Province
Company's website	www.krpd.com.hk
Company secretary	Mr. Wong Ho Kwan (黃浩鈞) *(HKICPA)* Unit 80, 7/F., Woon Lee Commercial Building 7–9 Austin Ave, Tsim Sha Tsui Hong Kong
Authorised representatives (for the purpose of the Listing Rules)	Mr. Wong Ho Kwan (黃浩鈞) Unit 80, 7/F., Woon Lee Commercial Building 7–9 Austin Ave, Tsim Sha Tsui Hong Kong Mr. Ho Wai Hon, Brian (何偉汗) Flat H, 33/F., Block 3 Phase 1, Belvedere Garden 530–590 Castle Peak Road, Tsuen Wan, the New Territories Hong Kong
Audit Committee	Mr. Choi Wai Hin (蔡瑋軒先生) *(Chairman)* Dr. Lo Yung Fong (羅容芳博士) Mr. Ho Lai Hong (何麗康先生)

CORPORATE INFORMATION

Remuneration Committee	Dr. Lo Yung Fong (羅容芳博士) *(Chairman)* Mr. Ho Lai Hong (何麗康先生) Mr. Choi Wai Hin (蔡瑋軒先生) Mr. Ho Wai Hon, Brian (何偉汗先生)
Nomination Committee	Mr. Ho Lai Hong (何麗康先生) *(Chairman)* Dr. Lo Yung Fong (羅容芳博士) Mr. Choi Wai Hin (蔡瑋軒先生) Mr. Ho Wai Hon, Brian (何偉汗先生)
Cayman Islands principal share registrar and transfer office	**[REDACTED]**
Hong Kong branch share registrar and transfer office	**[REDACTED]**
Principal banker	**Hang Seng Bank Limited** 83 Des Voeux Road Central, Hong Kong **Agricultural Bank of China Limited** 13 Zhengtong Road, Fenggangzhen Dongguan, Guangdong Province PRC
Compliance adviser	**Dongxing Securities (Hong Kong) Company Limited** Room 7503B-7504, 75/F, International Commerce Centre 1 Austin Road West Kowloon, Hong Kong

The information and statistics set out in this section and other sections of this listing document were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the independent industry report prepared by Cushman & Wakefield. We engaged Cushman & Wakefield to prepare an independent industry report in connection with the Spin-off. The information from official government sources has not been independently verified by us, the Sole Sponsor or any of their respective directors and advisers, or any other persons or parties involved in the Spin-off, and no representation is given as to its accuracy. Accordingly, the information from official government sources contained herein may not be accurate and should not be unduly relied upon.

SOURCES OF INFORMATION

We commissioned Cushman and Wakefield to prepare the C&W Report as to the real estate markets in China and the regions and cities in which we currently operate. We incurred a total of RMB357,000 for this report.

C&W is a global real estate adviser, which offers a range of services including investment agency, leasing agency, property and facilities management, project and building consultancy, investment and asset management, market research and forecasting and valuation. C&W has 400 offices in 70 countries.

C&W has prepared the industry report based on data from the PRC government, reliable research institutions and the proprietary databases of C&W. During research, C&W conducted interviews with local marketing agents in the residential property sector. C&W Report is based on current as well as the likely future market conditions as perceived by the markets. The estimation of the future demand and supply for the residential property markets may not materialise, and unanticipated events and circumstances may occur; therefore, actual results may vary from our estimates and the variations may be material. C&W Report does emphasise that the estimation of the future market conditions and outlook should be regarded as an indicative assessment of possibilities rather than absolute certainties.

While preparing the industry report and regional ranking information, C&W has relied on the assumptions that the macro-economic environment of each of cities in the PRC in which our Group operates is expected to grow at a steady rate; the political environment of the PRC remains stable; and the real estate industry of each of the cities in the PRC in which our Group operates is expected to grow at a steady rate.

Our Directors confirm that, after taking reasonable and up to the Latest Practicable Date care, there is no adverse change in the market information since the date of the C&W Report and up to the Latest Practicable Date, which may qualify, contradict or have an impact on the information as disclosed in this section.

OVERVIEW OF THE PRC ECONOMY

Under the influence of various macro-economic policies, the PRC's annual GDP has remained growth with a softening trend, with nominal GDP value increasing from approximately RMB74,359 billion in 2016 to approximately RMB114,367 billion in 2021, representing a CAGR of approximately 9.0%. Urban resident disposable income per capita has increased from approximately RMB33,616 in 2016 to approximately RMB47,412 in 2021, representing a CAGR of approximately 7.1%. The increase in purchasing power has led to an increase in the willingness of urban residents to consume. In 2016, the foreign direct investment was USD126 billion, which has increased steadily in the past five years, reaching USD174 billion by the end of 2021 at a CAGR of 6.6%. It is worth mentioning that total fixed assets investment in the PRC has decreased from approximately RMB60,647 billion in 2016 to approximately RMB55,288 billion in 2021, representing a CAGR of approximately -1.8%.

In 2019, the fixed asset investment in the construction industry decreased by 19.8%, the investment in wholesale and retail industry decreased by 15.9%, and the fixed asset investment in public management and social security decreased by 15.6% compared with the previous year. The fixed asset investment in the real estate industry increased by 9.1%, the investment financial industry increased by 10.4%, and the information technology industries and technical service industries increased by 8.6% compared with the previous year. Affected by the global economic downturn, industrial transformation and upgrading, and the decline in government investment, the growth of fixed asset investment has declined year by year. From 2017 to 2019, in order to bring statistical data closer to reality, local governments have successively reformed the fixed asset statistical system and revised statistical rules. Therefore, in 2019, the amount of fixed asset investment experienced a negative growth, while the announced growth rate was 5.1%. In the first half of 2020, with the impact of COVID-19 the growth rate of various indicators of socio-economic statistics has further slowed down.

After the outbreak of COVID-19 in 2020, China implemented travel restrictions, quarantine measures, and lockdowns of several cities in order to contain the spread of the COVID-19 virus. In the first quarter of 2020, businesses around the country have not been able to resume post-festival commercial activity given much of the labour force in the country was still confined to their homes. Supply chains in China have been affected as production and the goods distribution network have been interrupted by factories in the region. The situation was improved since the second half of 2020. As a result, the annual nominal GDP growth of 2020 increased by 2.3%.

However, in 2021, the real GDP growth has recovered to 8.1%, while the urban disposable income per capita growth also increased by 8.2% compared with 2020. In the first half of 2022, the nominal GDP of China reached RMB56,264 billion with a real GDP growth rate of 2.5%.

The table below sets the selected indicators of the economy in the PRC for the years indicated:

	2016	2017	2018	2019	2020	2021	2022H1	2016-2021 CAGR
Nominal GDP *(RMB billion)*	74,359	82,712	90,031	99,087	101,599	114,367	56,264	9.0%
GDP per capita *(RMB)*	53,980	59,660	64,644	70,892	72,447	80,976	N/A	8.4%
Real GDP Growth (%)	6.7	6.9	6.6	6.1	2.3	8.1	2.5	N/A
Urban disposable income per capita *(RMB)*	33,616	36,396	39,251	42,359	43,834	47,412	N/A	7.1%
Urban disposable income per capita Growth *(%)*	7.8	8.3	7.8	7.9	3.5	8.2	N/A	N/A
Permanent resident population *(million)*	1,383	1,390	1,395	1,400	1,443	1,413	N/A	0.4%
Fixed asset investment *(RMB billion)*	60,647	64,124	64,568	56,087	52,727	55,288	N/A	-1.8%
Foreign direct investment (USD billion)	126	131	135	138	144	174	N/A	6.6%
Foreign direct investment Growth (%)	4.1	7.9	3.0	2.4	6.2	20.2	N/A	N/A
Urbanisation rate (%)	57.4	58.5	59.6	60.6	63.9	64.7	N/A	N/A

Notes: N/A means not applicable or not available.

The numbers in 2020 related to population and urbanisation are retrieved from the Statistical Communiques of the Seventh National Population Census, which may vary significantly compared to numbers in other years.

The GDP per capita in 2020 is calculated as nominal GDP divided by permanent resident population while the GDP per capita in other years is retrieved directly from Statistical Communique.

Sources: China Statistical Yearbook, National Bureau of Statistics, C&W

THE PRC REAL ESTATE MARKET

Overview

The economic growth, urbanisation and rising standards of living in the PRC have been the main driving forces behind the increasing market demand for properties. The real estate industry in the PRC is dependent on the PRC's overall economic growth, including the increase in the purchasing power of residents in the PRC and the resulting demand for residential properties.

The PRC government has put in place certain policies which are intended to stabilise the property prices and to control the mortgage loan in the PRC. These policies primarily relate to, among others, control over purchasing properties for speculation and adjustment of the minimum capital ratio of fixed asset investment projects according to the economic situations and the necessity of macroeconomic control.

From 2016 to 2021, the total GFA of commodity residential properties sold increased steadily from 1,573 million sq.m. to 1,794 million sq.m, at a CAGR of 2.7%. The real estate investment increased from RMB10,258 billion in 2016 to RMB14,760 billion in 2021. In the first half of 2022, real estate investment in China reached RMB 6,831 billion.

The table below sets the selected indicators of the real estate market in the PRC for the years indicated:

	2016	2017	2018	2019	2020	2021	2022H1	2016-2021 CAGR
Real estate investment *(RMB billion)*	10,258	10,980	12,016	13,219	14,144	14,760	6,831	7.5%
Total GFA of commodity properties sold *(million sq.m.)*	1,573	1,694	1,715	1,716	1,761	1,794	689	2.7%
Total GFA of commodity residential properties completed *(million sq.m.)*	772	718	660	680	659	730	209	-1.1%
Total GFA of commodity residential properties under construction *(million sq.m.)*	5,213	5,364	5,700	6,277	6,556	6,903	5,994	5.8%
Total GFA of commodity residential properties newly commenced for construction *(million sq.m.)*	1,159	1,281	1,534	1,675	1,643	1,463	488	4.8%
Total GFA of commodity residential properties sold *(million sq.m.)*	1,375	1,448	1,479	1,501	1,549	1,565	581	2.6%
Total sales amount of commodity residential properties *(RMB billion)*	9,906	11,024	12,639	13,944	15,457	16,273	5,768	10.4%
Average selling price of commodity residential properties *(RMB per sq.m.)*	7,203	7,614	8,546	9,287	9,980	10,396	9,936	7.6%

Sources: China Statistical Yearbook, National Bureau of Statistics, C&W

Major Factors Driving the Real Estate Market

The rapid growth of the real estate market in the PRC has been mainly driven by the economic growth, rising living standards and urbanisation in the PRC.

The economic growth in the past decades has increased people's disposable income and living standards, which in turn has increased the demand for residential properties. This growing demand for residential properties has directly stimulated the development of the real estate industry in the PRC.

Also, the rapid urbanisation in the PRC and its accompanying growth of the urban population also play an important role in driving the demand for residential properties.

The rapid urbanisation process usually starts with an overcrowded city where migrant workers and job seekers move in to find better job opportunities. The urban area gradually expands into the neighbouring suburban areas forming satellite towns or simply being absorbed into the city forming an enlarged urban area.

Economic Growth — The Urban disposable income per capita in Guangdong Province increased from RMB37,684 in 2016 to RMB54,854 in 2021, representing a CAGR of 7.8%. The Urban disposable income per capita in the PRC increased from RMB33,616 in 2016 to RMB47,412 in 2021, representing a CAGR of 7.1%. The property market is well supported with the economic growth.

Urbanization — Over the past 6 years, the urbanization rate in Guangdong Province increased by approximately 1% to 1.5% annually, reaching 74.6% in 2021. The urbanization rate in the PRC increased by approximately 1% to 1.5% annually, reaching 64.7% in 2021. The migration of rural people into urban areas promotes the steady increase demand of residential property.

The following table sets forth some economic indicators of Guangdong Province and the PRC for the past 5 years:

Economic indicators in Guangdong Province	2016	2017	2018	2019	2020	2021	2022H1	2016-2021 CAGR
Urban disposable income per capita (RMB)	37,684	40,975	44,341	48,118	50,257	54,854	30,057	7.8%
Permanent resident population(million)	110	112	113	115	126	127	N/A	2.9%
Urbanization rate (%)	69.2	69.9	70.7	71.4	74.2	74.6	N/A	N/A

Economic indicators in the PRC	2016	2017	2018	2019	2020	2021	2022H1	2016-2021 CAGR
Urban disposable income per capita (RMB)	33,616	36,396	39,251	42,359	43,834	47,412	N/A	7.1%
Permanent resident population(million)	1,383	1,390	1,395	1,400	1,443	1,413	N/A	0.4%
Urbanization rate (%)	57.4	58.5	59.6	60.6	63.9	64.7	N/A	N/A

Sources: China Statistical Yearbook, National Bureau of Statistics, C&W
Guangdong Statistical Communique, Guangdong Seventh National Census Communique, C&W

Recent Development of PRC Real Estate Policies

The Administration of Taxation and the Ministry of Finance jointly issued the "Notice on the Adjustments of Individual Housing Transfer Business Tax Policy" (《關於調整個人住房轉讓營業稅政策的通知》) in March 2015, reducing the application of tax exemption/reduction of the secondary residential transaction from five years to two years. Such a measure should further boost consumer confidence in the secondary residential property market in the PRC.

In January 2016, the Standing Committee of the National People's Congress announced the formal enforcement of the "Universal Two-child Policy" (全面放開二胎政策) in the PRC, to diversify the population structure and counteract the issue of an ageing population. This relaxation on the population control should further stimulate birth rate and generate demand for housing in the future.

In February 2016, the People's Bank of China and the China Banking Regulatory Commission jointly issued the "Notice on the Adjustment of Issues about Individual Housing Loan Policy" (《關於調整個人住房貸款政策有關問題的通知》). According to the notice, in cities where there are no home purchase restrictions, down payment for first-time home purchasers was reduced from 30% to 25% and the down payment of second home purchasers (with the mortgage of the first home not yet fully paid) was reduced to not less than 30%. Since down payment had always been the main barrier to home purchase, such relaxation in down payment policy has alleviated housing burdens for the members of the public by effectively increasing home purchasing power, thereby increasing the number of property transactions on the market.

In September and October 2016, home purchase restrictions, as originally introduced under the "Notice of the State Council on Resolutely Curbing the Soaring of Housing Prices in Some Cities" (《國務院關於堅決遏制部分城市房價過快上漲的通知》) issued by the PRC State Council in April 2010, were reactivated in various cities including Beijing, Guangzhou, Tianjin, Zhengzhou, Wuxi, Jinan, Hefei and Wuhan. Such restrictions had the immediate effect of cooling an overheated property market, thus redirecting the market back onto a track of healthy development for the future.

At the 19th National Congress of the Communist Party of China held between 18 and 24 October 2018, the PRC government stated that it would maintain the principle that "houses are built to be inhabited, not for speculation." The PRC government will increase supply from different channels in a more affordable way, such as promoting the concept of rental housing as important as home purchasing.

On 13 January 2018, China Banking Regulatory Commission issued "The notice of the China Banking Regulatory Commission on further deepening the regulation of chaos in the banking market (no. 4 [2018] issued by the China banking regulatory commission)" (根據中國銀監會關於進一步深化整治銀行業市場亂象的通知(銀監發[2018]4號). Providing various financing for real estate developers to pay land purchase costs or providing financing for real estate developers without "State-owned Land Use Certificate, Land Use Permit, Building Permit, Building Construction Permits", are belonged to the banking market chaos.

On 20 May 2018, Ministry of Housing announced the notice about urban and rural construction on further issues related to the control of real estate market. It aims to adjust the housing and land supply structure to increase the effective supply of housing and land. This policy will increase the ratio of mid-to-low pricing, mid-to-small area commodity residential properties among the supplies and increase and secure the land supply for public rental housing (公租房) of the hotspot cities, at least 25% of the development land use should be allocated for residential development. The policy strives to spend three to five years to make public rental, rental housing, common property land more than 50% in the supply of new housing land.

On 20 December 2018, the People's Bank of China decided to create Targeted Medium-term Lending Facilities (TMLF), to provide steady capital to small and micro enterprises for long term development depending on their debt growth situation. Targeted medium-term lending and funds can be used for three years, lending rates are 15 basis points higher than the medium-term lending facilities (MLF) rate which is currently 3.15%.

On 16 July 2019, the Ministry of Finance and the State of Taxation jointly issued the "Law of the People's Republic of China on Land Value-added Tax (Draft for Comments)" (《中華人民共和國土地增值税法(徵求意見稿)》), which intends to stipulate the transfer of land use rights, ground buildings and their attachments shall be subject to land value-added tax in accordance with tax laws. On 27 November, the Ministry of Finance promulgated the "VAT Law of the People's Republic of China (Draft for Comment)" (《中華人民共和國增值税法(徵求意見稿)》), which adjusted the applicable tax rate for the sale of real estate, lease services, and transfer of land use rights to 9%.

On 15 April 2019, the MOHURD, the National Development and Reform Commission, and the Ministry of Finance jointly issued the "Notice on the Renovation of Old residential areas in 2019" (《關於做好2019年老舊社區改造工作的通知》). The notice pointed out that since December 2017, MOHURD has deployed and carried out pilot projects for the renovation of old residential areas in 12 cities. At the same time, it has been decided to include the renovation into the urban affordable housing project from 2019, and provide financial support from the central government.

On 17 April 2020, the meeting of Political Bureau of the Central Committee of the CPC once again emphasised to promote the stable and healthy development of the real estate market, and to promote a long-term management mechanism that stabilises land prices, housing prices, and market expectations by implementing policies that adapt to local conditions. The Ministry of Finance, the People's Bank of China, the China Banking Regulatory Commission, and the National Bureau of Statistics have repeatedly emphasised that the houses are for living in and not for speculative investment.

MOHURD of the PRC and the Central Bank held a real estate enterprises symposium on 20 August 2020 in Beijing, forming the rules of fund monitoring and financing management for key real estate enterprises. The content has not been officially released but has been interpreted by the market as the "Three Red Lines" (三道紅線政策) finance control direction, that is, the asset-liability ratio of the real estate enterprise after excluding deposit received shall not exceed 70%, the net debt ratio shall not exceed 100% and the cash short-term debt ratio shall not be less than 1. Developers in Dongguan and Huizhou have the need to adjust their financial structure and reduce their debt level in response to the policy and may slow down in new land acquisition.

With the introduction of "Three Red Lines" since August 2021, the average land price remained stable, which reduced slightly from RMB15,502 in the first half of 2020 to RMB15,389 in the first half of 2021. On the other hand, in the first half of 2021, both the land area purchased and the transaction amount of land experienced a decline of 11.8% and 5.7% compared to that in the first half of 2020 respectively. The developers slow down slightly in new land acquisition so as to strengthen their financial strength and this market sentiment is likely to continue in the 2nd half of 2021.

People's Bank of China and the China Banking and Insurance Regulatory Commission issued the "Notice on Establishing a Concentration Management System of Real Estate Loans in Banking Financial Institutions" (《關於建立銀行業金融機構房地產貸款集中度管理制度的通知》) on 28 December 2020. The goal is to prevent potential systemic financial risks caused by the excessive concentration of real estate loans by the financial system and to improve the robustness of banking financial institutions.

After the introduction of the Notice at the end of 2020, the real estate market transaction decreased. The total GFA of commodity residential properties sold was 791 million sq.m. in the first half of 2021, which dropped 15.7% compared to that in the second half of 2020. The total sales amount of commodity residential properties also experienced a decline, which reduced from RMB9,493 billion in the second half of 2020 to RMB8,463 billion in the first half of 2021 with a drop rate of 10.9%.

MOHURD and other competent departments issued "Notice on Continued Regulation and Standardisation of the Real Estate Market Order" (《住房和城鄉建設部等8部門關於持續整治規範房地產市場秩序的通知》). The major aim of the notice is to bring the real estate market order on the right track in three years and to prohibit illegal market behaviours. The regulatory information system will be improved and developed so as to improve the market transparency.

The 31st Meeting of the Standing Committee of the 13th National People's Congress passed the "Decision on authorising the State Council to carry out pilot work on real estate tax reform in certain regions" (關於授權國務院在部分地區開展房地產稅改革試點工作的決定). The decision aims to actively and stably promote the legislation and reform of real estate taxation and the sustainable and healthy development of the real estate market. If this policy is introduced to individual buyers in Dongguan and Huizhou in this pilot scheme, the residential property market in Dongguan and Huizhou would be cooled down due to the increase in the holding cost of residential properties.

On 27 January 2011, as the pilot cities of property tax collection on personal housing, Shanghai and Chongqing started to levy taxes on personal housing. After the introduction, the transaction volume of the real estate market in Shanghai was affected. The total GFA of commodity residential properties sold in Shanghai dropped from 9.90 million sq.m. in 2010 to 7.29 million sq.m. in 2011, at an annual decrease of 26.36%. The total sales amount of commodity residential properties in Shanghai also dropped from RMB215.0 billion in 2010 to RMB162.3 billion in 2011, at an annual decrease of 24.51%. However, after 2011, both figures bounced back. The total GFA of commodity residential properties sold in Shanghai increased to 12.79 million sq.m. in 2013 and the total sales amount of commodity residential properties in Shanghai jumped to RMB308.7 billion in 2013. The pilot cities for the latest real estate tax have yet to announce. From the experience of Shanghai, the market will take time to digest the policy, and the transaction volume and sales amount are both expected to decrease shortly after the announcement. The performance of the real estate market is still dependent on many other factors such as economic performance, disposal income, market demand and supply, etc.

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 to August 2022).

On 15 May 2022, the People's Bank of China and China Banking and Insurance Regulatory Commission issued the "Notice of Questions relating to adjusting differentiation housing credit policy" (《關於調整差別化住房信貸政策有關問題的通知》). According to the notice, for families buying ordinary self-live housing with loans, the lower limit of the first housing individual commercial loans is adjusted to not lower than 20 basis points of LPR for the respective loan term.

On 29 September 2022, the People's Bank of China and the China Banking and Insurance Regulatory Commission decided to make a staged adjustment to the differentiation housing credit policy. City governments that meet the requirement can individually decide on whether to hold, reduce or cancel the lower limit of housing loan credit rates for the first individual housing. Before the adjustment, the lower limit of housing loan credit rates for first individual housing was 4.1%. The adjustment is beneficial to further reducing the credit rates lower than the level of 4.1%.

To support residents to improve their living environment, the Ministry of Finance and State Administration of Taxation issued the "Announcement on Individual Income Tax Policies Supporting Residents to Exchange Housing" (《關於支持居民換購住房有關個人所得稅政策的公告》). According to the announcement, from 1 October 2022 to 31 December 2023, taxpayers who sold their current housing and rebuy a new one within one year can enjoy a tax refund of personal income tax incurred from selling the previous housing.

On 12 November 2022, the General Office of China Banking and Insurance Regulatory Commission, the General Office of the Ministry of Housing and Urban-Rural Development, and the General Office of the People's Bank of China jointly issued a "Notice on the Work Related to Issuing Letters of Guarantee by Commercial Banks to Replace Pre-sale Regulatory Funds" (《關於商業銀行出具保函置換預售監管資金有關工作的通知》), to support high-quality real estate companies to utilise presale fund reasonably and reduce liquidity risk of real estate companies. According to the notice, after fully evaluating the credit risk, financial condition, and reputation risk of the company, commercial banks are allowed to issue a letter of guarantee to real estate companies, which can be used to exchange for supervised presale funds.

With the issuance of the policies, real estate companies are expected to have more funds on hand to continue construction projects, and liquidity risk is reduced. Policies will emphasize multi-agent supply and multi-channel guarantee in the real estate market. Reasonable housing demand is still the direction of policy support.

Urban Renewal Overview

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.

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.

Guangdong is a traditional industrial hub, which is currently experiencing industrial upgrading. Under such a situation, more and more "Urban Renewal" projects are emerging in the province, especially in the Greater Bay Area (excluding Hong Kong and Macau) (the "**GBA**"), providing new opportunities for developers specialising in "Urban Renewal". "Urban Renewal" projects have the characteristic of long cycles and can provide an alternative way for developers to obtain land. As of February 2020, a total of 549 square kilometres (sq. km.). of land has been renovated and 127 sq. km. of land has been saved. Guangdong has completed a total of 7,905 "Three-Old Renewal" projects, of which 4,367 are industrial restructuring projects, accounting for 55.2% of the total number of projects.

Urban renewal projects usually involve longer developing cycle, larger capital pressure, greater planning difficulty, and more efforts in negotiations with local government and local existing residents. Moreover, the development of urban renewal projects may involve more procedures than usual. Involvement in urban renewal projects increase the time and resources which may be required for the Group to complete the planning and obtain the necessary approvals, and the Group business operation and financial conditions may also be affected.

Urban renewal projects may also involve uncertainties in respect of the preparatory work, which is typically responsible for the site clearing process undertaken by the relevant local governmental authority, which involves demolition works and resettlement of affected households. Any delay may prolong the resettlement process and the subsequent land acquisition and development process and/or increase the land development costs, which may in turn adversely affect the Group operation. Due to shortage of land supply, urban renewal is one of the key and common alternative approach for developers in new land acquisition in the coming years in the PRC.

The announcement of the respective urban renewal policies will determine the urban renewal models depending on the regions of the urban renewal projects.

Urban renewal developments in general typically consist of the right owner model (權利人自改模式) and the government-led model (政府主導模式). A comparison of the right owner model and the government-led model is shown below:

Mode	The right owner model (權利人自改模式)	The government-led model (政府主導模式)
Typical procedures, roles and responsibilities .	• The right owner will study the redevelopment potential of the target area under the latest policy framework for economic benefits	• Government will select a target area tied in with social needs
	• The right owner will apply to the government for the proposed urban redevelopment	• The target area of urban redevelopment will be published by the government for consultation

Mode	The right owner model (權利人自改模式)	The government-led model (政府主導模式)
	• The demolition and construction works will be carried out by the right owner after obtaining the government approval on redevelopment plan and with the land premium, if any, approved by the government	• The government will release the relevant supporting policies
		• Land resumption and compensation will be carried out either by the government or in cooperation with property developers
		• The demolition and construction works will be carried out either by the government or in cooperation with property developers
Key characteristics. .	• Market driven	• Government driven so as to meet the social needs and supporting policies
	• Suitable for project with single title owner or smaller project size in comparison to the government-led model	• Suitable for projects for both single right owner or with complex stake holders
	• Project life cycle could be longer and uncertain, subject to economic cycle, government approval schedule, compensation and land premium required	• Project size usually covers a larger project size than right owner model
		• With the support of the government policies, the project life cycle could be shorter

According to the Department of Natural Resources of Guangdong Province, Guangdong began to implement the "Three-Old Renewal" in 2008, which has improved the level of intensive land use. As of February 2020, a total of 549 sq.km. of land has been renovated and 127 sq.km. of land has been saved. Guangdong has completed a total of 7,905 "Three-Old Renewal" projects, of which 4,367 are industrial restructuring projects, accounting for 55.2% of the total number of projects.

According to "The Fourteenth Five-Year Plan for the National Economic and Social Development of the People's Republic of Guangdong Province and the Outline of Long-Term Goals for 2035" (《廣東省國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》), the future supply of urban renewal till 2025 will be about 1.4 million household units.

According to "Guiding Opinions of the People's Government of Guangdong Province on Deepening Reform and Accelerating the Promotion of 'Three Old Renewal' and Promoting High-quality Development" (《廣東省人民政府關於深化改革加快推動"三舊"改造促進高質量發展的指導意見》) issued by Department of land and resources of Guangdong Province on 11 March 2021, Guangdong is expected to strengthen the marketization operation mechanism of "Three Old Renewal", and promote the breakthrough development of "Three Old Renewal". In the policy, the government supports carrying out "Three Old Renewal" on various kinds of land, including old towns, old villages, and collective and state-owned construction land. With the issuance of the policy, we expect the future land supply of Three-Old Renewal" to market entities will be stable and not have significant changes.

The typical life cycle of a single phase residential project may take an average 3 to 5 years from land acquisition to the final delivery of the project. The life cycle of the project may vary due to various factors including the project total size, number of phases, specific technical design difficulties encountered, the recent market supply and demand, etc. In the 1st half 2022, the residential market transaction declined comparing with 2021 and it is believed the overall life cycle may be extended.

Guangdong's economy is developing rapidly with the dense population and the limited land resources. Therefore, the Guangdong Provincial Government actively encourages the "Three-Old Renewal". Guangdong has invested a total of RMB1.67 trillion in renovation funds, accounting for about 5% of fixed asset investment in the corresponding period, of which social investment is RMB1.44 trillion, accounting for 86.2% of the total investment in "Three-Old Renewal".

Our Group was involved in various "Three-Old Renewal" projects in Dongguan and Huizhou. Typical projects since 2018 are Phases 4 and 5 of Castfast Villas, which were developed through "Three-Old Renewal", with a total site area of 61,864 sq.m..

Due to shortage of land supply in the Shenzhen Metropolitan Area (深圳都市圈) and the Guangzhou Metropolitan Area (廣州都市圈), urban renewal will remain one of the key and common alternative approach for developers in new land acquisition in the coming years in Guangdong.

Competitive Landscape

Competitive advantage

The GBA economy is transforming and expanding, and the real estate market is also benefitting from this development. With its experience and history, the Group has the capability to expand its services into other cities of the GBA.

The Group was involved in various "Three-Old Renewal" projects in Dongguan and Huizhou. The Group is able to further make use of "Three-Old Renewal" based on previous project experience, which established relationship with local resources and an experienced management team in dealing with "Three-Old Renewal". The Group relies on several drivers including selection of development projects being strategically located in selected cities of the Greater Bay Area with potential growth and focuses on developing high quality and customer-oriented products. In addition, the Group has an experienced management team in order to ensure the development in alignment with Government's urban renewal policy and facilitates the development of quality development projects in a timely and cost efficient manner.

Entry barriers of the PRC property market

There are several key entry barriers to the PRC property market: restrictions in acquiring land, brand reputation, information asymmetry, high capital commitment, and tightened regulation restrictions. Firstly, the new land supply in key cities is limited, because land lots in prime locations had already been acquired by existing developers on the market. As such, it is more difficult for new developers to compete in the property market. Secondly, existing developers enjoy a certain degree of consumer recognition for their products and reputation, for example, the buyers are inclined to choose residential projects developed by top developers whose name they are familiar with. However, the new developers need more time to build up their reputation. Thirdly, every region has its customs and traditions. The target demographic of residential properties is different in each city in the PRC. Developers newly entering the market will need considerably more time to gather relevant information and adapt to different markets. Fourthly, 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.

Threats and challenges

Land for development in the PRC's major cities is becoming increasingly scarce. The supply of newly constructed residential housing is expected to decrease in the coming years. The tightening policy of the real estate market in Guangdong Province and the restricted sales prices of real estate have an impact on the developer's capital chain. The increase in financial costs will also have an impact on the turnaround model that relied on leverage.

Future opportunities

From 2016 to 2021, the Nominal GDP of the PRC has increased steadily, and the government is committed to supporting the growth of emerging industries. The upward trend is expected to continue, and this sustained economic expansion will benefit the fundamental demand in the property market.

The Outline Development Plan for Guangdong — Hong Kong — Macau Greater Bay Area was released in February 2019. It aims at combining the strengths of Guangdong, Hong Kong, and Macau and further deepening and broadening the cooperation among the three cities to facilitate in-depth integration within the region and promote coordinated regional economic development. It is expected that by 2035, the GBA should be under an economic system and mode of development mainly supported by innovation, with its economic and technological strengths, vastly increased and its international competitiveness and influence further strengthened.

Since the economic strength and the real estate market is improving among the cities in the GBA, the demand for new commodity residential properties in Dongguan and Huizhou have a mix of fundamental and investment demand. The property market in other cities in the GBA is stable and healthy.

REAL ESTATE MARKET OF SELECTED DISTRICTS AND CITIES IN THE PRC

Guangdong Province

Guangdong Province is located in the south region of the PRC with a total land area of 179,700 sq.km. It is divided into 21 prefecture-level divisions, which are further subdivided into 20 directly administered county-level cities. Historically, Guangdong played the role of the gateway to China.

Over the past 6 years, the urbanization rate in Guangdong Province increased steadily, reaching 74.6% in 2021. The Nominal GDP of Guangdong Province has increased steadily between 2016 and 2021 at a CAGR of 9.0%, reaching RMB 12,437 billion in 2021. However, the real GDP growth rate slowed down between 2017 and 2020, which even dropped to 2.3% in 2020 because of the adverse effect of the pandemic. Thankfully, because of the recovery of the pandemic, the real GDP growth of Guangdong Province rebounded to 8.0% in 2021.

Due to the Chinese New Year holiday and short-term lock down of cities including Shenzhen and Dongguan so as to carry out cycles of compulsory COVID test, the real GDP growth of Guangdong Province slow down to 3.3% in the first quarter of 2022. The total GFA of commodity residential properties sold in Dongguan and Huizhou both experienced a decline in the first quarter of 2022, and reduced to 516,951 sq.m. and 1,067,153 sq.m. respectively. It is noted that the lock down was relatively short term for selected areas only, the total GFA of commodity residential properties sold in Dongguan and Huizhou increased back to 542,045 sq.m. and 1,536,764 sq.m. in the 2nd quarter of 2022. On the other side, the average residential selling price in Dongguan and Huizhou remained stable, which reached RMB30,724 and 12,872 per sq.m. respectively in the 2nd quarter of 2022.

Dongguan

In recent years, the economy of Dongguan continues to grow rapidly. From 2016 to 2021, the nominal GDP of Dongguan increased annually at a CAGR of 9.7%. The nominal GDP of the city was approximately RMB1,086 billion in 2021. The urban disposable income per capita reached RMB63,740, representing an increase of 8.1% from the previous year. The fixed-asset investment increased from approximately RMB156 billion in 2016 to approximately RMB260 billion in 2021 at a CAGR of 10.8%. The steady growth of the economy in Dongguan is mainly supported by the continuously developing service industry. In the first quarter of 2020, Dongguan's economy was hit by the pandemic. With control on the pandemic and government support, the economy of

Dongguan rebounded in the following quarters in 2020, and the GDP had positive growth in 2021 despite the adverse effect caused by the pandemic. In the first half of 2022, the Nominal GDP of Dongguan reached RMB518 billion.

	2016	2017	2018	2019	2020	2021	2022H1	2016-2021 CAGR
Nominal GDP *(RMB billion)*	683	758	828	948	965	1,086	518	9.7%
Real GDP Growth *(%)*	8.1	8.1	7.4	7.4	1.1	8.2	1.6	N/A
GDP per capita *(RMB)*	82,682	91,329	98,939	112,507	92,200	103,284	N/A	4.6%
Permanent resident population *(million)*	8.26	8.34	8.39	8.46	10.47	10.54	N/A	5.0%
Fixed asset investment *(RMB billion)*	156	171	181	213	240	260	N/A	10.8%
Foreign direct investment *(USD billion)*	3.93	1.72	1.36	1.28	1.15	1.48	N/A	-17.8%
Urbanisation rate *(%)*	89.1	89.9	91.0	92.1	92.15	92.24	N/A	N/A
Urban disposable income per capita *(RMB)*	43,096	46,739	50,721	55,156	58,052	63,740	N/A	8.1%

Notes: N/A means not applicable or not available.

The numbers in 2020 in relation to population and urbanisation are retrieved from the Statistical Communiques of the Seventh National Population Census, which may vary significantly compared to numbers in other years.

The GDP per capita in 2020 is calculated as nominal GDP divided by permanent resident population, while the GDP per capita in other years is retrieved directly from Statistical Communique.

Sources: Dongguan Statistical Communique, Dongguan Seventh National Census Communique, C&W

The residential property market in Dongguan experienced stable growth in recent years. According to the CREIS, the real estate investment in Dongguan increased from about RMB 64 billion in 2016 to RMB97 billion in 2021 at a CAGR of 8.7%. The commodity residential properties investment in Dongguan increased from approximately RMB 51 billion in 2017 to approximately RMB 64 billion in 2020 with a CAGR of 7.7%.

The demand for new commodity residential properties in Dongguan is driven by demand for basic housing and investment. The total GFA of commodity residential properties sold experienced a decline since 2016 and increased again in 2019, while the average selling price increased evidently from RMB 13,753 per sq. m. in 2016 to RMB27,570 per sq.m. in 2021 with a CAGR of 14.9%. However, as mentioned before, national and local governments have issued various restrictive policies and regulations on the residential property market. In the long run, these policies play an important role in supporting the stable and healthy development of the real estate market of Dongguan. In the first half of 2022, the real estate investment of Dongguan reached RMB41.8 billion.

	2016	2017	2018	2019	2020	2021	2022H1	2016-2021 CAGR
Real estate investment *(RMB billion)*	64	70	74	80	87	97	41.8	8.7%
Commodity residential properties investment *(RMB billion)*	N/A	51	53	57	64	N/A	N/A	7.7%*
Total GFA of commodity residential properties completed *(million sq.m.)*	N/A	3.6	2.5	1.8	1.6	3.0	N/A	-3.5%**
Total GFA of commodity residential properties under construction *(million sq.m.)*	N/A	32	31	29	31	45	N/A	8.6%**
Total GFA of commodity residential properties sold *(million sq.m.)*	9.0	5.6	5.1	5.5	7.4	4.8	1.1	-11.8%
Total sales amount of commodity residential properties *(RMB billion)*	123	93	92	110	179	132	32	1.4%
Average selling price of commodity residential properties *(RMB per sq.m.)*	13,753	16,527	17,868	20,058	24,212	27,570	29,659	14.9%

Notes: N/A means not applicable or not available.

* 2017-2020 CAGR

** 2017-2021 CAGR

Sources: Dongguan Statistical Communique, CREIS (China Real Estate Index System), C&W

Huizhou

In recent years, the economy of Huizhou maintained a steady growth. From 2016 to 2021, the nominal GDP of Huizhou increased steadily at a CAGR of 7.9%. The regional GDP of the city was approximately RMB498 billion in 2021, and the real GDP growth rate in the same year was 10.1%. Urban disposable income per capita increased from approximately RMB33,213 in 2016 to approximately RMB49,243 in 2021 at a CAGR of 8.2%. Fixed asset investment increased from RMB204 billion in 2016 to RMB375 billion in 2021 at a CAGR of 12.9%. Although the pandemic had an adverse impact on the economy of Huizhou, the pandemic was under control in the 2nd half of 2020 and the nominal GDP of Huizhou still had positive growth in 2021.

	2016	2017	2018	2019	2020	2021	2022H1	2016-2021 CAGR
Nominal GDP *(RMB billion)*	341	383	410	418	422	498	241	7.9%
Real GDP Growth *(%)*	8.2	7.6	6.0	4.2	1.5	10.1	3.6	N/A
GDP per capita *(RMB)*	71,605	80,205	85,418	86,043	69,864	82,113	N/A	2.8%
Permanent resident population *(million)*	4.78	4.78	4.83	4.88	6.04	6.07	N/A	4.9%
Fixed asset investment *(RMB billion)*	204	223	230	265	308	375	N/A	12.9%
Foreign direct investment *(USD billion)*	1.14	1.14	0.96	0.93	0.81	1.15	N/A	0.2%
Urbanisation rate *(%)*	69.05	69.55	70.76	72.12	72.8	72.9	N/A	N/A
Urban disposable income per capita *(RMB)*	33,213	36,608	39,574	42,999	45,475	49,243	N/A	8.2%

Notes: N/A means not applicable or not available.

The numbers in 2020 in relation to population and urbanisation are retrieved from the Statistical Communiques of the Seventh National Population Census, which may vary significantly compared to numbers in other years.

The GDP per capita in 2020 is calculated as nominal GDP divided by permanent resident population while the GDP per capita in other years is retrieved directly from Statistical Communique.

Sources: Huizhou Statistical Communique, Huizhou Seventh National Census Communique, C&W

The residential property market in Huizhou experienced stable growth in recent years. According to the China Real Estate Index System ("**CREIS**"), the real estate investment in Huizhou increased from RMB 75 billion in 2016 to RMB132 billion in 2021 at a CAGR of 12.0%. The commodity residential properties investment in Huizhou increased from around RMB 73 billion in 2017 to approximately RMB 101 billion in 2020 with a CAGR of 11.7%.

The demand for new commodity residential properties in Huizhou is driven by demand for basic housing and investment. The total GFA of commodity residential properties sold fluctuated between 2.9 and 16.5 million sq.m., while the average selling price increased evidently from RMB 7,916 per sq. m. in 2016 to RMB10,784 per sq.m. in 2021 with a CAGR of 6.4%. However, as mentioned before, national and local governments have issued various restrictive policies and regulations on the residential property market. In the long run, these policies play an important role in supporting the stable and healthy development of the real estate market of Huizhou. In the first half of 2022, the real estate investment of Huizhou reached RMB54 billion.

	2016	2017	2018	2019	2020	2021	2022H1	2016-2021 CAGR
Real estate investment *(RMB billion)*	75	88	98	115	125	132	54	12.0%
Commodity residential properties investment *(RMB billion)*	N/A	73	81	96	101	N/A	N/A	11.7%*
Total GFA of commodity residential properties completed *(million sq.m.)*	N/A	N/A	3.9	5.2	5.2	N/A	N/A	14.7%**
Total GFA of commodity residential properties under construction *(million sq.m.)*	N/A	59	61	72	79	N/A	N/A	10.1%*
Total GFA of commodity residential properties sold *(million sq.m.)*	5.4	3.4	2.9	13.7	16.5	10.3	2.6	14.0%
Total sales amount of commodity residential properties *(RMB billion)*	42	34	32	137	182	117	31	22.8%
Average selling price of commodity residential properties *(RMB per sq.m.)*	7,916	10,151	10,804	10,070	11,000	10,784	12,099	6.4%

Notes: N/A means not applicable or not available.

Regarding the data of "Total GFA of commodity residential properties sold", from 2016 to 2018 the data is limited to Huicheng District, while the data in 2019 and 2020 is for the entire Huizhou City.

* 2017-2020 CAGR

** 2018-2020 CAGR

Sources: Huizhou Statistical Communique, CREIS (China Real Estate Index System), C&W

Foshan

In recent years, the economy of Foshan continues to grow rapidly. From 2016 to 2021, the nominal GDP of Foshan increased annually at a CAGR of 7.1%. The regional GDP of the city was approximately RMB1,216 billion in 2021. The urban disposable income per capita reached RMB62,842 in 2021 at a CAGR of 7.8%. The fixed-asset investment increased from approximately RMB351 billion in 2016 to approximately RMB516 billion in 2021 at a CAGR of 8.0%. In the first quarter of 2020, Foshan's economy was hit by the pandemic. With control on the pandemic and government support, the economy of Foshan rebounded in the following quarters in 2020, and the GDP had positive growth in 2020 despite the adverse effect caused by the pandemic. According to the Plan of Foshan Municipal Land Space (2020−2035), Foshan plans to build a 4F-class Pearl River Delta hub Airport (Guangzhou New Airport), West Railway Station and Foshan New High-speed Railway Station. The construction of the new airport and high-speed railway station has begun in 2022 and is expected to be completed during the "Fourteenth Five Year Plan". The economic indicators are as follows:

	2016	2017	2018	2019	2020	2021	2022H1	2016-2021 CAGR
Nominal GDP *(RMB billion)*	863	955	994	1,075	1,082	1,216	575	7.1%
Real GDP Growth	8.3	8.5	6.3	6.9	1.6	8.3	2.8	N/A
GDP per capita *(RMB)*	115,684	124,674	125,664	131,775	113,871	126,465	N/A	1.8%
Permanent resident population *(million)*	7.46	7.66	7.91	8.16	9.50	9.61	N/A	5.2%
Fixed asset investment *(RMB billion)*	351	427	451	475	479	516	N/A	8.0%
Foreign direct investment *(USD billion)*	1.47	1.62	0.69	0.74	0.67	0.52	N/A	-18.8%
Urbanisation rate *(%)*	95.0	95.0	95.0	95.0	95.2	95.2	N/A	N/A
Urban disposable income per capita *(RMB)*	43,120	46,849	50,737	55,233	57,445	62,842	N/A	7.8%

Notes: N/A means not applicable or not available.

The numbers in 2020 in relation to population and urbanisation are retrieved from the Statistical Communiques of the Seventh National Population Census, which may vary significantly compared to numbers in other years.

The GDP per capita in 2020 is calculated as nominal GDP divided by permanent resident population, while the GDP per capita in other years is retrieved directly from Statistical Communique.

Sources: Foshan Statistical Communique, Foshan Seventh National Census Communique, C&W

The residential property market in Foshan experienced stable growth in recent years. According to the CREIS, the real estate investment in Foshan increased from RMB123 billion in 2016 to RMB234 billion in 2021 at a CAGR of 13.8%. The commodity residential properties investment in Foshan increased from around RMB86 billion in 2016 to approximately RMB181 billion in 2021 with a CAGR of 16.0%.

The demand for new commodity residential properties in Foshan is driven by demand for basic housing and investment. The total GFA of commodity residential properties sold experienced a decline since 2016, which decreased from 19.1 million sq.m. to 11.2 million sq.m. between 2016 and 2021. On the contrary, the average selling price increased evidently from RMB9,520 per sq. m. in 2016 to RMB18,265 per sq.m. in 2021 with a CAGR of 13.9%. However, as mentioned before, national and local governments have issued various restrictive policies and regulations on the residential property market. In the long run, these policies play an important role in supporting the stable and healthy development of the real estate market of Foshan. In the first half of 2022, Foshan's real estate investment reach RMB102 billion.

	2016	2017	2018	2019	2020	2021	2022H1	2016-2021 CAGR
Real estate investment *(RMB billion)*	123	145	201	215	229	234	102	13.8%
Commodity residential properties investment *(RMB billion)*	86	102	148	153	171	181	79	16.0%
Total GFA of commodity residential properties completed *(million sq.m.)*	N/A	5.0	3.7	4.1	2.7	2.9	1.6	-12.5%*
Total GFA of commodity residential properties under construction *(million sq.m.)*	49	58	66	66	66	64	53	5.4%
Total GFA of commodity residential properties sold *(million sq.m.)*	19.1	12.1	14.7	11.8	12.8	11.2	3.8	-10.1%
Total sales amount of commodity residential properties *(RMB billion)*	182	122	159	140	197	205	68.8	2.4%
Average selling price of commodity residential properties *(RMB per sq.m.)*	9,520	10,061	10,763	13,282	15,414	18,265	18,172	13.9%

Notes: N/A means not applicable or not available.
*2017-2021 CAGR
Sources: Foshan Statistical Communique, CREIS, C&W

MARKET COMPETITION CONCERNING OUR GROUP

The Competitive Landscape in the Residential Property Market in the PRC

The following table shows the top three listed real estate developers rankings of PRC in terms of contracted GFA sold in 2021 extracted from the top 100 rankings of property developers from CREIS; and two property developers falling of the top rankings for reference:

Rank	Name of property developers	Sales area	Sales amount	Percentage of sales area of the residential market
		(sq.m.)	*(RMB billion)*	
1	Country Garden Holdings Ltd (碧桂園控股有限公司)	66,420,000	558.0	3.70%
2	China Evergrande Group (中國恒大集團)	53,789,000	438.6	3.00%
3	Sunac China Holdings Ltd (融創中國控股有限公司)	41,418,000	597.4	2.31%
N/A.	Million Cities Holdings Limited (萬城控股有限公 司)	156,000	1.656	0.0087%
N/A.	Hailan Holdings Limited (海藍控股有限公司)	100,016	1.500	0.0056%

Country Garden Holdings Ltd is a listed PRC residential property developer established in 1992 and headquartered in Foshan.

China Evergrande Group is a listed PRC residential property developer established in 2006 and headquartered in Shenzhen.

Sunac China Holdings Ltd is a listed PRC residential property developer established in 2003 and headquartered in Tianjin.

Million Cities Holdings Limited is a listed PRC residential property developer established in 2003 and headquartered in Huizhou.

Hailan Holdings Limited is a listed PRC residential property developer established in 2008 and headquartered in Sanya.

Source: CREIS (China Real Estate Index System), C&W

Guangdong Helenbergh is an unlisted PRC residential property developer established in 1998 and headquartered in Guangzhou.
Chongqing Huayu is an unlisted PRC residential property developer established in 1983 and headquartered in Chongqing.
Dongtou Real Estate is an unlisted PRC residential property developer established in 2009 and headquartered in Nanchang.
Henan Zensun is an unlisted PRC residential property developer established in 1995 and headquartered in Zhengzhou.
Beijing Zhongang is an unlisted PRC residential property developer established in 2004 and headquartered in Beijing.
Source: CREIS (China Real Estate Index System), C&W

Historical price trends of raw materials

While the annual wage of the construction industry and land selling prices are increasing in the last few years, prices for cement and steel show more volatility. As selling prices are market-dependent, the developer may not be able to pass any increase in material cost onto the customers immediately.

The average annual wage of construction industry, average land price and purchasing price index of building materials industry producers, cement and steel price index industrial producers in the PRC from 2018 to 2021 are set out below:

	2018	2019	2020	2021
Average Annual Wage of Construction industry *(RMB)*	50,879	54,167	57,309	N/A
Average Land Price *(RMB per sq.m.)*	5,509	5,696	6,762	N/A
Purchasing Price Index of Building Materials Industry Producers	110.5	104.2	100.5	N/A
Comprehensive China Steel Price Index ("**CSPI**")	107.1	106.1	124.5	131.7

Note: N/A means not applicable or not available.

Sources: National Bureau of Statistics and China Iron and Steel Association, C&W (with respect to CSPI)

According to the Comprehensive China Steel Price Index ("**CSPI**"), the steel price in China had an upward trend from 2018 to 2021, which rose from 107.1 to 131.7 during the period. The details of Comprehensive CSPI from 2018 to 2021 is set out below:

According to www.Ccement.com ("**水泥網**"), the China Cement Price Index ("**CEMPI**") was 149.2 as of 31 March 2021, which rose to 159.1 as of 31 May 2022, showing a general upward trend. During this period, the CEMPI was fluctuating between 139.3 and 213.7, reflecting the volatile nature of cement prices in China.

REGULATORY OVERVIEW

This section sets forth a summary of the most significant PRC laws and regulations that affect our business activities in China.

Regulations Related to Foreign Investment

General Provisions

The establishment, operation and management of companies in China are mainly governed by the PRC Company Law (《中華人民共和國公司法》), or our Company Law, promulgated on 29 December 1993 and last amended on 26 October 2018, which applies to both PRC domestic companies and foreign-invested companies.

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), or the Foreign Investment Law, which was adopted by the National People's Congress of the PRC, or the NPC, on 15 March 2019, and came into effect on 1 January 2020, and the Implementing Rules of the Foreign Investment Law (《中華人民共和國外商投資法實施條例》), or the Implementing Rules, which was adopted by the State Council on 26 December 2019 and came into effect on 1 January 2020, replaced the Law of the People's Republic of China on Sino-foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the Law of the People's Republic of China on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法》), the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures (《中華人民共和國中外合作經營企業法》) and their implementing rules. The Foreign Investment Law and its Implementing Rules provide that a system of pre-entry national treatment and negative list shall be applied for the administration of foreign investments, where "pre-entry national treatment" means that the treatment given to foreign investors and their investments at market access stage is no less favorable than that given to domestic investors and their investments, and "negative list" means the special administrative measures for foreign investment's access to specific fields or industries. Foreign investments beyond the negative list will be granted national treatment. Foreign investors shall not invest in the prohibited fields as specified in the negative list, and foreign investors who invest in the restricted fields shall comply with the special requirements on the shareholding, senior management personnel, etc. In the meantime, relevant competent government departments will formulate a catalogue of industries for which foreign investments are encouraged according to the needs for national economic and social development, to list the specific industries, fields and regions in which foreign investors are encouraged and guided to invest. The current industry entry clearance requirements governing investment activities in the PRC by foreign investors are set out in two categories, namely the Special Entry Management Measures (Negative List) for the Access of Foreign Investment (2021 version) (《外商投資准入特別管理措施 (負面清單) (2021年版)》), or the 2021 Negative List, which was promulgated on 27 December 2021 and came into effect on 1

January 2022, and the Encouraged Industry Catalogue for Foreign Investment (2020 version) (《鼓勵外商投資產業目錄 (2020年版)》), or the 2020 Encouraged Industry Catalogue, which was promulgated on 27 December 2020 and came into effect on 27 January 2021, both were promulgated by the National Development and Reform Commission, or the NDRC, and the Ministry of Commerce, or the MOFCOM. Industries not listed in these two categories are generally deemed "permitted" for foreign investment unless specifically restricted by other PRC laws. The real estate development is not listed in the 2021 Negative List, and thus it shall be administered under the principle of equal treatment to both domestic and foreign investments. According to the Implementing Rules, the registration of foreign-invested enterprises shall be handled by the State Administration for Market Regulation, or the SAMR, or its authorised local counterparts.

Pursuant to the Foreign Investment Law and the Implementing Rules, and the Information Reporting Measures for Foreign Investment (《外商投資信息報告辦法》) jointly promulgated by the MOFCOM and the SAMR, which took effect on 1 January 2020, a foreign investment information reporting system shall be established and foreign investors or foreign-invested enterprises shall report investment information to competent commerce departments of the government. In addition, the MOFCOM shall set up a foreign investment information reporting system to receive and handle the investment information and inter-departmentally shared information forwarded by the administration for market regulation in a timely manner. The foreign investors or foreign-invested enterprises shall report the investment information by submitting initial reports, change reports, deregistration reports and annual reports, etc.

Furthermore, the Foreign Investment Law provides that foreign-invested enterprises established according to the previous laws regulating foreign investment prior to the implementation of the Foreign Investment Law may maintain their structure and corporate governance within five years after the implementation of the Foreign Investment Law. The Implementing Rules further clarify that such foreign-invested enterprises established prior to the implementation of the Foreign Investment Law may either adjust their organisational forms or organisational structures pursuant to our Company Law or the Partnership Law, or maintain their current structure and corporate governance within five years upon the implementation of the Foreign Investment Law.

Foreign Investment in Real Estate Industry

The Opinions on Regulating the Access and Administration of Foreign Investment in the Real Estate Market (《關於規範房地產市場外資准入和管理的意見》), or the Opinion, which was jointly promulgated by the MOFCOM, the NDRC, the People's Bank of China, or the PBOC, the State Administration for Industry of Commerce, or the SAIC, and the State Administration of Foreign Exchange, or the SAFE on 11 July 2006 and amended on 19 August 2015, provides that: (i) foreign organisations and individuals who have established foreign-invested enterprises in China are allowed to invest in and purchase non-owner-occupied real estate; (ii) the registered capital of foreign-invested real estate enterprises with the total investment amount exceeding or equal to US$10 million shall be no less than 50% of their total investment; (iii) upon the full payment of all the land premiums, the real estate foreign-invested enterprise, or the Real Estate FIE, can apply for the normal certificate of approval for a foreign-invested enterprise and business license; (iv) equity transfer and project transfer of a foreign-invested real estate enterprise as well as the acquisition of domestic real estate enterprises by foreign investors shall be subject to the examination and approval of the department in charge of commerce and other departments; and (v) foreign investors shall pay the consideration in one single payment with their own funds when they acquire a domestic real estate enterprise or any equity interest from Chinese parties in Sino-foreign Equity Joint Venture engaged in real estate industry.

The Circular on the Thorough Implementation of the Opinion on Regulating the Access to and Management of Foreign Capital in the Property Market (《關於貫徹落實〈關於規範房地產市場外資准入和管理的意見〉有關問題的通知》), which was promulgated by the MOFCOM on 14 August 2006, not only reiterates relevant provisions on foreign investments in the real estate industry as prescribed in the Opinion, but also sets forth the definition of Real Estate FIE as a foreign invested enterprise, which conducts the construction and operation of a variety of buildings, such as ordinary residences, apartments and villas, hotels (restaurants), resorts, office buildings, convention centres, commercial facilities, and theme parks, or undertakes the development of land or a whole land lot in respect of the abovementioned projects.

The Circular on Amending the Policies Concerning Access by and Administration of Foreign Investment in the Real Estate Market (《關於調整房地產市場外資准入和管理有關政策的通知》), which was jointly promulgated by MOFCOM, NDRC, PBOC, SAIC and SAFE on 19 August 2015, has revised certain policies related to the Real Estate FIE and property purchased by foreign organisations and individuals as stipulated in the Opinion: (i) the requirements for the registered capital of Real Estate FIE shall be subject to provisions in the Provisional Regulations of the State Administration for Industry and Commerce on the Proportion of Registered Capital to Total Amount of Investment of a Sino-foreign Equity Joint Ventures (《國家工商行政管理局關於中外合資經營企業註冊資本與投資總額比例的暫行規定》), which was promulgated on 1 March 1987; and (ii) the requirement on full payment of registered capital of the Real Estate FIE before applying for domestic or foreign loans or foreign exchange loan settlement has been cancelled.

The Notice on Further Strengthening and Regulating the Approval and Administration regarding Foreign Direct Investment in the Real Estate Industry (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》), which was jointly promulgated by the MOFCOM and SAFE on 23 May 2007 and amended on 28 October 2015, stipulates that (i) foreign investments in the real estate industry in the PRC relating to high-grade properties should be strictly controlled; (ii) both the land use rights certificates and building ownership certificates should be obtained, or contracts for obtaining the aforesaid certificates should be entered into, before obtaining approval for the establishment of a Real Estate FIE; (iii) strict control should be imposed on the acquisition of or investment in domestic real estate enterprises by way of round trip investment. Foreign investors shall not acquire control of domestic enterprises for the purpose of circumventing the approval procedure related to Real Estate FIE; (iv) Chinese parties shall not, explicitly or implicitly provide any warranties with regard to allocating fixed returns to any party in a Real Estate FIE; (v) a Real Estate FIE incorporated upon approval by local approval bodies should be registered with the MOFCOM on a timely manner; and (vi) foreign exchange administration bodies and designated foreign exchange banks shall not process sale and settlement of foreign exchange for capital account items for Real Estate FIEs that fail to complete filing procedures with the MOFCOM or to pass joint inspection for foreign invested enterprises.

Regulations Related to Real Estate Development Enterprise

Establishment of a Real Estate Development Enterprise

Pursuant to the PRC Law on the Administration of Urban Real Estate (《中華人民共和國城市房地產管理法》), or the Urban Real Estate Law, which was promulgated on 5 July 1994, and amended on 30 August 2007, 27 August 2009 and 26 August 2019, respectively, a real estate development enterprise is defined as an enterprise engaged in development and operation of real estate for the purpose of profits. Pursuant to the Regulations on Administration of Development and Operation of Urban Real Estate (《城市房地產開發經營管理條例》), or the Development Regulations, which was promulgated by the State Council on 20 July 1998 and amended on 8 January 2011, 19 March 2018, 24 March 2019, 27 March 2020 and 29 November 2020, respectively, except for the conditions for the establishment of an enterprise provided in relevant laws and regulations, the establishment of a real estate development enterprise shall also fulfil the following conditions: (i) the registered capital shall be no less than RMB1 million; (ii) the enterprise shall employ no less than four (4) full-time qualified technical staffs in the fields of real estate and construction engineering and no less than two (2) qualified full-time accountants. The local competent governments may subject to the local situations set out more stringent requirements with respect to the aforementioned conditions.

The Notice on Adjusting the Capital Ratio of Fixed Assets Investment Projects (《關於調整固定資產投資項目資本金比例的通知》), which was promulgated by the State Council on 25 May 2009, has reduced the requirement on the minimum capital for social welfare housing and general commercial residence from 35% to 20%, while the requirement on the minimum capital for other real estate projects has been reduced to 30%. According to the Notice on Adjusting and Perfecting the Capital System for Fixed Assets Investment (《國務院關於調整和完善固定資產投資項目資本金制度的通知》), which was promulgated by the State Council on 9 September 2015, the minimum portion of capital for social welfare housing and general commercial residence still maintained at 20%, while the minimum portion of capital for other real estate projects has been reduced from 30% to 25%.

Qualifications

Pursuant to the Development Regulations, a real estate development enterprise shall, within 30 days of receipt of the business license, file the relevant documents with the local real estate development authorities. The real estate development authorities shall examine applications for classification of a real estate enterprise's qualification by considering its assets, professional personnel and industrial achievements. The real estate development enterprise shall undertake real estate development projects complying with the class of qualification as verified.

Pursuant to the Regulations on Administration of Qualification of Real Estate Development Enterprises (《房地產開發企業資質管理規定》), or the Circular 77, which was promulgated on 16 November 1993 and amended on 29 March 2000, 4 May 2015, 22 December 2018, and 2 March 2022, respectively, a real estate development enterprise shall apply for approval in accordance with the provisions of application for the enterprise qualification classification. Qualifications of a real estate enterprise are classified into two qualification classes: Class I and Class II on the basis of their financial conditions, experience in real estate development business, construction quality, the professional personnel and quality control system etc. Pursuant to the Circular 77, enterprises of various qualification classes shall engage in real estate development projects within the approved scope of business and shall not undertake any tasks which fall outside the approved scope of their own qualification classes.

Regulations Related to Land Use Right

The PRC Land Administration Law (《中華人民共和國土地管理法》), which was promulgated by the Standing Committee of the NPC, or the SCNPC, on 25 June 1986 and last amended on 26 August 2019, permits the transfer of land use rights for value. Pursuant to the Interim Regulations on Assignment and Transfer of the Rights to the Use of the State-Owned Urban Land (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》), or the Regulations on Assignment and Transfer, promulgated by the State Council on 19 May 1990, and amended on 29 November 2020, a system of assignment and transfer of the right to use state-owned land was adopted. A land user must pay land premiums to the state as consideration for the assignment of the right to use a land site within a certain term, and the land user who obtained the right to use the land may transfer, lease out, mortgage, or otherwise commercially exploit the land within the term of use. Under the Regulations on Assignment and Transfer and the Urban Real Estate Law, the local land administration authority may enter into an assignment contract with the land user for the assignment of land use rights. The land user is required to pay the land premiums as provided in the assignment contract. After the full payment of the land premium, the land user must register with the land administration authority and obtain a land use rights certificate that evidences the acquisition of land use rights.

Pursuant to the Civil Code of the PRC (《中華人民共和國民法典》), which was promulgated by the NPC and became effective on 1 January 2021, the term of the construction land use right for residential property shall be automatically renewed upon expiry. The payment, reduction of or exemption from the renewal fee shall be handled in accordance with the provisions of laws and administrative regulations. The term of the construction land use right for non-residential property shall be renewed upon expiry pursuant to the provisions of the law.

Pursuant to the Regulations on the Grant of Use Right of State-owned Land by Bidding, Auction or Listing (《招標拍賣掛牌出讓國有土地使用權規定》), which was promulgates by the MLR, on 9 May 2002, land for commercial use, tourism, entertainment and commodity housing development shall be granted by means of tender, public auction or listing-for-sale. According to the Regulations on Granting State-owned Construction Land Use Rights through Bidding, Auction and Listing (《招標拍賣掛牌出讓國有建設用地使用權規定》), or the Land Grant Regulations, which was promulgated by the MLR on 28 September 2007 and came into force on 1 November 2007, it provides that where the designated use of certain piece of land falls within the scope of commercial uses, such as industrial, commercial, tourism, entertainment and commercial housing etc., or where there are two or more intended users for the same piece of land, the grant of land use rights shall be made via competitive processes. The Land Grant Regulations also provide a number of measures to ensure such grant of land use rights for commercial purposes is conducted in accordance with the principles of openness, fairness, justice and good faith.

The Regulations on Grant of State-owned Land Use Rights by Agreement (《協議出讓國有土地使用權規定》), which was promulgated by the MLR on 11 June 2003, regulates the grant of land use rights by agreement. If there is only one entity interested in acquiring the land, the land use rights (excluding land use rights for business purposes including commercial, tourism, entertainment and residential commodity properties) may be assigned by way of agreement. If two or more entities are interested in the land use rights to be assigned, such land use rights shall be granted by means of tender, auction or listing-for-sale.

According to the Urban Real Estate Law, those who have obtained land use rights through grant for real estate development must develop the land in accordance with the land use and the construction period as prescribed in the grant contract. Where construction does not commence within one year of commencement of construction as stipulated in the contract, an idle land fee may be charged at a rate of not more than 20% of the total fee for the grant of land use rights. Where construction does not commence within two years, land use rights may be recovered without compensation, except where the commencement of construction is delayed due to force majeure, an act of the government or relevant government departments, or preliminary work necessary for the commencement of construction.

Pursuant to the Measures on Disposal of Idle Land (《閒置土地處置辦法》), which was promulgated by the MLR on 28 April 1999 and amended on 1 June 2012, the land shall be determined as idle land, if (i) any state-owned construction land, of which the holder of the land use rights fails to commence the construction and development within one year as of the construction commencement date as agreed on and specified in the contract for paid use of state-owned construction land or the land allocation decision; or (ii) the development and construction of the state-owned land has been suspended for one year where the construction has commenced with its development area accounts for less than one third of the total development area or its actual investment accounts for less than 25% of the total investment. Unless the delay in construction commencement is caused by government actions or due to the force majeure such as natural disasters, the land administrative authorities shall discuss with the holder of state-owned construction land use rights and select the methods for disposal provided in the Measures on Disposal of Idle Land.

Regulations on Urban Renewal Projects

According to the Implementation Opinions on Further Promoting the Renovation of the Old Town, Old Factories and Old Villages ("**Three-Old Renovation**") (《深入推進"三舊"改造工作實施意見》) promulgated by the Guangdong Provincial Department of Land and Resources and implemented on 4 April 2018, local governments shall accurately annotate land maps and establish databases for renovation, as well as carefully review whether the selected land meets the renovation standard. The municipal government shall upload the adjusted database of Three-Old Renovation to the Provincial Land and Resources Technology Centre for recording purpose. The collection and formality examination authority regarding Three-Old Renovation is delegated by the provincial government to the municipal government. According to the Measures for the Administration of the Renovation of the Old town, Old Factories and Old Villages of Guangdong Province (《廣東省舊城鎮舊廠房舊村莊改造管理辦法》) promulgated by the Guangdong Provincial People's Government and implemented on 1 March 2021, The government, original owner and other entities can be regarded as the implementation body to carry out the Three-Old Renovation. Except for regulated otherwise, if the original owners or most of the original owners were state-owned enterprises, collective economic organisations or other public economic sectors, they shall choose their partner of implementation in a transformation method such as public bidding, listing, etc.

According to 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 and amended on 24 January 2014, comprehensive renovation of old towns, old villages and old factories, functional change or demolition and reconstruction, can be divided into four types: government-led renovation (政府主導), private capital participation in renovation (社會資金參與改造), renovation of collective economic organisations (集體經濟組織自行改造), and renovation of original land users (原土地使用權人自行改造). And according to Detailed Rules for the Implementation of Three-Old Renovation in Dongguan City (for Trial Implementation) the Municipal Three-Old Renovation Leading Group (市"三舊"改造領導小組) is responsible for coordinating the city's Three-Old renovation work and solving major problems in the Three-Old renovation. The district competent department shall prepare the area planning plan, and after the renewal plan is approved by the municipal competent department, the district government shall lead the implementation of the renovation plan. As for the land grant procedure, under the private capital participation mode, there should be a transformation method such as public bidding, listing, etc. for at least one of the procedure whether recognised as the renovation entity or obtaining the land use right; under renovation of collective economic organisations or original land users mode, the land can be granted to the renovation entity by signing an agreement with the government; while under the government-led renovation mode, the land must be granted through the procedure of bidding, auction or listing for sale.

Regulations Related to Construction Projects

Pursuant to the Regulations on Planning Administration Regarding Granting and Transfer of State-owned Land Use Rights in Urban Area (《城市國有土地使用權出讓轉讓規劃管理辦法》), which was promulgated by the Ministry of Construction on 4 December 1992 and amended on 26 January 2011, a Construction Land Planning Permit (建設用地規劃許可證) should be obtained from the municipal planning authority with respect to the planning and use of land. Pursuant to the PRC Urban and Rural Planning Law (《中華人民共和國城鄉規劃法》) which was promulgated by the SCNPC on 28 October 2007 and amended on 24 April 2015 and 23 April 2019 respectively, a Construction Work Planning Permit (建設工程規劃許可證) must be obtained from the competent urban and rural planning government authority for the construction of any structure, fixture, road, pipeline, or other engineering project within an urban or rural planning area.

After obtaining a Construction Work Planning Permit, subject to certain exceptions, a construction enterprise must apply for a Construction Work Commencement Permit (建築工程施工許可證) from the construction authority under the local people's government at the county level or above, pursuant to the Administrative Provisions on Construction Permit of Construction Projects (《建築工程施工許可管理辦法》), which was promulgated by MOHURD, on 15 October 1999 and amended on 4 July 2001, 25 June 2014, 28 September 2018 and 30 March 2021, respectively.

Pursuant to the Administrative Measures for Reporting Details Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》), which was promulgated by the Ministry of Construction on 4 April 2000 and amended on 19 October 2009, and the Provisions on Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收規定》), which was promulgated by the MOHURD on 2 December 2013, upon the completion of a construction project, the construction enterprise must submit an application to the competent government department at or above county level where the project is located for examination upon completion of building and for filing purpose, and to obtain the filing form for acceptance and examination upon completion of construction project.

Regulations on Environmental Protection, Work Safety and Fire Prevention

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) which was promulgated by the SCNPC on 26 December 1989 and amended on 24 April 2014, enterprises, public institutions and other producers and business operators that discharge pollutants shall take measures to prevent and control the environmental pollution and harm caused by waste gas, waste water, waste residues, medical waste, dust, malodorous gas, radioactive substances, noise, vibration, optical radiation and electromagnetic radiation and others generated during production, construction or other activities. Enterprises and public institutions that discharge pollutants shall each establish an environmental protection responsibility system and specify the responsibilities of the persons in charge and relevant personnel thereof.

According to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), which was promulgated by the SCNPC on 28 October 2002 and amended on 2 July 2016 and 29 December 2018 respectively, and the Rule on Classification for Environmental Impact Assessment of Construction Projects (《建設項目環境影響評價文件分級審批規定》), which was promulgated by the former Ministry of Environmental Protection on 16 January 2009 and became effective on 1 March 2009, the state classifies the management over the assessment of the environmental impacts of construction projects according to the seriousness of the impacts. If the environmental impacts may be significant, a comprehensive assessment report of the environmental impacts is required; if the environment impacts may be gentle, an analysis or specific assessment report of environmental impacts is required; if the environment impacts may be very small so that it is not necessary to conduct an assessment of the environmental impacts, a registration form of the environmental impacts is required. The construction work shall not start before the environmental impact assessment documents are approved by competent administrative department.

According to the Rules on the Administration concerning Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) promulgated by the State Council on 29 November 1998 and amended on 16 July 2017, and the Interim Measures concerning the Environmental Protection Acceptance Check on Construction Projects (《建設項目竣工環境保護驗收暫行辦法》), promulgated by the former Ministry of Environmental Protection on 20 November 2017, where a construction project needs complementary environmental protection facilities, those facilities must be designed, constructed and become operational at the same time as the main parts of the project. The project owner shall, after the completion of the construction project for which the environmental impact report or the environmental impact statement is prepared, according to standards and procedures prescribed by the environmental protection administrative department of the State Council, conduct acceptance check of the constructed complementary environmental protection facilities. The construction project may not be put into production or use until the constructed supporting environmental protection facilities have passed the acceptance check. The facilities that have not undergone or fail to pass the acceptance check shall not be put into production or use.

Under relevant construction safety laws and regulations, including the PRC Work Safety Law (《中華人民共和國安全生產法》), which was promulgated by the SCNPC on 29 June 2002, amended on 27 August 2009, 31 August 2014 and 10 June 2021, respectively, production and operating business entities must establish objectives and measures for work safety and improve the working environment and conditions for workers in a planned and systematic way. A work safety protection scheme must also be set up to implement the work safety job responsibility system. In addition, production and operating business entities must arrange work safety training and provide their employees with protective equipment that meets the national or industrial standards.

According to the Interim Measures for the Supervision and Administration of "Three Simultaneities" for Safety Facilities of Construction Projects (《建設項目安全設施「三同時」監督管理辦法》), or the Construction Projects Safety Facilities Measures, which was promulgated by the State Administration of Work Safety on 14 December 2010 and amended on 2 April 2015, production and business operation entities shall be responsible for the construction of the safety facilities of construction projects. The "safety facilities of construction projects" refer to all devices, facilities, installations, fixtures, buildings and other technical measures used by production and business operation entities in production and operation activities for the purpose of preventing work safety accidents. It is required that safety facilities be designed, built and put into production and used simultaneously with the main part of the construction project. In addition, the

Construction Projects Safety Facilities Measures provides that, for the construction projects specially set forth in the Construction Projects Safety Facilities Measures, comprehensive research and pre-assessment on the safety conditions of the construction projects shall be conducted by qualified safety assessment body.

According to the PRC Fire Prevention Law (《中華人民共和國消防法》), which was promulgated by the SCNPC on 29 April 1998 and amended on 28 October 2008, 23 April 2019 and 29 April 2021, respectively, the fire prevention design of a construction project must conform to the national fire prevention technical standards of project construction. The designing, construction, project supervision and other entities shall be responsible for the quality of fire prevention design and construction quality according to the law. Where the housing and urban-rural development authority under the State Council requires that an application for fire prevention final inspection of an as-built construction project should be filed, the constructing party shall file such an application to the housing and urban-rural development authority. For a construction project other than one specified in the foregoing, the constructing party shall report to the housing and urban-rural development authority after final inspection for record, and the housing and urban-rural development authority shall conduct spot checks.

Regulations Related to Sale of Real Estate

According to the Administrative Measures for the Sale of Commodity Houses (《商品房銷售管理辦法》), or the Sale Measures, which was promulgated by the Ministry of Construction on 4 April 2001, the sale of commercial housing includes both post-completion sales and pre-sales.

Pre-sale of commodity properties

Any pre-sale of commercial housing shall be conducted in accordance with the Administrative Measures for the Pre-sale of Urban Commodity Housing (《城市商品房預售管理辦法》), or the Pre-sales Measures, which was promulgated by the Ministry of Construction on 15 November 1994, and amended on 15 August 2001 and 20 July 2004, respectively. Pursuant to the Pre-sales Measures, any pre-sale of commercial housing is subject to certain procedures. A permit for Pre-sale of Commercial Housing shall be obtained, if a real estate enterprise intends to pre-sell commercial housing and make the necessary pre-sale registration with the relevant development authority. According to the Pre-sales Measures and the Urban Real Estate Law, the incomings from pre-sales of commercial housings shall only be used for the construction of the relevant projects.

According to the Circular on Issues Concerning Further Strengthening the Supervision and Administration of the Real Estate Market and Improving the Pre-Sale System of Commodity Housing (《關於進一步加强房地產市場監管完善商品住房預售制度有關問題的通知》), or the Pre-sale Circular, which was promulgated on 13 April 2010, for any commercial housing project which has obtained the pre-sale permit, the real estate developer shall, within 10 days, publicise all licensed housing and price of each set, and shall sell at the publicly announced price strictly in line with the declared price.

Measures Regarding the Supervision and Use of Pre-sale Proceeds

Applicable Laws and Regulations at National Level

Pursuant to the Pre-sale Circular and the Urban Real Estate Law, all proceeds from the pre-sales of commodity properties shall be supervised and managed by relevant authorities so as to ensure that the proceeds to be used for the development and construction of the corresponding projects. The proceeds from the pre-sales would be allocated according to the construction progress, provided that adequate fund has been reserved to ensure the completion and delivery of the projects. Under the Pre-sale Measures, a property developer may be ordered to rectify any non-compliances within a prescribed period of time and imposed a fine that equals three times of its illegal gains but less than RMB30,000 per project.

Relevant Laws and Regulations at Local Levels

Pursuant to the Pre-sale Measures and the Pre-sale Circular, provincial, municipal and other local governments are delegated and granted the authority to formulate, and supervise the implementation of detailed requirements of pre-sale proceeds.

According to the Regulations on Administration of Pre-sale of Commodity Properties of Guangdong Province (《廣東省商品房預售管理條例》), or Guangdong Regulation, promulgated by the Standing Committee of Guangdong Provincial People's Congress in July 1998, as amended in August 2000, July 2010 and September 2014, respectively, the property developers shall open supervised bank accounts of the pre-sale proceeds of commodity properties at the commercial bank of the place where the project is located before the pre-sale of commodity properties. The pre-sale proceeds shall only be used with the amount approved by the local real estate registration office for the purpose of purchasing construction materials, devices, and paying for construction progress fees and taxes. Buyers shall directly deposit the proceeds of pre-sales of commodity properties into the supervised bank account according to the contract and shall provide the bank deposit to the property developer to get the payment voucher. The property developer may be ordered to rectify any non-compliances and imposed a fine of more than 10% and less than 20% of the funds illegally used. The qualification for real estate development of the property developer may be demoted or written off in case of violation.

According to the Supervision System for Proceeds from Pre-sales of Commodity Properties on Dongguan (《東莞市商品房預售款監管工作制度》) jointly promulgated by the Construction Bureau of Dongguan and Housing Management Bureau of Dongguan on 15 October 2007, and the Notice on Further Enhancing the Administration of Pre-sale Proceeds of Commodity Properties on Dongguan (《關於進一步加強我市商品房預售款收存管理的通知》), jointly promulgated by Dongguan Property and City Development Bureau and Housing Management Bureau of Dongguan on 23 August 2018, the pre-sale proceeds of commodity properties shall be directly deposited into the supervised bank account. Before the completion of the construction, the pre-sale proceeds can only be used to purchase construction materials, devices and paying for construction progress fees and tax for the relevant property. Without the approval of relevant governmental authority, the project developer may not use pre-sale proceeds for any other purpose. The property developer may be ordered to rectify the non-compliance regarding the deposit and use of pre-sale proceeds and imposed a fine of more than 10% and less than 20% of the funds illegally used. According to the Circular on Further Strengthening Differentiated Administration of the Use of Pre-sale Payments of the Commodity Properties (《關於進一步加強商品房預售款使用差異化管理的通知》), promulgated by Dongguan Property and City Development Bureau on 15 May 2019, the use of pre-sale proceeds shall be subject to differentiated regulatory modes (e.g. Level A, Level B and Level C), in light of the property developer's operation scale and its good faith in performance. Sufficient proceeds shall be remain in the supervised account subject to differentiated regulatory modes.

According to the Measures for Supervision and Administration of Pre-sale Proceeds of Huizhou Commodity Housing (《惠州市商品房預售資金監督管理辦法》), or the Huizhou Measures, promulgated by Huizhou Municipal People's Government Office on 26 March 2021, the proceeds from pre-sales of commodity properties shall be directly deposited into the supervised bank account. Before the completion of the construction, the pre-sale proceeds can only be used to purchase construction materials, devices and paying for construction progress fees and tax for the relevant property. And sufficient proceeds have to remain in the supervised account subject to the construction progress. The property developer may be ordered to rectify the non-compliance regarding the deposit and use of pre-sale proceeds and imposed a fine of more than 10% and less than 20% of the funds illegally used.

Sales after Completion of Commodity Properties

Under the Sale Measures, commodity properties may be put to post-completion sale only when the following conditions have been satisfied: (i) the real estate development enterprise offering to sell the post-completion buildings shall have an enterprise legal person business license and a qualification certificate of real estate development; (ii) the enterprise has obtained land use right certificates or other approval documents of land use; (iii) the enterprise has obtained the Construction Project Planning License and the Construction Work Commencement License; (iv) the commodity properties have been completed and been inspected and accepted as qualified; (v) the relocation of the original residents has been well settled; (vi) the supplementary essential facilities for supplying water, electricity, heating, gas and communication have been made ready for use, and other supplementary essential facilities and public facilities have been made ready for use, or the schedule of construction and delivery date have been specified; and (vii) the property management proposal has been completed.

According to the Rules on Sales of Commercial Houses at Clearly Marked Prices (《商品房銷售明碼標價規定》), which was promulgated by the NDRC on 16 March 2011, any real estate enterprise is required to mark the selling price clearly and explicitly for both newly-built and second-hand commercial properties.

Regulations Related to Real Estate Registration

The Interim Regulations on Real Estate Registration (《不動產登記暫行條例》), which was promulgated by the State Council on 24 November 2014 and amended on 24 March 2019, provides for the following:

- the competent department of land and resources under the State Council shall be responsible for guiding and supervising the real estate registration of the State;

- the real estate authority shall establish a uniform real estate registration book to record the items including, without limitation, the natural condition, ownership conditions of the real estate and restriction of rights;

- the competent department of land and resources under the State Council shall, in coordination with other related departments, establish a uniform basic management database for real estate registration information. The information registered by the real estate registration authorities at all levels shall be incorporated into the uniform basic database to ensure the real-time sharing of registration information at the national, provincial, municipal and county level; and

- any right holder or interested party may apply for inquiring about or copying the real estate registration materials, and the registration authority shall not refuse to provide such information. Units and individuals inquiring about the real estate registration information shall not use such registration information for any other purpose, and no such information may be disclosed to the public or others without the consent of the right holder.

The Implementing Rules of the Interim Regulations on Real Estate Registration (《不動產登記暫行條例實施細則》), which was promulgated on 1 January 2016 and amended on 24 July 2019, authorises the real estate registration authority to perform a site inspection following an acceptance of the application for real estate registration and sets out regulations regarding real estate registration information management.

Regulations Related to Lease Properties

The Administrative Measures for Commercial House Leasing (《商品房屋租賃管理辦法》), or the New Lease Measures, which was promulgated by MOHURD on 1 December 2010 and came into effective on 1 February 2011, the parties concerned to a housing leasing shall go through the housing leasing registration formalities with the competent construction (real estate) departments within thirty (30) days after the lease contract is signed. Non-compliance with such registration and filing requirements shall be subject to fines no more than RMB1,000 for individuals and from RMB1,000 to RMB10,000 for enterprises, provided that they fail to rectify such non-compliance within the required time limits. Pursuant to the Civil Code of the PRC (《中華人民共和國民法典》), the term of a leasing contract shall not exceed 20 years.

Pursuant to the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Cases Involving Disputes over Urban House Lease Contracts (《最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋》), which was promulgated by the Supreme People's Court on 30 July 2009 and came into effect on 1 September 2009, and last amended on 29 December 2020 and came into effect on 1 January 2021, a party requests for recognising the invalidity of a lease contract on the ground that such contract is not registered in accordance with laws and administrative regulations, the people's court shall not uphold such request.

Regulations Related to Real Estate Financing

The Guideline for Commercial Banks on Risks of Real Estate Loans (《商業銀行房地產貸款風險管理指引》), or the Guideline, which was promulgated by the China Banking Regulatory Commission, or the CBRC, on 30 August 2004, commercial banks shall not grant any form of loans to a project owner that has not obtained the state-owned land use certificate, the Construction Land Planning Permit, the Construction Work Planning Permit, or the Construction Work Commencement Permit. The Guideline also provides that bank loans shall only be extended to real estate enterprises who contributed at least 35% of the total investment of the property development project by its own capital. Furthermore, the Guideline also provides that commercial banks shall, when handling real estate development loans, establish a strict loan project approval mechanism.

The Circular on Promoting Economical and Intensive Use of Land through Finance (《關於金融促進節約集約用地的通知》), which was promulgated by the PBOC and the CBRC on 29 July 2008, provides the following:

- it restricts from granting loans to real estate enterprises exclusive for the payment of land grant premiums;
- for a land reserve loan in the form of mortgage, there shall be a lawful land use certificate, the maximum mortgage ratio shall not exceed 70% of the appraised value of the collateral and, in principle, the term of loan shall not exceed two years;
- for real estate enterprises who (i) delays the commencement of development date as agreed in the land grant contract for more than one year, or (ii) has only developed less than one-third of the intended project, or (iii) has not invested one-fourth of the intended total project investment, loans shall be granted or extended prudently;
- it prohibits granting loans to real estate projects whose land has been idle for two years or longer; and
- it prohibits taking idle land as a security for loans.

Regulations Related to Borrowing Criteria for Property Developers and Management of Individual Housing Credit

On 28 December 2020, the PBOC and the China Banking and Insurance Regulatory Commission (the "**CBIRC**") promulgated the Notice on Establishment of a Concentration Management System for Real Estate Loans of Financial Institutions (《關於建立銀行業金融機構房地產貸款集中度管理制度的通知》) (the "**Joint Notice**") which came into effect on 1 January 2021 to strengthen financial regulations in real estate industry. The Joint Notice requires the ratio of real estate loans and the ratio of personal housing loans shall not exceed the upper limit of the ratio of real estate loans or the upper limit of the ratio of personal housing loans determined by the PBOC and the CBIRC, and the development banks and policy banks shall implement this requirements by making the necessary changes. Financial institutions in the banking industry whose concentration of real estate loans exceeds the management requirements shall have an adjustment plan to progressively attain the management requirements within the business adjustment transitional period. The Joint Notice does not raise the interest rates of individual housing loans, but limits the proportion of individual housing loans of various commercial banks, which are control measures taken by the PRC government to curb the real estate market and promote steady and healthy development of the real estate market.

Regulations Related to House Purchase Restriction, Tighter Down-payment Requirements

The real estate market in the PRC is highly subject to government policies and regulations. In order to curb the rapid rise in housing price and control speculative demand, the PRC Government has imposed a series of strict restrictions, including house purchase restrictions (限購), tighter down-payment requirements (限貸), and limiting the selling price of properties (限價).

Dongguan

According to the Notice on Further Strengthening the Regulation and Control of Real Estate Market (《關於進一步加強房地產市場調控的通知》), jointly promulgated by the Housing and Urban Rural Development Bureau of Dongguan and other bureaus on 27 February 2021, and the Notice on Further Regulating and Controlling Real Estate Market (《關於進一步做好房地產市場調控工作的通知》), jointly promulgated by the Housing and Urban Rural Development Bureau of Dongguan and other bureaus on 2 August 2021, residents shall provide social security records dated within two years of the purchase date which have been paid or accumulated in Dongguan city for at least half year, while the non-local residents shall provide social security records dated within four years of the purchase date which have been paid or accumulated in Dongguan city for at least two years; the minimum percentage of down payment of the purchase price of the residential property of a resident family is 30%; and the record prices of new residential properties shall not be higher than the record prices of residential properties of the same type of the same area or the record prices of the same project. According to the Notice on Strengthening Classified Guidance and Optimizing Housing Purchase Restriction Policies (《關於加強分類指導優化住房限購政策的通知》), jointly promulgated by the Housing and Urban Rural Development Bureau of Dongguan and other bureaus on 4 July 2022, the housing purchase restriction areas in Dongguan City are limited to Guancheng district, Dongcheng district, Nancheng district, Wanjiang district and Songshan Lake High Tech Industrial Development Zone, while other areas are not subject to the housing purchase restriction policy.

Huizhou

According to the Notice on Further Promoting the Steady and Healthy Development of the Real Estate Market of Huizhou (《關於進一步促進我市房地產市場平穩健康發展的通知》), jointly promulgated by Housing and Urban Rural Development Bureau of Huizhou and other bureaus on 9 August 2021, non-local residents can only purchase one new residential property in Huiyang District and Daya Bay Economic and Technology Development Zone; and the record of selling prices of residential properties is under strict control. According to the Notice on Promoting the Healthy Development and Virtuous Cycle of the Real Estate Industry (《關於促進房地產業健康發展和良性循環的通知》), jointly promulgated by Housing and Urban Rural Development Bureau of

Huizhou and other bureaus on 30 April 2022, Huiyang District and Daya Bay Economic and Technological Development Zone are no longer included in the areas with house purchase restrictions.

Regulations Related to Taxes

Enterprise Income Tax

Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), or the EIT Law, which became effective on 1 January 2008 and was subsequently amended on 24 February 2017 and 29 December 2018, and the Implementation of the Law on Enterprise Income Tax of the PRC (《中華人民共和國企業所得稅法實施條例》), or the Implementation Rule, which was effective on 6 December 2007, and amended on 23 April 2019, enterprises are classified as resident enterprises and non-resident enterprises. PRC resident enterprises typically pay an enterprise income tax at the rate of 25%, while non-PRC resident enterprises which do not have an establishment or place of business in the PRC should pay an enterprise income tax in connection with their income from the PRC at the tax rate of 10%. An enterprise established outside of the PRC with its "de facto management bodies" located within the PRC is considered a "resident enterprise", meaning that it can be treated in a manner similar to a PRC domestic enterprise for enterprise income tax purposes. The Implementation Rule defines a de facto management body as a managing body that in practice exercises "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise.

Value-Added Tax

Pursuant to the Provisional Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》), promulgated on 13 December 1993 and last amended on 19 November 2017 and its implementation regulations, unless otherwise specified by relevant laws and regulations, any entity or individual engaged in the sales of goods, provision of processing, repairs and replacement services and importation of goods into China is generally required to pay a value-added tax, or VAT, for revenues generated from sales of products, while qualified input VAT paid on taxable purchase can be offset against such output VAT.

On March 23, 2016, the Ministry of Finance and the State Administration of Taxation further promulgated the Notice on Fully Promoting the Pilot Plan for Replacing Business Tax by Value-Added Tax (《關於全面推開營業稅改徵增值稅試點的通知》), which became effective on 1 May 2016. Since 1 May 2016, the government will collect value-added tax in lieu of business tax on a trial basis within the territory of the PRC and business tax payers in various industries such as construction industries, real estate industries, financial industries, and life service industries shall be included in the scope of the pilot program for the payment of Value-added tax instead of business tax.

On 4 April 2018, the Ministry of Finance and the State Administration of Taxation issued the Notice on Adjustment of VAT Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》), which came into effect on 1 May 2018. According to the abovementioned notice, the taxable goods previously subject to VAT rates of 17% and 11%, respectively, become subject to lower VAT rates of 16% and 10%, respectively, starting from 1 May 2018. Furthermore, according to the Announcement on Relevant Policies for Deepening Value-added Tax Reform (《關於深化增值稅改革有關政策的公告》) jointly promulgated by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs, which became effective on 1 April 2019, the taxable goods previously subject to VAT rates of 16% and 10%, respectively, become subject to lower VAT rates of 13% and 9%, respectively, starting from 1 April 2019.

Under the Announcement of the SAT on Promulgating the Interim Administrative Measures for the Collection of Value-added Tax on the Sale of Self-developed Real Estate Projects by Real Estate Developers (《國家稅務總局關於發布〈房地產開發企業銷售自行開發的房地產項目增值稅徵收管理暫行辦法〉的公告》), promulgated on 31 March 2016 and amended on 15 June 2018, real estate developers are required to pay value-added tax for the sales of its self-developed real estate project.

Land Appreciation Tax

Under the Interim Regulations on Land Appreciation Tax of the PRC (《中華人民共和國土地增值稅暫行條例》), or the Land Appreciation Tax Regulation, which was promulgated by the State Council on 13 December 1993 and was last amended on 8 January 2011, and its implementation rules, which was issued on 27 January 1995 (《中華人民共和國土地增值稅暫行條例實施細則》), all entities and individuals receiving income from the transfer of state-owned land use rights, ground buildings and their attachments are taxpayers of the land appreciation tax and shall pay the land appreciation tax. The land appreciation tax shall be assessed and collected based on the amount of increased value received by the taxpayers from the transfer of real estate and the tax rates prescribed in the Land Appreciation Tax Regulation. Four levels of progressive rates will be adopted for the land appreciation tax: a) for part of the amount of increased value not exceeding 50% of the sum of deductible items, the tax rate is 30%; b) for the part of the amount of increased value exceeding 50% but not exceeding 100% of the sum of deductible items, the tax rate is 40%; c) for the part of the amount of increased value exceeding 100% but not exceeding 200% of the sum of deductible items, the tax rate is 50%; d) for the part of the amount of increased value exceeding 200% of the sum of deductible items, the tax rate is 60%.

Income Tax Related to Dividend Distribution

The EIT Law and the Implementation Rule provide that an income tax rate of 10% should normally be applicable to dividends payable to investors that are "non-resident enterprises," and gains derived by such investors, which (a) do not have an establishment or place of business in the PRC or (b) have an establishment or place of business in the PRC, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within the PRC. Such income tax on the dividends may be reduced pursuant to a tax treaty between China and other jurisdictions. Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income, or the Double Tax Avoidance Arrangement (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》), which was promulgated on 21 August 2006 and came into effect on 8 December 2006, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from in-charge tax authority. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) issued on 20 February 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Announcement on Relevant Issues Concerning the "Beneficial Owners" in Tax Treaties (《國家稅務總局關於稅收協定中「受益所有人」有關問題的公告》) issued on 3 February 2018 by the SAT and effective from 1 April 2018, which replaces the Notice on the Interpretation and Recognition of Beneficial Owners in Tax Treaties and the Announcement on the Recognition of Beneficial Owners in Tax Treaties by the SAT, comprehensive analysis based on the stipulated factor therein and actual circumstances shall be adopted when recognising the "beneficial owner" and agents and designated wire beneficiaries are specifically excluded from being recognised as "beneficial owners".

According to the Announcement on Promulgating the Administrative Measures for Convention Treatment for Non-resident Taxpayers (《關於發佈〈非居民納稅人享受協定待遇管理辦法〉的公告》), which was promulgated on 14 October 2019 and came into effect on 1 January 2020, any non-resident taxpayer meeting conditions for enjoying the convention treatment may be entitled to the convention treatment itself/himself when filing a tax return or making a withholding declaration through a withholding agent, subject to the collection and preservation of relevant materials for review pursuant to these measures and the subsequent administration by the tax authorities.

Real Estate Tax

On 23 October 2021, the 31st Session of the SCNPC adopted the Real Estate Tax Reform Policy, authorizing the State Council to carry out a pilot program of real estate tax reform in certain areas. The Real Estate Tax Reform Policy clarifies that the taxation objects of real estate tax are various types of real estate for residential use and non-residential use in urban areas, and that the holders of land use rights and owners of houses are taxpayers of the real estate tax. The Real Estate Tax Reform Policy authorizes the State Council to formulate specific measures for the real estate tax pilot program and determine the list of cities for the pilot program and file the record with the SCNPC. The Real Estate Tax Reform Policy also authorizes the people's governments of pilot areas to formulate specific implementing rules. According to the Real Estate Tax Reform Policy, the period for the real estate tax pilot program shall be five years from the date when the measures for the pilot program are officially issued by the State Council.

Regulations Related to Employment, Social Insurance and Housing Fund

Pursuant to the PRC Labour Law (《中華人民共和國勞動法》), which was promulgated by the SCNPC on 5 July 1994 and amended on 27 August 2009 and 29 December 2018 respectively, and the PRC Labour Contract Law (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on 29 June 2007 and was last amended on 28 December 2012, employers must execute written labour contracts with full-time employees. All employers must comply with local minimum wage standards. Violations of the PRC Labour Contract Law and the PRC Labour Law may result in the imposition of fines and other administrative and criminal liability in the case of serious violations.

In addition, according to the PRC Social Insurance Law (《中華人民共和國社會保險法》), which was promulgated on 28 October 2010 and last amended on 29 December 2018, and the Regulations on the Administration of Housing Funds (《住房公積金管理條例》), which was promulgated on 3 April 1999 and amended on 24 March 2002 and 24 March 2019, employers in China shall provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, and medical insurance and housing funds. Pursuant to the Reform Plan for Collection and Management System of National and Local Taxes (《國稅地稅徵管體制改革方案》) released by General Office of the Communist Party of China and the State Council on 20 July 2018, all social insurance premiums, such as basic pension insurance premium, basic medical insurance premium, unemployment insurance premium, work-related injury insurance premium and maternity insurance premium, shall be collected uniformly by the relevant tax authorities starting from 1 January 2019.

Regulations Related to Foreign Exchange and Dividend Distribution

Regulation on Foreign Currency Exchange

The principal regulations governing foreign currency exchange in the PRC are the Foreign Exchange Administrative Regulations (《中華人民共和國外匯管理條例》), or the SAFE Regulations, which was promulgated by the State Council and last amended on 5 August 2008. According to the SAFE Regulations, payments of current account items, such as profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE, by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital account items, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of China.

According to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》), or the Circular 13, which was promulgated on 13 February 2015, the foreign exchange registration under both domestic direct investments and overseas direct investments are directly reviewed and handled by banks in accordance with the Circular 13, and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

On 23 October 2019, SAFE issued Circular of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》), or the Circular 28, which took effect on the same day. Circular 28 allows non-investment foreign-invested enterprises to use their capital funds to make equity investments in China, provided that such investments do not violate the effective special entry management measures for foreign investment (negative list) and the target investment projects are genuine and in compliance with laws.

Regulations on Dividend Distributions

The principal laws, rule and regulations governing dividends distribution by companies in the PRC are our Company Law, which applies to both PRC domestic companies and foreign-invested companies, and the Foreign Investment Law and its implementing rules, which apply to foreign-invested companies. Under these laws, regulations and rules, both domestic companies and foreign-invested companies in the PRC are required to set aside as general reserves at least 10% of their after-tax profit, until the cumulative amount of their reserves reaches 50% of their registered capital. PRC companies are not permitted to distribute any profit until any loss from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

OVERVIEW

Our predecessor, Karrie International, was incorporated in Bermuda on 29 October 1996 and the Karrie International Group is principally engaged in (i) metal and plastic business; (ii) electronic manufacturing services; and (iii) real estate business. The Karrie International Shares have been listed on the Main Board since 16 December 1996.

Our Company was incorporated in the Cayman Islands with limited liability on 2 September 2020. Through the Reorganisation, our Company became the holding company of our subsidiaries. Prior to the incorporation of our Company and completion of the Spin-off, our subsidiaries formed an integral part of the Karrie International Group.

During the Track Record period and as at the Latest Practicable Date, our principal business is engaging in the development and sales of residential properties in Dongguan, Huizhou and Foshan in the Greater Bay Area.

Set forth below is a chronological review of the key business milestones of our Group:

Year	Event
September 2013	Dongguan Karrie was established in the PRC for development of Phases 4 and 5 of Castfast Villas project.
November 2015	The construction of Phase 3 of Castfast Villas commenced.
March 2016	The construction of Phases 4 and 5 of Castfast Villas commenced.
October 2016	Dongguan City Jiahao acquired 47 service apartments situated at Phase 1 (Area B) of Castfast Villas, Dalong Industrial Zone, Fenggang Town, Dongguan City (東莞市鳳崗鎮大龍工業區嘉輝豪庭B區) with an aggregate floor area of approximately 3,683.42 sq.m.
January 2017	Boluo Jiayingli was established in the PRC for the residential development of Louvre Mansion in Boluo County, Huizhou.
September 2017	Phase 3 of Castfast Villas commenced for pre-sale.
January 2018	The construction of Louvre Mansion commenced.
August 2018	The construction of Phase 3 of Castfast Villas was completed.
September 2019	Phase 4 of Castfast Villas commenced for pre-sale.

Year	Event
September 2020	Louvre Mansion commenced for pre-sale.
May 2021	The construction of Phase 4 of Castfast Villas was completed.
June 2021	Phase 5 of Castfast Villas commenced for pre-sale.
November 2021	The construction of Phase 5 of Castfast Villas was completed.

CORPORATE HISTORY

Our Group consists of our Company and twenty five subsidiaries. Set out below is the corporate history and development of our Company and our PRC operating subsidiaries.

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 2 September 2020 and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 13 April 2022. As at the date of its incorporation, the authorised share capital of our Company was HK$380,000 divided into 3,800,000 Shares of HK$0.1 each. For further details, please refer to the paragraph headed "Reorganisation — Incorporation of our Company" below in this section.

Phase 3 Project Company

Prior to the Corporate Division, Dongguan City Jiaxuntong was established in the PRC on 7 September 2000 as a limited liability company with a registered capital of RMB1,000,000. Following the completion of the Corporate Division on 26 November 2021, Dongguan City Jiaxuntong was segregated into two companies, namely Phase 3 Project Company and Dongguan Jiale Enterprise Development Company Limited* (東莞嘉樂企業發展有限公司). For details of the Corporate Division, please refer to the paragraph headed "Reorganisation — Corporate Division of Dongguan City Jiaxuntong" below in this section. As at the Latest Practicable Date, Phase 3 Project Company had a registered capital of RMB50,000,000 and was engaged in real estate development business in relation to Phase 3 of Castfast Villas.

Dongguan Karrie

Dongguan Karrie was established in the PRC on 17 September 2013 as a limited liability company with a registered capital of US$50,000,000. As at the date of establishment, Dongguan Karrie was wholly-owned by Castfast Industrial. As at the Latest Practicable Date, Dongguan Karrie was engaged in real estate development business.

Boluo Jiayingli

Boluo Jiayingli was established in the PRC on 11 January 2017 as a limited liability company with a registered capital of RMB60,000,000. As at the date of establishment, Boluo Jiayingli was wholly-owned by Kar Gain. As at the Latest Practicable Date, Boluo Jiayingli was engaged in real estate development business.

Dongguan Wansheng

Dongguan Wansheng was established in the PRC on 21 March 2017 as a limited liability company with a registered capital of RMB10,000,000. As at the date of establishment, Dongguan Wansheng was wholly-owned by Kar York. As at the Latest Practicable Date, Dongguan Wansheng was engaged in sale of construction materials and steel business, it served as the procurement function of the Group, and no sales has been made by it to any external parties.

Each of the above PRC operating subsidiaries of the Group namely, Phase 3 Project Company, Dongguan Karrie, Boluo Jiayingli, Dongguan Wansheng are under common control by Mr. Ho Cheuk Fai before and after the Reorganisation for applying merger basis of accounting as further detailed under the section headed "Financial Information — Basis of Presentation" in this listing document.

REORGANISATION

In preparation for the Spin-off and the Listing, the following reorganisation steps were implemented:

Termination of trust arrangements between Mr. Ho Cheuk Fai and Karrie International BVI

Castfast Industrial

Immediately before the Reorganisation, Karrie International BVI beneficially owned the entire issued share capital of Castfast Industrial, amongst which, 10% shareholding in Castfast Industrial was owned through Mr. Ho Cheuk Fai, our Controlling Shareholder, pursuant to a declaration of trust executed by Mr. Ho Cheuk Fai as trustee and Karrie International BVI as beneficiary dated 3 December 1997, whereby Mr. Ho Cheuk Fai held one ordinary share in Castfast Industrial on trust for Karrie International BVI. On 11 August 2020, as part of the Reorganisation, at the request of Karrie International BVI, Mr. Ho Cheuk Fai executed an instrument of transfer in favour of Karrie International BVI, pursuant to which Mr. Ho Cheuk Fai transferred the legal ownership of his 10% shareholding in Castfast Industrial to Karrie International BVI, thereby terminating the above trust arrangement. Accordingly, Castfast Industrial became a direct wholly-owned subsidiary of Karrie International BVI.

Kwong Hing

Immediately before the Reorganisation, Karrie International BVI beneficially owned the entire issued share capital of Kwong Hing amongst which, 10% shareholding in Kwong Hing was owned through Mr. Ho Cheuk Fai, our Controlling Shareholder, pursuant to a declaration of trust executed by Mr. Ho Cheuk Fai as trustee and Karrie International BVI as beneficiary dated 3 December 1997, whereby Mr. Ho Cheuk Fai held one ordinary share in Kwong Hing on trust for Karrie International BVI. On 11 August 2020, as part of the Reorganisation, at the request of Karrie International BVI, Mr. Ho Cheuk Fai executed an instrument of transfer in favour of Karrie International BVI, pursuant to which Mr. Ho Cheuk Fai transferred the legal ownership of his 10% shareholding in Kwong Hing to Karrie International BVI, thereby terminating the above trust arrangement. Accordingly, Kwong Hing became a direct wholly-owned subsidiary of Karrie International BVI.

Karrie Properties

Immediately before the Reorganisation, Karrie International BVI beneficially owned the entire issued share capital of Karrie Properties amongst which, 10% shareholding in Karrie Properties was owned through Mr. Ho Cheuk Fai, our Controlling Shareholder, pursuant to a declaration of trust executed by Mr. Ho Cheuk Fai as trustee and Karrie International BVI as beneficiary dated 3 December 1997, whereby Mr. Ho Cheuk Fai held one ordinary share in Karrie Properties on trust for Karrie International BVI. On 11 August 2020, as part of the Reorganisation, at the request of Karrie International BVI, Mr. Ho Cheuk Fai executed an instrument of transfer in favour of Karrie International BVI, pursuant to which Mr. Ho Cheuk Fai transferred the legal ownership of his 10% shareholding in Karrie Properties to Karrie International BVI, thereby terminating the above trust arrangement. Accordingly, Karrie Properties became a direct wholly-owned subsidiary of Karrie International BVI.

The above transfers have been properly and legally completed and settled.

Transfer of Benefit Master to Karrie International BVI

On 10 August 2020, as part of the Reorganisation, Karrie International transferred 100% interest in Benefit Master to Karrie International BVI at par value. Accordingly, Benefit Master became a direct wholly-owned subsidiary of Karrie International BVI and Abundant Tech, a direct wholly-owned subsidiary of Benefit Master, became an indirect wholly-owned subsidiary of Karrie International BVI. Such transfer has been properly and legally completed and settled.

Transfer of interest in Massive Era, Gold Praiseworthy, Castfast Industrial, Kwong Hing, Karrie Properties, Kar Gain and Kar York to Benefit Master

Massive Era

On 10 August 2020, as part of the Reorganisation, Karrie International transferred 100% interest in Massive Era to Benefit Master at par value. Accordingly, Massive Era became a direct wholly-owned subsidiary of Benefit Master. Such transfer has been properly and legally completed and settled.

Gold Praiseworthy

On 14 August 2020, as part of the Reorganisation, in consideration of one consideration share issued and allotted by Benefit Master to Karrie International BVI and the issue of one consideration share by Karrie International BVI to Karrie International, Karrie International transferred 100% interest in Gold Praiseworthy to Benefit Master. Accordingly, Gold Praiseworthy became a direct wholly-owned subsidiary of Benefit Master, and each of Gold Praiseworthy Wedding, Dongguan Jiahui, Dongguan City Jiahao and Dongguan City Jiali, each being a wholly-owned subsidiary of Gold Praiseworthy, became an indirect wholly-owned subsidiary of Benefit Master. Such transfer has been properly and legally completed and settled.

Castfast Industrial

(i) Ordinary shares

On 14 August 2020, as part of the Reorganisation, in consideration of one consideration share issued and allotted by Benefit Master to Karrie International BVI, Karrie International BVI transferred ten ordinary shares of Castfast Industrial (being all the issued ordinary shares in Castfast Industrial) to Benefit Master. Accordingly, Castfast Industrial became a direct wholly-owned subsidiary of Benefit Master, and Dongguan Karrie, a direct wholly-owned subsidiary of Castfast Industrial, became an indirect wholly-owned subsidiary of Benefit Master.

(ii) Non-voting deferred shares

Immediately before the Reorganisation, Karrie Industrial beneficially owned the 1,000 non-voting deferred shares of Castfast Industrial amongst which, one non-voting deferred share in Castfast Industrial was owned through Mr. Ho Cheuk Fai, our Controlling Shareholder, pursuant to a declaration of trust executed by Mr. Ho Cheuk Fai as trustee and Karrie Industrial as beneficiary dated 1 April 1991, whereby Mr. Ho Cheuk Fai held one non-voting deferred share in Castfast Industrial on trust for Karrie Industrial. On 21 August 2020, at the request of Karrie Industrial, Mr. Ho Cheuk Fai executed an instrument of transfer in favour of Karrie Industrial, pursuant to which Mr. Ho Cheuk Fai transferred the legal ownership of his one non-voting deferred share in Castfast Industrial to Karrie Industrial. Accordingly, the above trust arrangement is terminated.

On 21 August 2020, Karrie Industrial transferred 1,000 non-voting deferred shares of Castfast Industrial (being all the issued non-voting deferred shares in Castfast Industrial) to Karrie International BVI for a total consideration of HK$1.00. Accordingly, all the issued non-voting deferred shares in Castfast Industrial are owned by Karrie International BVI.

On 21 August 2020, in consideration of one consideration share issued and allotted by Benefit Master to Karrie International BVI, Karrie International BVI transferred 1,000 non-voting deferred shares of Castfast Industrial (being all the issued non-voting deferred shares in Castfast Industrial) to Benefit Master. Accordingly, all the issued non-voting deferred shares in Castfast Industrial are owned by Benefit Master.

The above transfers have been properly and legally completed and settled.

Kwong Hing

(i) Ordinary shares

On 14 August 2020, as part of the Reorganisation, in consideration of one consideration share issued and allotted by Benefit Master to Karrie International BVI, Karrie International BVI transferred ten ordinary shares of Kwong Hing (being all the issued ordinary shares in Kwong Hing) to Benefit Master. Accordingly, Kwong Hing became a direct wholly-owned subsidiary of Benefit Master.

(ii) Non-voting deferred shares

Immediately before the Reorganisation, Karrie Industrial beneficially owned the 125,001 non-voting deferred shares of Kwong Hing amongst which, one non-voting deferred share in Kwong Hing was owned through Mr. Ho Cheuk Fai, our Controlling Shareholder, pursuant to a declaration of trust executed by Mr. Ho Cheuk Fai as trustee and Karrie Industrial as beneficiary dated 1 December 1997, whereby Mr. Ho Cheuk Fai held one non-voting deferred share in Kwong Hing on trust for Karrie Industrial. On 21 August 2020, at the request of Karrie Industrial, Mr. Ho Cheuk Fai executed an instrument of transfer in favour of Karrie Industrial, pursuant to which Mr. Ho Cheuk Fai transferred the legal ownership of his one non-voting deferred share in Kwong Hing to Karrie Industrial. Accordingly, the above trust arrangement is terminated.

On 21 August 2020, Karrie Industrial transferred 125,001 non-voting deferred shares of Kwong Hing (being all the issued non-voting deferred shares in Kwong Hing) to Karrie International BVI for a total consideration of HK$1.00. Accordingly, all the issued non-voting deferred shares in Kwong Hing are owned by Karrie International BVI.

On 21 August 2020, in consideration of one consideration share issued and allotted by Benefit Master to Karrie International BVI, Karrie International BVI transferred 125,001 non-voting deferred shares (being all the issued non-voting deferred shares in Kwong Hing) to Benefit Master. Accordingly, all the issued non-voting deferred shares in Kwong Hing are owned by Benefit Master.

The above transfers have been properly and legally completed and settled.

Karrie Properties

(i) Ordinary shares

On 13 August 2020, as part of the Reorganisation, Karrie International BVI transferred ten ordinary shares of Karrie Properties (being all the issued ordinary shares in Karrie Properties) to Benefit Master for a total consideration of HK$10.00. Accordingly, Karrie Properties became a direct wholly-owned subsidiary of Benefit Master.

(ii) Non-voting deferred shares

On 21 August 2020, each of Mr. Ho Cheuk Fai and Ms. Ho Po Chu transferred his/her respective legal and beneficial ownership of one non-voting deferred share (the aggregate of two non-voting deferred shares represent all the issued non-voting deferred shares in Karrie Properties) in Karrie Properties to Benefit Master for a consideration of HK$1.00 each. Accordingly, all issued non-voting deferred shares in Karrie Properties are owned by Benefit Master.

The above transfers have been properly and legally completed and settled.

Kar Gain

On 14 August 2020, as part of the Reorganisation, in consideration of one consideration share issued and allotted by Benefit Master to Karrie International BVI, Karrie International BVI transferred 100% interest in Kar Gain to Benefit Master. Accordingly, Kar Gain became a direct wholly-owned subsidiary of Benefit Master, and Boluo Jiayingli became an indirect wholly-owned subsidiary of Benefit Master. Such transfer has been properly and legally completed and settled.

Kar York

On 14 August 2020, as part of the Reorganisation, in consideration of one consideration share issued and allotted by Benefit Master to Karrie International BVI, Karrie International BVI transferred 100% interest in Kar York to Benefit Master. Accordingly, Kar York became a direct wholly-owned subsidiary of Benefit Master, and Dongguan Wansheng became an indirect wholly-owned subsidiary of Benefit Master. Such transfer has been properly and legally completed and settled.

Incorporation of our Company

On 2 September 2020, our Company was incorporated in the Cayman Islands with limited liability with an authorised share capital of HK$380,000 divided into 3,800,000 Shares of HK$0.1 each, of which one Share was allotted and issued as fully paid to the initial subscriber at par. On the same date, as part of the Reorganisation, the one Share held by the initial subscriber was transferred to Karrie International at the consideration of HK$0.1. The said transfer was legally completed on the same date. Upon completion of the said transfer, our Company became a wholly-owned subsidiary of Karrie International.

Disposal of Dongguan City Jiali

On 4 September 2020, as part of the Reorganisation, Dongguan Jiahui disposed of its entire equity interest in Dongguan City Jiali and Dongguan Fenggang Caston acquired the entire equity interest in Dongguan City Jiali at nil consideration, as the registered capital of Dongguan City Jiali had has not been paid up. Accordingly, Dongguan City Jiali became a direct wholly-owned subsidiary of Dongguan Fenggang Caston and is part of the Karrie International BVI Remaining Group. Immediately before the disposal, Dongguan City Jiali had no material operations and our Group disposed of Dongguan City Jiali to streamline its corporate structure and focus on its principal business. As advised by our PRC Legal Advisors, the disposal was properly and legally completed and all applicable regulatory approval in the PRC had been obtained.

Dongguan City Jiali was established in the PRC on 5 February 2018 as a limited liability company. As at the date of establishment, it was wholly-owned by Dongguan Jiahui.

The above disposal has been properly and legally completed and settled.

Transfer of interest in Kar King to Benefit Master

On 20 January 2021, Super Top Idea Limited, a wholly-owned subsidiary of the Karrie International, transferred 100% interest in Kar King to Benefit Master at the nominal consideration of HK$1.00. Accordingly, Kar King became a direct wholly-owned subsidiary of Benefit Master. Such transfer has been properly and legally completed and settled.

Setting up of Dongguan Jiading, KRP Development, Foshan City Jianuo, Dongguan Jiafeng and Dongguan Jiazhan

Establishment of Dongguan Jiading

On 11 May 2021, Dongguan Jiading was established in the PRC with limited liability by Kar King and became an indirect wholly-owned subsidiary of Benefit Master.

Setting up of KRP Development

On 9 June 2021, KRP Development was incorporated in Hong Kong. On the same day, Benefit Master acquired 100% interest in KRP Development. Accordingly, KRP Development became a direct wholly-owned subsidiary of Benefit Master.

Establishment of Dongguan Jiafeng

On 4 July 2021, Dongguan Jiafeng was established in the PRC with limited liability by Castfast Industrial and became an indirect wholly-owned subsidiary of Benefit Master.

Establishment of Foshan City Jianuo

On 5 July 2021, Foshan City Jianuo was established in the PRC with limited liability and became an indirect non wholly-owned subsidiary of Benefit Master. Foshan City Jianuo was owned as to 95% by Dongguan Jiading and 5% by an independent third party, namely Foshan Yuheng Real Estate Investment Co., Ltd.* (佛山市譽衡房地產投資有限公司), which is a company established in the PRC with limited liability.

Establishment of Dongguan Jiazhan

On 30 September 2021, Dongguan Jiazhan was established in the PRC with limited liability by KRP Development and became an indirect wholly-owned subsidiary of Benefit Master.

Corporate Division of Dongguan City Jiaxuntong

Prior to the Corporate Division, Dongguan City Jiaxuntong was a direct wholly-owned subsidiary of Kar Info Property, which was in turn wholly-owned by Mr. Ho Cheuk Fai. 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 continue to 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) (the "**New Entity**") will carry out other businesses related to non-residential property development. After the Corporate Division, the Phase 3 Project Company would no longer be liable for any potential liabilities of the predecessor company in relation to non-residential property development business. As advised by the PRC Legal Advisors, all applicable regulatory approvals under PRC laws have been obtained.

Following the Corporate Division but prior to the transfer as detailed in the paragraph headed "— Transfer of interest in Phase 3 Project Company to KRP Development" in this section below, both Phase 3 Project Company and the New Entity were directly wholly-owned by Kar Info Property, which were in turn wholly-owned by Mr. Ho Cheuk Fai. For further details of the Corporate Division, please refer to circular of Karrie International dated 31 January 2022.

Transfer of interest in Kar Info International to Benefit Master

Kar Info International is a company incorporated in the BVI with limited liability and an investment holding company with no operations. Prior to the transfer, Kar Info International was wholly-owned by Mr. Ho Cheuk Fai.

On 7 March 2022, Mr. Ho Cheuk Fai transferred 100% interest in Kar Info International to Benefit Master at a nominal consideration of US$100.00. The consideration was agreed after arm's length negotiations between Benefit Master and Mr. Ho Cheuk Fai on normal commercial terms, taking into consideration that Kar Info International is an investment holding company with no operations, it did not hold any other investment or business at the time of the transfer, and that the nominal consideration reflects the value of its entire issued share capital. Accordingly, Kar Info International became a direct wholly-owned subsidiary of Benefit Master. Such transfer has been properly and legally completed and settled.

The transfer of interest in Kar Info International and the transfer as detailed in the paragraph headed "— Transfer of interest in Phase 3 Project Company to KRP Development" in this section below were inter-conditional and they are part of the steps of the Reorganisation. For further details of the transfer, please refer to the circular of Karrie International dated 31 January 2022 and the announcement of Karrie International dated 9 March 2022.

Transfer of interest in Phase 3 Project Company to KRP Development

Following the Corporate Division as detailed in the paragraph headed "— Corporate Division of Dongguan City Jiaxuntong" in this section above, the Phase 3 Project Company was directly wholly-owned by Kar Info Property, which was in turn wholly-owned by Mr. Ho Cheuk Fai prior to the transfer.

On 8 March 2022, Kar Info Property transferred 100% equity interest in Phase 3 Project Company to KRP Development at a consideration of RMB38 million, which was agreed after arm's length negotiations between the parties on normal commercial terms having taken into consideration various factors, including but not limited to the followings:

(i) an equity valuation report prepared by an independent valuer, which has already taken into account the fair value of the property interests of the Phase 3 Project Company as at 30 September 2021;

(ii) the debt liabilities of the New Entity (following completion of the Corporate Division) owed to the Phase 3 Project Company to be assumed by KRP Development in the amount of approximately RMB276.3 million;

(iii) a consideration discount of approximately 4.3% as agreed by the parties as a time value discount for the unsold portions of the residential properties of Phase 3 of Castfast Villas as at 30 September 2021 and after commercial negotiations between the parties; and

(iv) the potential benefits to be derived from such transfer.

Accordingly, Phase 3 Project Company became a direct wholly-owned subsidiary of KRP Development; and the New Entity remains to be direct wholly-owned by Kar Info Property, which is in turn wholly-owned by Mr. Ho Cheuk Fai. As advised by our PRC Legal Advisors, the transfer was properly and legally completed and all applicable regulatory approval in the PRC had been obtained.

As Phase 3 Project Company is the holder and owns the legal title of Phase 3 of Castfast Villas and Kar Info International was a party to the Joint Operation Agreement (as defined in the Business section in this listing document), the above transfers would enable the Group to consolidate its management over the various phases of Castfast Villas to achieve operational and management efficiency.

The transfer of interest in Phase 3 Project Company and the transfer as detailed in the paragraph headed "— Transfer of interest in Kar Info International to Benefit Master" in this section above were inter-conditional and they are part of the steps of the Reorganisation. For further details of the transfer, please refer to the circular of Karrie International dated 31 January 2022 and the announcement of Karrie International dated 9 March 2022.

Distribution in specie by Karrie International BVI

On 8 March 2022, as part of the Reorganisation, Karrie International BVI declared a conditional special interim dividend satisfied by way of a distribution in specie of its entire shareholding in Benefit Master to our Company as per the instruction of Karrie International, which is the sole shareholder of Karrie International BVI. In consideration for Karrie International directing Karrie International BVI to distribute in specie of its entire shareholding in Benefit Master to our Company, our Company issued one Share to Karrie International. Upon completion of the distribution, Karrie International BVI ceased to be the shareholder of Benefit Master. Accordingly, Benefit Master became a direct wholly-owned subsidiary of our Company and each of Massive Era, Kar Info International, Gold Praiseworthy, Abundant Tech, KRP Development, Castfast Industrial, Kwong Hing, Karrie Properties, Kar Gain, Kar York, Kar King, Gold Praiseworthy Wedding, Phase 3 Project Company, Donnguan Jiazhan, Dongguan Karrie, Dongguan Jiafeng, Boluo Jiayingli, Dongguan Wansheng, Dongguan Jiading, Dongguan Jiahui and Dongguan City Jiahao became an indirect wholly-owned subsidiary of our Company; and Foshan City Jianuo became an indirect non wholly-owned subsidiary of our Company.

Loan Capitalisation

On 8 March 2022, in consideration of one consideration Share issued and allotted by our Company to Karrie International, the amount due from our Group to the Remaining Group in the amount of RMB374.4 million was capitalised. Accordingly, such amounts due from our Group to the Remaining Group were released.

Establishment of Foshan Jiazhen and Foshan Jiahe

On 9 March 2022, Foshan Jiazhen was established in the PRC with limited liability by Dongguan Karrie and became an indirect wholly-owned subsidiary of Benefit Master.

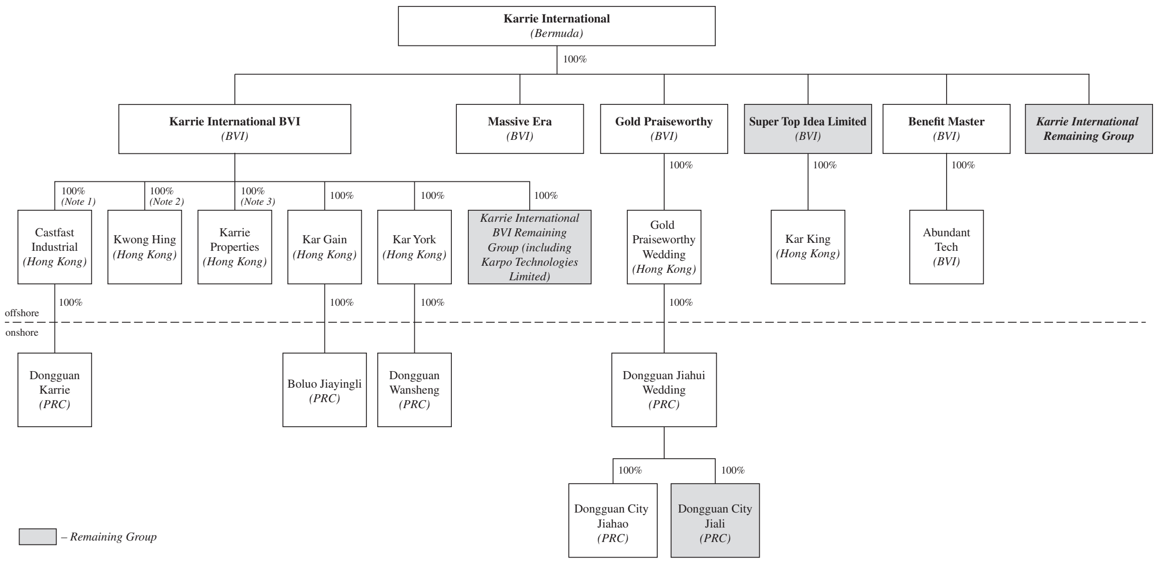
On 11 March 2022, Foshan Jiahe was established in the PRC with limited liability by Foshan Jiazhen and became an indirect wholly-owned subsidiary of Benefit Master.

Share Subdivision

On 22 March 2022, each of the issued and unissued shares of HK$0.1 in the share capital of our Company was subdivided into ten Shares of HK$0.01 each. As a result, the authorised share capital of our Company shall be HK$380,000 divided into 38,000,000 Shares of HK$0.01 each.

REORGANISATION

The following chart shows the shareholding structure of our Group immediately prior to the Reorganisation and the Spin-off.



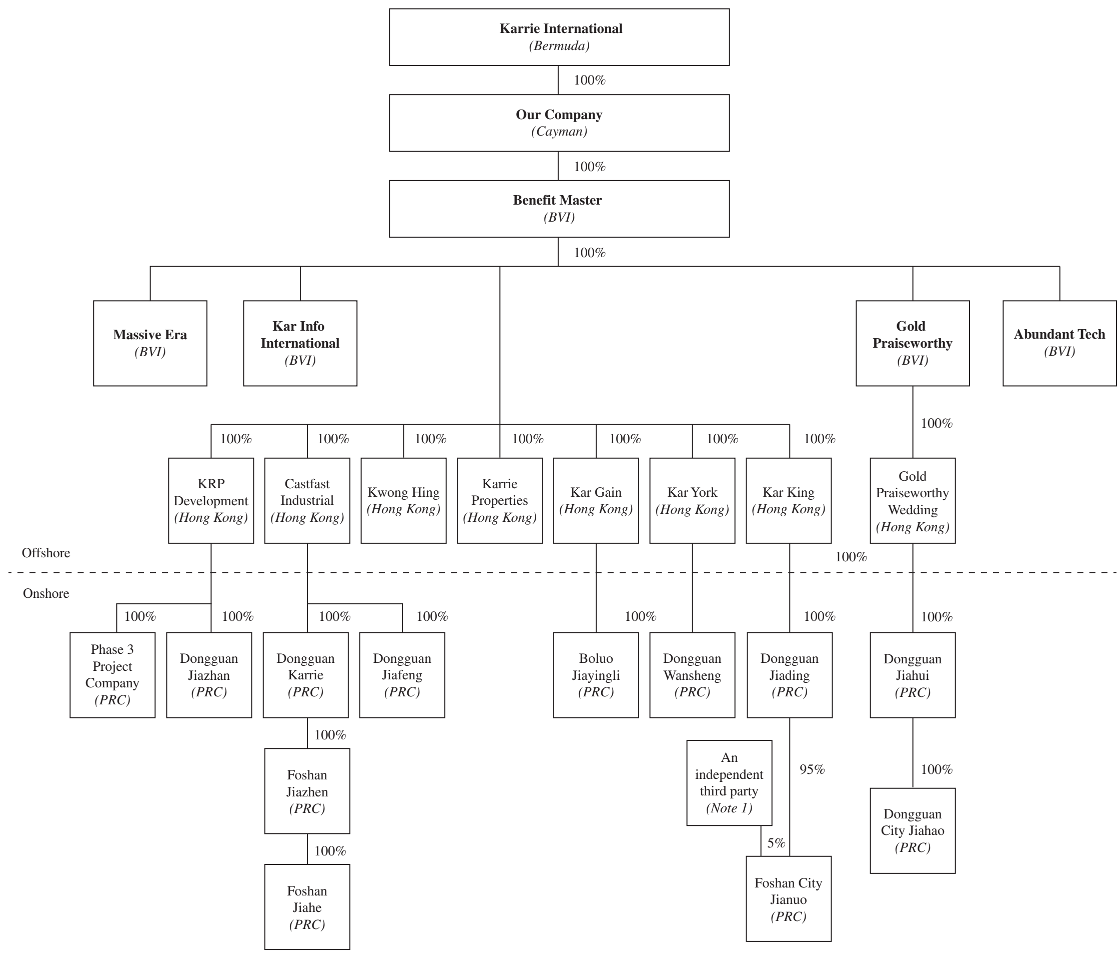
Notes:

1. Prior to the Reorganisation, Mr. Ho Cheuk Fai held 10% of the issued share in Castfast Industrial on trust in favour of Karrie International BVI pursuant to a declaration of trust dated 3 December 1997. Accordingly, Karrie International BVI beneficially owned in aggregate the entire issued shares of Castfast Industrial.

2. Prior to the Reorganisation, Mr. Ho Cheuk Fai held 10% of the issued share in Kwong Hing on trust in favour of Karrie International BVI pursuant to a declaration of trust dated 3 December 1997. Accordingly, Karrie International BVI beneficially owned in aggregate the entire issued shares of Kwong Hing.

3. Prior to the Reorganisation, Mr. Ho Cheuk Fai held 10% of the issued share in Karrie Properties on trust in favour of Karrie International BVI pursuant to a declaration of trust dated 3 December 1997. Accordingly, Karrie International BVI beneficially owned in aggregate the entire issued shares of Karrie Properties.

Upon completion of the Reorganisation set out above, our Company became the holding company of our Group. The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganisation but prior to completion of the Distribution and the Spin-off.



Note:

1. 5% of equity interest in Foshan City Jianuo was owned by an independent third party, namely Foshan Yuheng Real Estate Investment Co., Ltd.* (佛山市譽衡房地產投資有限公司), which is a company established in the PRC with limited liability.

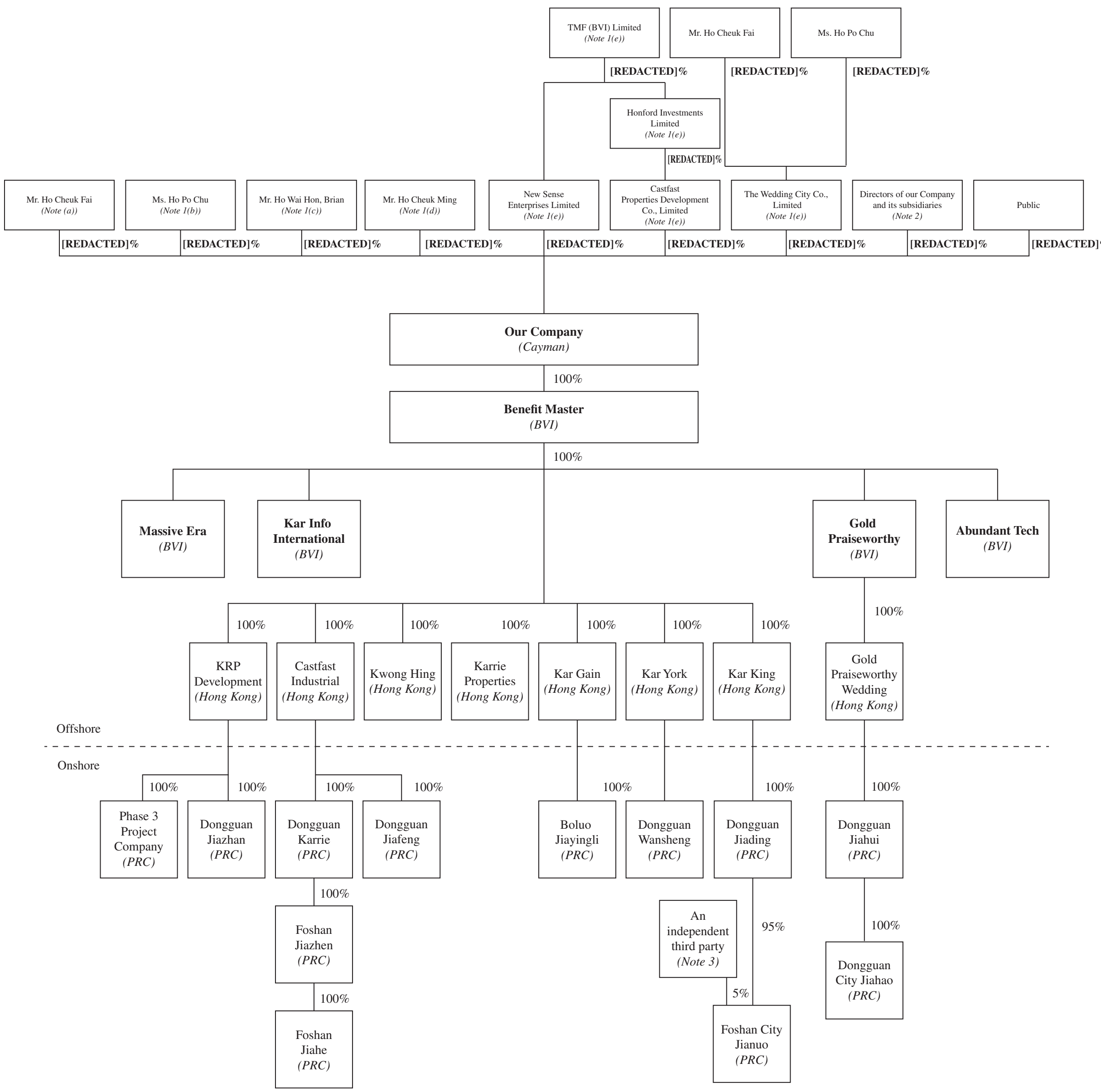
THE DISTRIBUTION AND THE SPIN-OFF

On 13 April 2022, the authorised share capital of our Company increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$**[REDACTED]** divided into **[REDACTED]** Shares of HK$0.01 each by the creation of an additional **[REDACTED]** new Shares of HK$0.01 each. The Karrie International Board will declare a conditional special interim dividend to be satisfied by way of the Distribution. On the Distribution Record Date, Karrie International will subscribe for such number of Shares which, together with the existing Shares in issue, equal to **[REDACTED]** of the number of Karrie International Shares in issue as at the Distribution Record Date, at the subscription price of HK$0.01 each. Immediately prior to completion of the Spin-off, our Company will allot and issue such number of new Shares as will ultimately enable Karrie International to effect the Distribution on the basis of one Share for every **[REDACTED]** Karrie International Shares held as at the Distribution Record Date.

Upon completion of the above steps, assuming the shareholding of Karrie International as at the Latest Practicable Date remains unchanged on the Distribution Record Date, **[REDACTED]** Shares held by Karrie International will be the subject of the Distribution, which shall be distributed to (i) the Qualifying Karrie International Shareholders on the basis of one Share for every **[REDACTED]** Karrie International Shares held as at the Distribution Record Date; and (ii) a nominee selected by the Karrie International Board who will sell such Shares for and on behalf of the Excluded Karrie International Shareholders. For details of the Distribution, please refer to the section headed "The Distribution and Spin-off" in this listing document.

Upon completion of the Spin-off and the Distribution, Karrie International will cease to be the shareholder of our Company.

Assuming there is no change in the shareholding in Karrie International from the shareholding as at the Latest Practicable Date, the following chart sets out the shareholding and corporate structure of our Group immediately after completion of the Spin-off but without taking into account the exercise of any options which may be granted under the Share Option Scheme.



Notes:

1. The shareholdings of Mr. Ho Cheuk Fai and his associates comprise the personal, family and corporate interests of Mr. Ho Cheuk Fai as follows:

   (a) Mr. Ho Cheuk Fai's personal interest consists of **[REDACTED]** Shares.

(b) Mr. Ho Cheuk Fai is deemed to be interested in **[REDACTED]** Shares held by his spouse, Ms. Ho Po Chu, as beneficial owner.

(c) **[REDACTED]** Shares held by Mr. Ho Wai Hon, Brian, the son of Mr. Ho Cheuk Fai, as beneficial owner.

(d) **[REDACTED]** Shares held by, Mr. Ho Cheuk Ming, the brother of Mr. Ho Cheuk Fai, as beneficial owner.

None of Mr. Ho Cheuk Fai, Mr. Ho Cheuk Ming or Mr. Ho Wai Hon, Brian hold their interests through a common investment holding company.

(e) Mr. Ho Cheuk Fai's corporate interest consists of **[REDACTED]** Shares, which comprised (i) **[REDACTED]** Shares held by New Sense Enterprises Limited ("**New Sense**"); and (ii) **[REDACTED]** Shares held by Castfast Properties Development Co., Limited ("**Castfast Properties**"), **[REDACTED]** of the issued share capital of which is beneficially owned by Honford Investments Limited ("**Honford Investments**"). New Sense and Honford Investments are each wholly-owned by TMF (BVI) Limited ("**TMF**") as trustee for a discretionary trust, The Ho Family Trust, and (iii) **[REDACTED]** Shares held by The Wedding City Co., Limited ("**The Wedding City**"), **[REDACTED]** and **[REDACTED]** of the issued share capital of which is beneficially owned by Mr. Ho Cheuk Fai and Ms. Ho Po Chu, respectively. Mr. Ho Cheuk Fai is deemed to be interested in the **[REDACTED]** Shares in (i) and (ii) as founder of The Ho Family Trust and in **[REDACTED]** Shares in (iii) through The Wedding City. Ms. Ho Po Chu and Mr. Ho Cheuk Ming are the discretionary objects of The Ho Family Trust and are thus deemed to be interested in the **[REDACTED]** Shares held under The Ho Family Trust. Therefore, the interests of Mr. Ho Cheuk Fai, Ms. Ho Po Chu and Mr. Ho Cheuk Ming in the **[REDACTED]** Shares duplicate with each other.

2. This involves the aggregate personal interests of approximately **[REDACTED]** owned by Mr. Ho Man Chung, Ms. Yiu Yuet Fung, Mr. Choi Wai Hin, Mr. Wong Ho Kwan, Mr. Tang Sing Yip, Ms. Hu Chunxian (胡春嫻), and Mr. Zhang Wenfeng (張文豐) , who are directors of our Company and its subsidiaries, respectively.

3. 5% of equity interest in Foshan City Jianuo was owned by an independent third party, namely Foshan Yuheng Real Estate Investment Co., Ltd.* (佛山市譽衡房地產投資有限公司), which is a company established in the PRC with limited liability.

4. The shareholding structure of our Company as set out in this diagram is assuming there is no change in the shareholding structure in Karrie International since the Latest Practicable Date of the listing documents.

THE DISTRIBUTION

Information on the Distribution

On [•] 2022, the Karrie International Board declared a conditional special interim dividend to be satisfied by way of the Distribution to the Qualifying Karrie International Shareholders. Pursuant to the Distribution, the Qualifying Karrie International Shareholders will be entitled to one Share for every **[REDACTED]** Karrie International Shares held as at the Distribution Record Date, and in such case and for the avoidance of doubt, Qualifying Karrie International Shareholders of less than **[REDACTED]** Karrie International Shares on the Distribution Record Date will not be entitled to any Shares. On the Distribution Record Date, Karrie International will subscribe for such number of Shares which, together with the existing Shares in issue, equal to **[REDACTED]** of the number of Karrie International Shares in issue as at the Distribution Record Date, at the subscription price of HK$0.01 each. Immediately prior to completion of the Spin-off, our Company will allot and issue such number of new Shares as will ultimately enable Karrie International to effect the Distribution on the basis of one Share for every **[REDACTED]** Karrie International Shares held as at the Distribution Record Date. Fractional entitlements of Qualifying Karrie International Shareholders to our Shares under the Distribution will be disregarded and will instead be aggregated and sold by Karrie International on the market and the aggregate proceeds of such sale (net of expense and taxes) will be retained for the benefit of Karrie International. Karrie International Shareholders should note that they will not be required to pay any consideration to Karrie International or our Company for the Shares received pursuant to the Distribution or complete any application form to receive our Shares pursuant to the Distribution.

Our Shares will be traded in board lots of **[REDACTED]** Shares each. As a result of the Distribution, Qualifying Karrie International Shareholders may receive our Shares in odd lots. Our Company has appointed **[REDACTED]** as its agent in providing matching service to our Shareholders to facilitate the acquisition of odd lots of our Shares to make up a full board lot or the disposal of any Shares which they may receive in odd lots. For details, please refer to the section headed "Information about this listing document and the Spin-off — Odd lot arrangements" in this listing document.

Our Shares which the Excluded Karrie International Shareholders would otherwise receive pursuant to the Distribution will be issued to a nominee selected by the Karrie International Board, who will sell such Shares in the market as soon as reasonably practicable following the commencement of dealings in our Shares on the Stock Exchange. The aggregate proceeds of such sale (net of expenses and taxes) will be paid to the relevant Excluded Karrie International Shareholders (pro rata to their shareholdings in Karrie International as at the Distribution Record Date) in Hong Kong dollars in full satisfaction of the relevant Shares which they would otherwise receive pursuant to the Distribution, provided that if the amount that an Excluded Karrie International Shareholder would be entitled to receive is less than HK$100, such sum will be retained for the benefit of Karrie International.

Share certificates are expected to be despatched to the Qualifying Karrie International Shareholders (except for any Excluded Karrie International Shareholders) on **[REDACTED]** by ordinary post at their own risks. The Share certificates will only become valid if the Distribution becomes unconditional.

The Qualifying Karrie International Shareholders who hold Karrie International Shares through CCASS Clearing Participants or CCASS Custodian Participants will receive our Shares through their respective brokers or custodians who are CCASS Clearing Participants or CCASS Custodian Participants.

As the Spin-off will be implemented by way of the Distribution and there will be no dilution of the indirect attributable interest of the Qualifying Karrie International Shareholders in our Company, the Spin-off will not constitute a transaction for Karrie International under Chapter 14 of the Listing Rules and accordingly, the approval of the Karrie International Shareholders will not be required for the Spin-off.

Condition to the Distribution

The Distribution is conditional upon the Listing Committee granting approval for the listing by way of introduction of, and permission to deal in, our Shares on the Main Board of the Stock Exchange and such approval not having been revoked prior to the completion of the Spin-off. If such conditions are not satisfied, the Spin-off and the Listing will not take place.

Excluded Karrie International Shareholders

The allotment and issue by our Company of our Shares under the Distribution to certain Karrie International Shareholders may be subject to laws of jurisdictions outside Hong Kong. Karrie International Shareholders whose addresses registered in the register of members of Karrie International are in, or who are located or residing in, jurisdictions other than Hong Kong should inform themselves about and observe all legal and regulatory requirements applicable to them. It is the responsibility of Karrie International Shareholders to satisfy themselves as to the full observance of the laws of the relevant jurisdictions applicable to them in connection with the Distribution, including obtaining any governmental, exchange control or other consents which may be required, or compliance with any other necessary formalities and payment of any issue, transfer or other taxes due in such jurisdiction.

Overseas Karrie International Shareholders should consult their professional advisers if they are in any doubt as to the potential applicability of, or consequences under, any provision of law or regulation or judicial or regulatory decisions or interpretations in any jurisdiction, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the receipt, acquisition, retention, disposal or otherwise with respect to the Shares, as the case may be. It is emphasised that none of Karrie International, our Company or any of the Relevant Persons accepts any responsibility in relation to the above.

Excluded Karrie International Shareholders are those Overseas Karrie International Shareholders with registered addresses in an Excluded Jurisdiction, and other Karrie International Shareholders or Beneficial Karrie International Shareholders who are otherwise known by Karrie International to be residents of, or located in, jurisdictions outside Hong Kong as at the Distribution Record Date, whom the Karrie International Board and our Board, based on enquiries made on their behalves and the legal advice provided by their legal advisors, consider it necessary or expedient to exclude from receiving our Shares pursuant to the Distribution on account of the legal restrictions under the applicable laws of the relevant jurisdictions where such Karrie International Shareholders or Beneficial Karrie International Shareholders are resident or located in and/or the requirements of the relevant regulatory bodies or stock exchanges in those jurisdictions. The relevant Excluded Karrie International Shareholders will not receive any Shares.

As at the Latest Practicable Date, based on the information provided by Karrie International, there was one Karrie International Shareholder with registered addresses outside Hong Kong, namely in the PRC. Base on the legal opinions obtained by Karrie International, the Distribution to such single shareholder with registered address in the PRC (the "**PRC Shareholder**") does not constitute a public offering in the PRC as defined by the applicable laws and regulations in the PRC, and therefore, is not subject to the relevant approval procedure in the PRC. Further, Karrie International is not prohibited from making the Distribution to the PRC Shareholder under the applicable PRC laws and regulations, provided that the subscription of or receiving the Shares by the PRC Shareholder is in compliance with the relevant applicable PRC laws and regulations.

Karrie International and our Company reserve the right, in its and our absolute discretion, to determine whether to allow the participation of any Karrie International Shareholder or Beneficial Karrie International Shareholder in the Distribution.

Information for Overseas Karrie International Shareholders

This listing document is for the exclusive use by Karrie International Shareholders solely for the purposes of assessing the Distribution and should not be used other than in connection with such purpose. This listing document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, our Shares or to take up any entitlements to our Shares or any solicitation or act in furtherance to a trade in any jurisdiction in which such an offer or solicitation or act is unlawful.

Neither our Shares nor this listing document has been or will be registered under the securities laws of any jurisdiction. Accordingly, unless otherwise disclosed above, our Shares may not be offered, sold, pledged, taken up, resold, renounced, transferred or delivered, directly or indirectly, into or within any such jurisdiction, absent registration or qualification under the respective securities laws of such jurisdictions, or exemption from the registration or qualification requirements under applicable rules of such jurisdictions.

It is the responsibility of any person (including but not limited to any agent, custodian, nominee or trustee) outside Hong Kong wishing to receive or purchase, hold or dispose of, or deal in, our Shares or exercise any rights attaching to our Shares to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction, including obtaining any governmental or other consents and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith.

Karrie International Shareholders should note that they will not be required to pay or provide any consideration to Karrie International or our Company for any Shares received pursuant to the Distribution. Receipt of our Shares by any person pursuant to the Distribution will be deemed to constitute a representation and warranty from such person to our Company that these local laws and requirements have been fully complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees is subject to any of the representations and warranties above. Such persons should consult their professional advisers if in doubt.

THE SPIN-OFF

Karrie International submitted a spin-off proposal to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules in relation to the Spin-off and, on 28 January 2022, the Stock Exchange confirmed that Karrie International may proceed with the Spin-off.

The Spin-off will be implemented in compliance with the Listing Rules, including Practice Note 15 to the Listing Rules. As the Spin-off will be implemented by way of the Distribution and there will be no dilution of the indirect attributable interest of the Qualifying Karrie International Shareholders in our Company, the Spin-off will not constitute a transaction for Karrie International under Chapter 14 of the Listing Rules. Accordingly, the approval of the Karrie International Shareholders will not be required for the Spin-off.

Other than to give effect to the Distribution, the Spin-off will not involve any offering of Shares by our Company for sale or subscription and no new proceeds will be raised by our Company.

REASONS FOR AND BENEFITS OF THE SPIN-OFF AND THE LISTING

Karrie International is a well-established company listed on the Main Board for over 25 years. Prior to the completion of the Spin-off, Karrie International is principally engaged in (i) the metal and plastic business; (ii) the electronic manufacturing business; and (iii) the real estate business.

The industrial businesses of Karrie International, comprising the (i) metal and plastic business and (ii) electronic manufacturing business, have been the core focus of Karrie International Group and have demonstrated an overall growing trend in terms of revenue over the years. The two business segments have together contributed to the majority of the total revenue of Karrie International, amounting to over 76.6% of the total turnover for the year ended 31 March 2022. Going forward, the directors of Karrie International intend to continue to strengthen its industrial businesses, by (i) enhancing its product integration capacities and improving its supply chain management, etc.; (ii) strengthening its talent training; and (iii) expanding its business scope and identifying new prospective customers. To continue the success of its industrial businesses, directors of Karrie International consider that it is Karrie International's strategy to concentrate resources to support the expansion and strengthening of these core business segments, while the Spin-off creates a separate fund raising platform for our Group to develop its real estate business in the PRC without having to compete for capital resources with other business segments of the Karrie International Group.

On the other hand, Karrie International formally set foot in the residential real estate business, being the predecessor of our Group's business, in around 2015. During the year, it developed an area of land located in Dongguan City, which later became Phase 3 of Castfast Villas. In light of the PRC government policy to develop the Greater Bay Area into a world-class cluster and the success of Phase 3 of Castfast Villas, our Directors consider that there will be growth potential in the property market in selected cities in the Greater Bay Area going forward. As supported by the C&W Report, the Greater Bay Area has been a fast-growing region in the past years, and is expected to continue to enjoy economic growth in terms of both GDP and population. As a result, it is envisaged that the demand for residential properties in the area would rise steadily. In this connection, in light of our Group's gradually maturing real estate business and the government policy which aims to stimulate the development of the Greater Bay Area, our Directors consider that we would require dedicated management personnel and staff and financial resources to materialise our business strategies and expansion plan and seize the market growth, which our Directors believe can be achieved through the Spin-off. For details of the business strategies of our Group, please refer to the paragraph headed "Business — Our business strategies" in this listing document.

Taking into account the above, our Directors and the directors of Karrie International believe that the Spin-off is in the interests of our Group and the Karrie International Group and will position each of our Group and the Karrie International Group better for growth in their respective businesses and deliver clear benefits to both by the following:

(a) Karrie International Group and our Group will operate in different business segments and intend to have different growth paths and different business strategies without being in competition against each other. The Spin-off will enable our Group to build its identity as a separately listed group, to have a more defined business focus, better strategic planning and efficient resources allocation;

(b) both the Karrie international Group and our Group will benefit from the efficient decision-making process under separate management structures that geared towards their respective needs for seizing emerging business opportunities, especially with a proven and dedicated management team for our Group to focus on its development, which will improve its ability to attract and motivate talents;

(c) the Spin-off will improve the operational and financial transparency of our Company, which would enable investors to better appraise our operation results and financial conditions on a standalone basis, which in turn may enhance the overall value;

(d) by way of a distribution in specie, the existing shareholders of Karrie International will therefore continue to enjoy the benefits from the future development and growth of our Company; and

(e) the Spin-off will enhance the brand value and market influence of our Company and promote its sustainable development. As a separately listed group, our Company will be in a better position to negotiate and solicit more businesses, and the shareholders of Karrie International will in turn be able to benefit from the growth of our Company through their shareholdings in our Company.

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.

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

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.

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.

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.

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.

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 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.

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.

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 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.

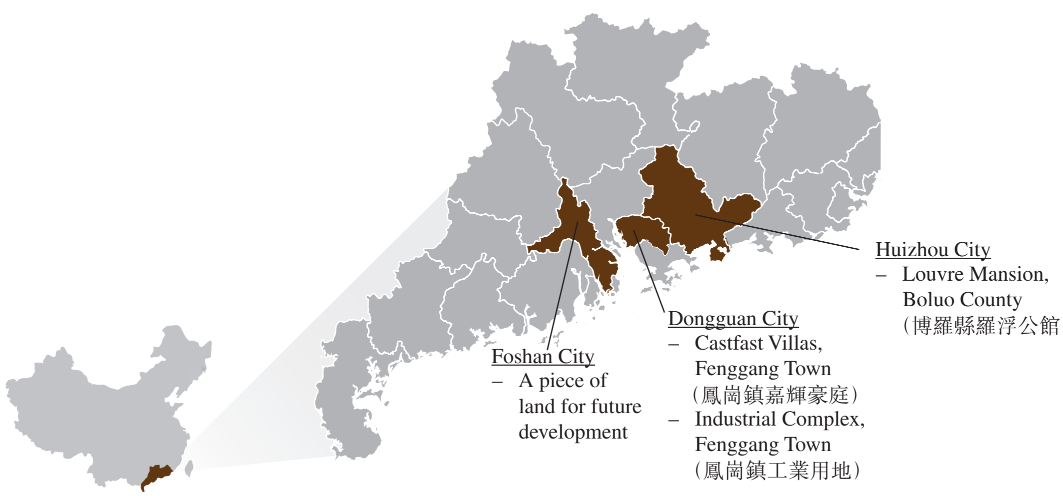
OUR BUSINESS

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.

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.

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.

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
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	
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:	6	131,083	131,472	262,555	100.0%

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

Our projects

The table below sets forth the details of our property development projects as of the Valuation Date:

		Completed								Held for future development								
Project/Phases	Site Area (1)	Total completed GFA (2)	Total saleable GFA (3)	Total saleable GFA launched (4)	Total GFA sold and delivered (excluded from valuation) (5)	Total saleable GFA Pre-sold (5)	Total saleable GFA Unsold (5)	Total saleable GFA launched and unsold_(4)	Rentable GFA (6)	Estimated GFA for future development	Actual/Estimated commencement date for construction (7)	Actual commencement date for pre-sale of properties (8)	Actual/Estimated completion date for construction (9)	Development costs incurred as of the Valuation Date (10)	Estimated future development costs as of the Valuation Date (11)	Group's attributable interests as of the Valuation Date (12)	Group's attributable market value as of the Valuation Date (13)	Ref to Property Valuation Report
	(in sq.m.)	*(in sq.m.)*	*(in sq.m.)*	*(in sq.m.)*	*(in sq.m.)*	*(in sq.m.)*	*(in sq.m.)*	*(in sq.m.)*	*(in sq.m.)*					*(in RMB million)*	*(in RMB million)*		*(in RMB million)*	*Property number*
Dongguan																		
1. Phase 4 of Castfast Villas (東莞嘉輝豪庭第四期)	26,850	78,537	57,854	50,125	27,395	2,823	27,637	19,907	–	–	March 2016	September 2019	January 2021 to May 2021	N/A	N/A	100%	815	1
2. Phase 5 of Castfast Villas (東莞嘉輝豪庭第五期)	35,014	102,013	79,257	44,286	17,439	6,665	55,153	20,182	–	–	March 2016	June 2021	August 2021 to November 2021	N/A	N/A	100%	1,635	2
3. Phase 3 of Castfast Villas (東莞嘉輝豪庭第三期)	–	3,685[16]	3,685[16]	3,685	1,145	757	1,783	1,783	–	–	November 2015	September 2017	August 2018 to January 2019	N/A	N/A	100%	70	4
4. 3 unsold residential units in Phase 1 of Castfast Villas (東莞嘉輝豪庭第一期未售3單元)	–	457	457	457	N/A	–	457	457	–	–	–	–	N/A[15]	N/A	N/A	100%	9	5
5. Industrial Complex, Yantian, Dongguan (東莞雁田鎮工業園) [14]	23,862	55,262	–	N/A	N/A	–	–	N/A	55,262	–	–	–	N/A[14]	N/A	N/A	100%	78	6
Huizhou																		
6. Louvre Mansions, Huizhou (惠州羅浮公館)	4,798	45,021	37,354	16,579	1,545	1,156	34,653	13,879	–	–	January 2018	September 2020	September 2022	N/A	N/A	100%	245	3
Foshan																		
7. A parcel of land for future development	34,448	–	–	–	–	–	–	–	–	131,472	April 2023	N/A	April 2026	78	544	100%	155	7
Total	**124,972**	**284,975**	**178,607**	**115,132**	**47,524**	**11,401**	**119,683**	**56,208**	**55,262**	**131,472**							**3,007**	

Notes:

(1) Site area data should be derived from information contained in the relevant land use rights certificates and real estate title certificates, or in the land grant contract if there is no relevant land use rights certificates.

(2) Data with respect to the GFA of completed projects should be derived from the information contained in the relevant completion certificates from the government authorities; data with respect to the projects under development should be derived from the information contained in the relevant construction work planning permits, or other documentation such as data in the land grant contracts if there are no construction work planning permits.

(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.

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)

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.

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.

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 *(in sq.m.)*	32,800
Before Corporate Division	
Total saleable GFA *(in sq.m.)*	60,903
After Corporate Division	
Total saleable GFA *(in sq.m.)*	3,685
Total saleable GFA sold *(in sq.m.)*	1,145
Total saleable GFA pre-sold *(in sq.m.)*	757
Total saleable GFA unsold *(in sq.m.)*	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).

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.

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
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*
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 *(in sq.m.)*	26,850
Total completed GFA *(in sq.m.)*	78,537
Total saleable GFA *(in sq.m.)*	57,854
Total saleable GFA Sold *(in sq.m.)*	27,395
Total saleable GFA pre-sold *(in sq.m.)*	2,823
Total saleable GFA unsold *(in sq.m.)*	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.

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
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*
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	9,987 (Basement 820 car parks)	—	—	9,987 (Basement 820 car parks)
Total	**102,013**	**79,257**	**17,439**	**6,665**	**55,153**

Phase 5 of Castfast Villas

Site area *(in sq.m.)*	35,014
Total completed GFA *(in sq.m.)*	102,013
Total saleable GFA *(in sq.m.)*	79,257
Total saleable GFA sold *(in sq.m.)*	17,439
Total saleable GFA pre-sold *(in sq.m.)*	6,665
Total saleable GFA unsold *(in sq.m.)*	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.

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

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 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
		(RMB million)		
(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.

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.

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
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*
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 and basement other supporting facilities . . .	8,358	3,060 (Basement 74 car parks)	—	—	3,060 (Basement 74 car 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 *(in sq.m.)*	4,798
Total completed GFA (in sq.m.)	45,021
Total saleable GFA *(in sq.m.)*.	37,354
Total saleable GFA sold *(in sq.m.)*	1,545
Total saleable GFA pre-sold *(in sq.m.)*.	1,156
Total saleable GFA unsold *(in sq.m.)*	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.

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**
	sq.m.	*sq.m.*	*sq.m.*
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**

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:

	Amount	Expected payment timeline	Expected funding source
	(RMB'million)		
(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:	462.4		

	Amount	Expected payment timeline	Expected funding source
	(RMB'million)		
(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 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

- 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 carparks) 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 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 nieghbourhoood 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.

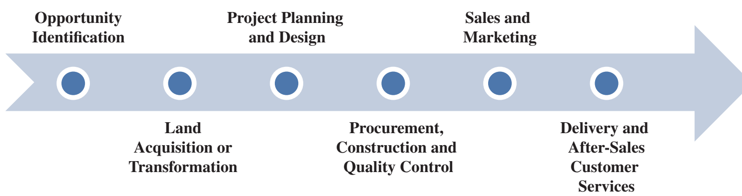
Almost all of the completed but unsold properties are "Roughcast House (毛坯房)" (i.e. properties without fitting-out works provided). Our Group did not incur any costs to maintain these properties during the Track Record Period principally because our construction contractors provide a warranty on the 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 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.

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.

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.

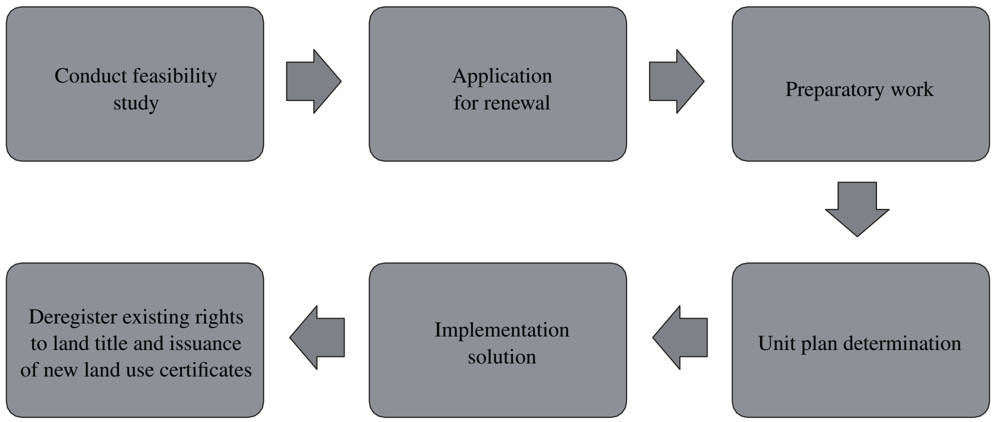
We believe it is an attractive way to increase land reserves for future developments through acquiring urban renewal developments. We generally identify urban renewal opportunities by incorporating below strategies: (i) establish business development team who expertised in looking for opportunities of 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, 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".

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.).

(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 characteries 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.

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 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.

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.

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

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;

- 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.

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 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 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 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%

	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.* (湖南淩雲建設有限公司)	2013	Unlisted company	Landscaping	Provision of building construction and decoration services with registered capital of RMB30.06 million.(2)	2021	11,814	6.4%

	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%

	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* (漳浦縣馬口匯景圓園藝場)	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%

	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.

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 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.

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.

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 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:

Subsidiary	Certificate	Expiration Date
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

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 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.

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.

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.

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.

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.

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**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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 year ended 31 March			For the six months ended 30 September
	2020	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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

	For the year ended 31 March			For the six months ended 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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)

1. 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.

2. 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.

3. 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

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 appliable 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.

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 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.

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 (東莞市住房和城鄉和建設局), 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 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 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.

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.

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 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

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.

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;

- 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 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 been 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 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.

DIRECTORS

The following table sets forth certain information regarding our Directors:

Name	Age	Present position(s) in our Company	Date of appointment	Date of joining our Group	Brief description of roles and responsibilities	Relationship among Directors
Executive Directors						
Mr. Ho Man Chung (何文忠)	65	Executive Director and chief executive officer	2 September 2020	1 April 2017	Responsible for overall management and daily operation of our Group	Nil
Mr. Ho Wai Hon, Brian (何偉汗)	33	Executive Director	2 September 2020	1 September 2020	Responsible for overall corporate strategies and planning, business development and corporate relation functions of our Group	Son of Mr. Ho Cheuk Fai
Ms. Yiu Yuet Fung (姚月鳳)	58	Executive Director	8 March 2022	1 September 2020	Responsible for overall operation of human resources and administration of our Group	Nil
Mr. Zhu Nianhua (祝年化)	55	Executive Director	8 March 2022	10 November 1996	Responsible for overall operation of accounting, compliance, risk management and service management of our Group	Nil
Non-executive Director						
Mr. Ho Cheuk Fai (何焯輝)	75	Non-executive Director and chairman of the Board	8 March 2022	8 March 2022	Responsible for developing corporate strategies of our Group	Father of Mr. Ho Wai Hon, Brian
Independent Non-executive Directors						
Mr. Choi Wai Hin (蔡瑋軒)	42	Independent non-executive Director	[•]	[•]	Providing independent opinion and judgement to our Board; the chairman of audit committee and member of the remuneration committee and nomination committee	Nil
Mr. Ho Lai Hong (何麗康)	64	Independent non-executive Director	[•]	[•]	Providing independent opinion and judgement to our Board; the chairman of nomination and member of the audit committee and remuneration committee	Nil
Dr. Lo Yung Fong (羅容芳)	68	Independent non-executive Director	[•]	[•]	Providing independent opinion and judgement to our Board; the chairman of remuneration committee and member of the audit committee and nomination committee	Nil

Our Board consists of eight Directors, comprising four executive Directors, one non-executive Director and three independent non-executive Director.

Executive Directors

Mr. Ho Man Chung (何文忠), aged 65, was appointed as our Director on 2 September 2020 and is an executive Director and the chief executive officer of our Company. Mr. Ho joined our Group on 1 April 2017. He is responsible for overall management and daily operation of our Group.

Mr. Ho has over 20 years of experience in management and the property development industry. He was a general manager of Castfast Properties Development Company Limited, one of our Controlling Shareholders as further detailed in the section headed "Relationship with Controlling Shareholders" in this listing document, from January 2002 to June 2010 and a general manager of Yangshuo Resort Hotel (陽朔度假酒店) from January 2011 to March 2011. Mr. Ho was a general manager of Karrie Industrial Company Limited, a subsidiary of Karrie International, from June 2011 to March 2017. He then became a general manager of Karrie Properties Management Limited, a member of our Group, since April 2017. Mr. Ho graduated from St. Luke's Co-educational College, Hong Kong in June 1975.

Mr. Ho Wai Hon, Brian (何偉汗), aged 33, was appointed as our Director on 2 September 2020 and is an executive Director of our Company. Mr. Ho joined our Group on 1 September 2020. He is responsible for overall corporate strategies and planning, business development and corporate relation functions of our Group. Mr. Ho is a member of our remuneration committee and nomination committee.

Mr. Ho graduated with a Bachelor of Science with Honours in Economics from University of York, United Kingdom in July 2011 and obtained a Master of Science (MSc) in Investment Analysis in Aston University, United Kingdom in March 2013.

Mr. Ho has over seven years of experience in finance, management and the property industry. He started his career as an assistant to the general manager of Karrie Industrial Company Limited, a subsidiary of Karrie International, from November 2012 to June 2014. He has been an assistant to the chairman of Karrie Industrial Company Limited since July 2014 and head of finance and accounting department of the same company since November 2017.

Mr. Ho is son of Mr. Ho Cheuk Fai, our non-executive Director and chairman of the Board.

Ms. Yiu Yuet Fung (姚月鳳), aged 58, was appointed as our Director on 8 March 2022 and is an executive Director of our Company. Ms. Yiu joined our Group on 1 September 2020. She is responsible for overall operation of human resources and administration of our Group.

Ms. Yiu has over 23 years of experience in managing the production process of manufacturing industries and 9 years of experience in overall personnel and administration management. Ms. Yiu joined Karrie Industrial Company Limited, a subsidiary of Karrie International, in August 1984 as a team leader of production line. She was promoted to the director of central production management department and the assistant general manager of central production management department in March 1999 and August 2000, respectively. She has become general manager of human resources and administration department (PRC) since September 2012. Ms. Yiu graduated from The Y.W.C.A. Hioe Tjo Yoeng College, Hong Kong in July 1983.

Mr. Zhu Nianhua (祝年化), aged 55, was appointed as our Director on 8 March 2022 and is an executive Director of our Company. Mr. Zhu joined our Group on 10 November 1996. He is responsible for overall operation of accounting, compliance, risk management and service management of our Group.

Mr. Zhu graduated from Anhui University of Finance and Economics (安徽財經大學) (formerly known as Anhui Finance and Trade Vocational College (安徽財貿學院)) in Accounting in June 1994 and obtained a Bachelor in Accounting from South China Normal University (華南師範大學) in July 2006 through online education. Mr. Zhu obtained a Qualification Certificate of Specialty and Technology in Accountancy (Corporate) issued by the Ministry of Personnel, PRC in May 1996. In August 2005, he obtained the qualification of a Certified Public Accountant issued by The Chinese Institute of Certified Public Accountants. Mr. Zhu is a non-practising member of The Chinese Institute of Certified Public Accountants since September 2020.

Mr. Zhu has over 20 years of experience in accounting and finance. Mr, Zhu was a general ledger accountant in Castfast Industrial (Yan Tien) Limited, a subsidiary of our Company, from November 1996 to March 2000. He has become an Assistant Financial Controller of Dongguan City Jiaxuntong (東莞市嘉訊通電腦產品有限公司) from December 2002 to July 2020.

Non-executive Director

Mr. Ho Cheuk Fai (何焯輝), aged 75, was appointed as our Director on 8 March 2022 and is a non-executive Director of our Company and chairman of the Board. Mr. Ho joined our Group on 8 March 2022. He is responsible for developing corporate strategies of our Group.

Mr. Ho has over 40 years of experience in business management. He founded Karrie International Group in the 1980s and has been a chairman, executive director and chief executive officer since the shares of Karrie International have been listed on Main Board of the Stock Exchange on 16 December 1996. He is also the director of certain subsidiaries of the Karrie International and is responsible for its overall corporate strategies and objectives. In March 2017, he has become the honorary chairman of Guangdong Cui Feng Robotics Technology Co., Limited (廣東翠峰機器人科技股份有限公司), a company listed on National Equities Exchange and Quotations (Stock Code: 871244).

Mr. Ho was appointed a member of the 10th Guangdong Provincial Committee of Political Consultative Conference (廣東省第十屆政協委員) in December 2007 and was reappointed as a member of the 11th Chinese People's Political Consultative Conference, Dongguan City, Guangdong Province (廣東省東莞市第十一屆政協委員) in December 2006. He was also awarded as the Honorable Citizen of Dongguan City (東莞市榮譽市民) and Honorable Citizen of Yixing City (宜興市榮譽市民) in October 1996 and October 2008, respectively. The solid business knowledge and working experience gained by Mr. Ho throughout the years are recognised by the industries. He was awarded the Honorary Fellowship of the Professional Validation Council of Hong Kong Industries in September 2020.

Mr. Ho is father of Ho Wai Hon, Brian, our executive Director.

Independent Non-executive Directors

Mr. Choi Wai Hin (蔡瑋軒), aged 42, was appointed as our independent non-executive Director on [•]. He is responsible for providing independent opinion and judgement to our Board. He is also the chairman of the audit committee and a member of the remuneration committee and the nomination committee.

Mr. Choi graduated from The Hong Kong Polytechnic University with a Bachelor Degree in Accountancy in November 2002.

Mr. Choi has over 18 years of experience in financial management, accounting and auditing. He joined KPMG, a multinational accounting organisation, in March 2004, and became a senior manager in October 2009 until August 2014. Mr. Choi then served as the chief financial officer at Karrie International from August 2014 to December 2019, and the chief financial officer of Weiye Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1570), from December 2019 to November 2022. He is the chief financial officer of Cosmo Lady (China) Holdings Company Limited, the issued shares of which are listed on the Main Board of the Stock

Exchange (Stock Code: 2298), since November 2022. He is also an independent non-executive director of Sterling Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1825), since July 2022.

He is a fellow of the Hong Kong Institute of Certified Public Accountants since July 2015.

Mr. Ho Lai Hong (何麗康), aged 64, was appointed as our independent non-executive Director on [•], responsible for providing independent opinion and judgement to our Board. He is also the chairman of the nomination committee and a member of the audit committee and remuneration committee.

Mr. Ho graduated with a Master of Business Administration Degree from The Hong Kong Polytechnic University in November 1993.

Mr. Ho has over 34 years of banking, corporate finance and management experiences. He joined the Hong Kong Branch, Mizuho Bank Limited from July 1987 to March 2018, with his last positions as the General Manager in Hong Kong Corporate Banking Department, and the Alternative Chief Executive of the branch. During which, he was also a SFC licensed representative of Mizuho Securities Asia Limited, a company principally engaging in investment banking business, from August 2013 to June 2015. Mr. Ho was an independent non-executive director of Foshan Water and Environmental Protection Co., Ltd., a company principally engaging in water supply services, from October 2018 to August 2020. He has been serving as an independent non-executive director of Leo Paper Group (Hong Kong) Ltd since April 2019, Yue Yuen Industrial (Holdings) Limited (Stock Code: 551) since May 2019, and Texwinca Holdings Limited (Stock Code: 321) since August 2022.

Mr. Ho is a fellow of The Chartered Governance Institute and The Hong Kong Chartered Governance Institute since September 2019. He is also a fellow and council member of The Hong Kong Institute of Directors since February 2020, and a fellow member of The Hong Kong Securities and Investment Institute since September 2021.

Dr. Lo Yung Fong (羅容芳), aged 68, was appointed as our independent non-executive Director on [•]. She is responsible for providing independent opinion and judgement to our Board. She is the chairman of the remuneration committee and a member of the audit committee and nomination committee.

Dr. Lo graduated with a Bachelor of Arts in General Sociology from the University of Waterloo in May 1976 and a Bachelor of Commerce in Honours Business Administration from University of Windsor in October 1977. She then obtained a Master's Degree of Business Administration from Brunel University in May 1998. She was awarded a Doctor of Business Administration from University of South Australia in December 2001.

Dr. Lo has over 38 years of experience in education. She started her career at Hong Kong Baptist University as an assistant lecturer at the Secretarial Management Department in September 1983 to August 2018, with her last position as the director of Community Relations, Department of Management. During which, she was an associate director of Institute for Enterprise Development and Management Research in September 2006 and promoted to a director in September 2007 to June 2008. She was then an associate director of Institute of Enterprise Development and Wing Lung International Institute for Business Development from July 2008 to June 2009. She has been a manager of English Wise Learning Centre, a school principally engaging in English education programs, since May 2020.

Dr. Lo obtained a Certificate in Personnel in Industrial Relations issued by the Council of Canadian Personnel Association in September 1977. She published "Business Succession: 11 outstanding Enterprise Leaders Concerning Management & Succession" (薪火商傳十一人：傑出企業領袖談管理與傳承) through Hong Kong Economic Times Limited in January 2019.

Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed in this sub-section headed "Directors", each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed companies in the three years prior to the date of this listing document.

Save as disclosed in this sub-section headed "Directors", to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there were no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Other than our Directors, our senior management team, who, together with our executive Directors, are responsible for the day-to-day management and operation of our Company. The following table sets forth certain information regarding our senior management:

Name	Age	Present position(s) in our Group	Date of joining our Group	Brief description of roles and responsibilities	Relationship among Directors and senior management
Mr. Wong Ho Kwan (黃浩鈞)	47	Chief financial officer and company secretary	1 September 2020	Responsible for the overall management of the finance and accounting, taxation, treasury and company secretary of our Group	Nil
Ms. Yang Xiuchun (楊秀春)	35	Manager of human resources and administration	6 March 2017	Responsible for the overall management of human resources and administration of our Group	Nil
Mr. Guo Laifu (郭來福)	46	Assistant internal audit director	1 February 2022	Responsible for the overall internal control and risk management of our Group	Nil

Mr. Wong Ho Kwan (黃浩鈞), aged 47, is the chief financial officer and company secretary of our Group and is primarily responsible for the overall management of the finance and accounting, taxation and treasury of our Group.

Mr. Wong graduated with a Bachelor of Arts (Honours) in Accountancy from The City University of Hong Kong in November 1998 and obtained a Master's Degree in Business Administration from Nanjing University, PRC in March 2012.

Mr. Wong obtained the qualification of a Certified Public Accountant issued by Hong Kong Institute of Certified Public Accountants in January 2002 and Certified Internal Auditor issued by the Institute of internal Auditors in May 2004.

Mr. Wong has over 21 years of experience in accountancy and finance. He started his career as an Associate in PricewaterhouseCoopers Hong Kong in September 1998 and was promoted to the position of Senior Associate in July 2000 until October 2001. Thereafter, he became an Officer in Group Management Services responsible for internal audit of Hutchison International Limited, an investment holding company, from February 2002 to August 2002. He then worked at KPMG with his last position as an Assistant Manager from November 2002 to September 2005. He was a qualified accountant and company secretary of AAC Technologies Holdings Inc. (formerly know as AAC Acoustic Technologies Holdings Inc.), a company listed on the Main Board of the Stock Exchange (Stock Code: 2018) and engages in the manufacture and distribution of miniaturised acoustic components, from June 2006 to May 2007. He became a Business Manager in the Strategies Planning Division of China Sunergy Company Limited, a company which manufactures and distributes solar cells for solar modules, from May 2007 to October 2010. He was a senior manager of Market Intelligence and Operation Analysis in GCL-POLY (Suzhou) Energy Operation Management Co., Ltd. (保利協鑫(蘇州)新能源運營管理有限公司), an indirect subsidiary of GCL-Poly Energy Holdings Limited, a polysilicon and wafer supplier whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 3800), from October 2010 to August 2012. Prior to joining Karrie International and our Group as a Chief Financial Officer in April 2020 and September 2020, respectively, he was an assistant vice president in ECO Environmental Investment Limited (易高環保投資有限公司), a subsidiary of The Hong Kong and China Gas Company Limited, an energy supplier in Hong Kong and the PRC whose shares are listed on the Main board of the Stock Exchange (Stock Code: 3), in September 2012 to April 2020, with his last position as a vice president of Treasury. He was a director and general manager of ECO Zhuoxin (Shanghai) Financial Leasing Company Limited (易高卓新(上海)融資租賃有限公司), a company principally engaging in professional leasing service, from August 2019 to April 2020.

Ms. Yang Xiuchun (楊秀春), aged 35, is the manager of human resources and administration of our Group and is responsible for the overall management of human resources and administration of our Group.

Ms. Yang graduated with a Bachelor Degree in Modern Corporate Management from South China Normal University (華南師範大學) in January 2015. She obtained an Occupational Qualification Certificate of a First Level Senior Technician in corporate human resource management issued by Ministry of Human Resources and Social Security, PRC in February 2020.

Ms. Yang has over ten years of experience in human resources and administration. Ms. Yang started her career as an Administration and human resources manager in Shenzhen Runtong Financial Guarantee Company Limited (深圳市潤通融資擔保有限公司), a company engages in financial guarantee services, from May 2010 to June 2013. Prior to joining our Group in March 2017 as a Manager of Human resource and administration, she worked as a manager of the Comprehensive administration department in Shenzhen Huanuo Planning Research Institute Company Limited (深圳華諾規劃研究院有限公司), a building design company, from June 2013 to February 2017.

Mr. Guo Laifu (郭來福), aged 46, is the assistant internal audit director of our Group and is responsible for the overall internal control and risk management of our Group.

Mr. Guo graduated from Hubei College of Finance and Economics (湖北財經高等專科學校) in Foreign accounting (涉外會計) in July 1997 and Dongbei University of Finance and Economics (東北財經大學) in Finance Management through distance learning in January 2008. Mr. Guo obtained the qualification of a Certified Internal Auditor issued by The Institute of Internal Auditors in November 2011 and the Qualification of Real Estate Agent Professional issued by China Institute of Real Estate Appraisers and Agents in October 2018.

Mr. Guo has over 18 years of experience in audit. He was an internal auditor of Dongguan Fenggang Jiahui Plastic Hardware Company Limited (東莞鳳崗嘉輝塑膠五金有限公司), a subsidiary of Karrie International, in February 2004 and promoted to the assistant internal audit director in March 2021.

Save as disclosed in this sub-section headed "Senior Management", none of our senior management held any directorships in listed companies in the three years prior to the date of this listing document and none of our senior management has any relationship with any Directors, senior management or substantial or controlling shareholders of our Company as at the Latest Practicable Date.

COMPANY SECRETARY

Mr. Wong Ho Kwan (黃浩鈞), aged 47, is our company secretary and the chief financial officer of our Group. His biography is set out in the paragraph headed "Senior management" of this section above.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company's corporate governance practice are based on principles and code provisions as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules. Our Company's corporate governance practices have complied with the code on corporate governance practices.

BOARD COMMITTEES

Audit committee

We have established an audit committee on [•]. On [•], the audit committee approved the written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules, which will come into effect upon the Listing. The audit committee consists of three members, namely Mr. Choi Wai Hin, Dr. Lo Yung Fong and Mr. Ho Lai Hong, Mr. Choi Wai Hin is the chairman of the audit committee. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and the internal control systems of our Group.

Remuneration committee

We have established a remuneration committee on [•]. On [•], the remuneration committee approved the written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules, which will come into effect upon the Listing. The remuneration committee consists of four members, namely, Dr. Lo Yung Fong, Mr Ho Lai Hong, Mr. Choi Wai Hin and Mr. Ho Wai Hon, Brian, Dr. Lo Yung Fong is the chairman of the remuneration committee. The primary duties of the remuneration committee are to make recommendations to our Board on the remuneration of our Directors and senior management of our Company, determine on behalf of our Board specific remuneration packages and conditions of employment for our Directors and senior management of our Company, and to assess the performance of our Directors and senior management of our Company.

Nomination committee

We have established a nomination committee on [•]. On [•], the nomination committee has approved the written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules, which will come into effect upon the Listing. The nomination committee consists of four members, namely, Mr. Ho Lai

Hong, Dr. Lo Yung Fong, Mr. Choi Wai Hin and Mr. Ho Wai Hon, Brian, Mr. Ho Lai Hong is the chairman of the nomination committee. The primary duties of the nomination committee are to make recommendations to our Board regarding candidates to fill vacancies on our Board.

BOARD DIVERSITY POLICY

We have adopted a board diversity policy (the "**Board Diversity Policy**"), which sets out the objective and approach to achieve and maintain diversity on our Board. We will ensure that the members of our Board have the appropriate balance of skills, experience and diversity of perspectives that are required to support our Group's business strategy. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through consideration of various factors such as professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Board comprises of eight members, including two female Directors. Our Directors also have a balanced mix of knowledge, skills and experience. We have three independent non-executive Directors who have different industry backgrounds, representing more than one-third of our Board members. In recognition of the particular importance of gender diversity, our Company has taken, and will continue to take steps to promote gender diversity in our Board. Further, our Company will continue to consider increasing the proportion of female Board members over time when selecting suitable new or additional candidates for appointments to our Board so as to ensure that appropriate gender diversity is achieved. We target to maintain a gender diversity in the composition of our Board by having female representation of not less than 20% within three years upon the Spin-off. These initiatives will form part of the agenda of our nomination committee from time to time for the purpose of due implementation. We will also ensure that there is gender diversity when recruiting management staff at the senior level and deploy more resources in training female staff.

Going forward, to develop a pipeline of potential successors to our Board that may meet the target gender diversity, our Company will (i) consider the possibility of nominating female management staff who has the necessary skills and experience to our Board; (ii) ensure that there is gender diversity when recruiting staff at mid-senior level; and (iii) provide career development opportunities and more resources in training female staff with the aim of promoting them to the senior management or board of our Company.

The nomination committee is delegated to be responsible for compliance with relevant code governing board diversity under the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules and, after Listing, will review the Board Diversity Policy from time to time to ensure its continued effectiveness. Our implementation of the Board Diversity Policy will be disclosed in our corporate governance report on an annual basis.

DIRECTORS' REMUNERATION

For the three years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022, the aggregate amount of fees, salaries, allowances, benefits in kind, discretionary performance-related payments, bonuses and contribution to pension schemes paid by our Group to our Directors were approximately RMB1.6 million, RMB3.2 million, RMB4.0 million and RMB1.3 million, respectively. It is estimated that under the arrangements currently in force, the aggregate remuneration (including directors' fee, salaries, allowance, benefits in kind, and pension scheme contribution) payable to our Directors (including the independent non-executive Directors) for the year ending 31 March 2023 will be approximately RMB4.5 million. We shall maintain relevant liability insurance for our Directors upon Listing.

For the three years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022, our five highest paid employees included two, three, four and four Directors, and the remuneration paid by our Group to the remaining three, two and one highest paid employees, who are not Directors, were approximately RMB1.1 million, RMB1.5 million, RMB1.2 million and RMB0.6 million, respectively.

During the Track Record Period, no remuneration was paid by our Group to, or receivable by, our Directors or our five highest paid individuals as an inducement to join or upon joining our Group. No compensation was paid by our Group to, or receivable by, our Directors, past Directors or our five highest paid individuals for the loss of any office in connection with the management of the affairs of any subsidiary of our Company during the Track Record Period.

During the Track Record Period, none of our Directors waived any emoluments. Save as disclosed in this sub-section headed "Directors' Remuneration", no other payments have been paid, or are payable, by our Group to our Directors or our five highest paid individuals during the Track Record Period.

Under the remuneration policy of our Company, our remuneration committee will consider factors, such as salaries paid by comparable companies, tenure, commitment, responsibilities and performance, in assessing the amount of remuneration payable to our Directors, senior management and employees.

EMPLOYEES

As at Latest Practicable Date, our Group had a total of 61 full-time employee.

The purpose of the Share Option Scheme is to provide us with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to participants and potential participants comprising of, among others, employees, our Directors or any member of our Group. Please refer to the section headed "Appendix V — Statutory and general information" in this listing document for further information on Share Option Scheme.

EMPLOYEES' RELATIONS

We maintain good working relations with our staff. We have not experienced any significant problems with the recruitment and retention of experienced employees. In addition, we have not suffered from any material disruption of our normal business operations as a result of labour disputes or strikes. The remuneration payable to our employees includes salaries, discretionary bonuses and commission.

Bonuses are generally discretionary and based on the overall performance of our Group's business. We believe that our employee relations are satisfactory in general. We believe that the management policies, working environment, career prospects and benefits extended to our employees have contributed to employee retention and building of amicable employee relations.

COMPLIANCE ADVISER

We have appointed Dongxing Securities (Hong Kong) Company Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

- before our publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and share repurchases;
- where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this listing document; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares or any other matters under Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date (i.e. the date of despatch of the annual report of our Company in respect of our results for the financial year ending 31 March 2024), subject to early termination.

The compliance adviser shall provide us with services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines, and to act as one of our principal channels of communication with the Stock Exchange.

INFORMATION ON THE CONTROLLING SHAREHOLDERS

Prior to the Spin-off, our Group primarily operated the residential real estate business under and as a part of Karrie International Group. As at the Latest Practicable Date, Karrie International held the entire issued share capital of our Company. As disclosed in the section headed "The Distribution and Spin-off" in this listing document, the Distribution will be satisfied by way of a distribution to the Qualifying Karrie International Shareholders of the entire issued share capital of our Company, in proportion to their shareholdings in Karrie International on the Distribution Record Date, on the basis of one Share for every **[REDACTED]** Karrie International Shares held on the Distribution Record Date. As a result, immediately after the Distribution, our Company will cease to be a subsidiary of Karrie International, and Mr. Ho Cheuk Fai, Ms. Ho Po Chu, New Sense Enterprises Limited ("**New Sense**"), Honford Investments Limited ("**Honford Investments**"), Castfast Properties Development Co., Limited ("**Castfast Properties**") and The Wedding City Co. Limited ("**The Wedding City**") will be the Controlling Shareholders of our Company. We will operate independently from our Controlling Shareholders and their close associates, details of which are set out below.

Our Controlling Shareholders

As at the Latest Practicable Date, Karrie International was directly owned as to approximately **[REDACTED]** by New Sense and approximately **[REDACTED]** by Castfast Properties. New Sense was directly wholly owned by TMF (B.V.I.) Limited ("**TMF**"), while Castfast Properties was directly owned by Honford Investments as to **[REDACTED]** of the issued share capital, which was in turn directly wholly owned by TMF. TMF is the corporate trustee of The Ho Family Trust.

As at the Latest Practicable Date, Karrie International was directly owned as to approximately **[REDACTED]** by The Wedding City, which was in turn owned as to **[REDACTED]** and **[REDACTED]** by Mr. Ho Cheuk Fai and Ms. Ho Po Chu respectively. Mr. Ho Cheuk Fai and Ms. Ho Po Chu also directly held approximately **[REDACTED]** and **[REDACTED]** shareholding in Karrie International respectively.

Immediately following completion of the Spin-off and assuming the aforementioned shareholdings in Karrie International remains unchanged on the Distribution Record Date, Mr. Ho Cheuk Fai, who is entitled to exercise or control the exercise of approximately **[REDACTED]** of the voting power in our Company held by New Sense and Castfast Properties under The Ho Family Trust, approximately **[REDACTED]** voting power in our Company held by The Wedding City, and approximately **[REDACTED]** voting power in our Company personally held by him will be a Controlling Shareholder within the meaning of the Listing Rules. Ms. Ho Po Chu is entitled to exercise or control the exercise of approximately **[REDACTED]** voting power in our Company personally held by her, and is the spouse of Mr. Ho Cheuk Fai and is accordingly a close associate of him and is deemed to be a Controlling Shareholder upon Listing. Further, although each of New Sense, Castfast

Properties, Honford Investments and The Wedding City will not control more than **[REDACTED]** of the issued share capital of our Company upon Listing, each of them is a close associate of Mr. Ho Cheuk Fai for the purpose of the Listing Rules and is accordingly deemed to be a Controlling Shareholder upon Listing.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS AND THE REMAINING GROUP

Our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders or their respective close associates upon or shortly after completion of the Spin-off other than the transactions as disclosed in the section headed "Continuing Connected Transactions" in this listing document. Taking into account the factors discussed in the paragraphs below, our Directors are satisfied that our Group will be able to conduct its business operationally and financially independent of the Controlling Shareholders and the Remaining Group.

Clear delineation of business

Delineation from the Remaining Group

The Remaining Group is principally engaged in metal and plastic business and electronic manufacturing services business, whereas our Group will focus on the real estate business, in particular the development of residential properties in the PRC for sale. There is no overlap between the principal businesses of the Remaining Group and our Group.

As at the Latest Practicable Date, besides the principal operation of its metal and plastic business and electronic manufacturing services business, the Remaining Group also owned two pieces of lands ("**Lands**") located at Jiangsu Province, the PRC, one of which has been left idle and the other of which is currently vacant. As at the Latest Practicable Date, the Remaining Group has no intention to operate real estate business after the Spin-off. Although the Remaining Group owns the Lands, it has no development plan for the Lands and will not engage in the development of residential nor non-residential properties on such Lands. The Remaining Group intends to dispose these Lands to Independent Third Parties and is in the course of searching for potential buyer(s) for the Lands. As at 30 September 2022, the fair value of land cost in relation to the Lands amounted approximately RMB77.5 million, which was immaterial to the Remaining Group as it only represented approximately 2.67% of its total assets. Further, the Remaining Group does not intend to inject such business to our Group. Our Directors consider that such business of the Remaining Group does not compete with our Group's business given that our Group is intended to focus on the develop of residential property projects in the selected cities in the Greater Bay Area for sale, while the Remaining Group does not intend to development any residential properties, which is the focus of the business of our Group, in the Lands. Further, the Lands cannot be used for residential development in accordance with their land use rights certificate.

Delineation from the Controlling Shareholders

As at the Latest Practicable Date, Mr. Ho Cheuk Fai controls other businesses which are outside the Remaining Group and our Group. Among others, Mr. Ho Cheuk Fai controls the following category of the business or owns the following properties which Mr. Ho Cheuk Fai has no intention to inject into our Group ("**Excluded Business**"):

(a) tourism business — Dongguan Karrie Resort Limited* (東莞嘉利渡假休閒有限公司), a company controlled by Mr. Ho Cheuk Fai, was engaged in the business of operating a theme park located at Dongguan City;

(b) commercial centre business — Dongguan Castfast Door and Window Products Co., Ltd.* (東莞嘉輝門窗製品有限公司) ("**Dongguang Castfast DW**"), which was controlled by Mr. Ho Cheuk Fai, was engaged in the business of operating two commercial centres in Dongguan City, Guangdong Province, the PRC (including shopping mall, office buildings and carparks). As at the Latest Practicable Date, this company is not engaged in any activities for development of residential properties;

(c) property leasing business — (i) Yixing Yongtai Electronic Technology Co. Limited* (宜興永泰電子科技有限公司), a company controlled by Mr. Ho Cheuk Fai, was engaged in the leasing business for a commercial property (including offices and staff quarters) located at Yixing City, Jiangsu Province; and (ii) Dongguan Jiale Enterprise Development Company Limited* (東莞嘉樂企業發展有限公司), a company controlled by Mr. Ho Cheuk Fai after completion of the Reorganisation, was engaged in the leasing business of staff quarters in Fenggang Town, Dongguan City, Guangdong Province, the PRC, and two non-residential properties in Fenggang Town, Dongguan City, Guangdong Province, the PRC, as well as the leasing business of kindergarten and car parks in Phase 3 of Castfast Villas.

Our Directors are of the view that the Excluded Business does not compete with our Group's business for the follow reasons:

(a) our Group is intended to focus on the development of residential property projects for sale. On the other hand, the Excluded Business involves (i) operating the theme parks and commercial centre to generate revenue instead of selling such non-residential properties and (ii) the property leasing business for offices, staff quarters, canteens and other non-residential properties. Our Directors consider that the nature of the Excluded Business is very different from and does not compete with our Group's development of residential properties for sale;

(b) although in the past certain company in the Excluded Business, being Dongguan Castfast DW, was engaged in residential property development, as at the Latest Practicable Date Dongguan Castfast DW had ceased to have any business in residential property development; and

(c) Mr. Ho Cheuk Fai is the only overlapping director between our Group and the Excluded Business. The Excluded Business is managed by a separate management team none of whom, other than Mr. Ho Cheuk Fai, is our Director or senior management. Further, following the completion of the Spin-off, Mr. Ho Cheuk Fai will not play any executive role in our Group and will not be involved in the day-to-day management and operation of our Group.

Further, Mr. Ho Cheuk Fai, through a company controlled by him, owns the premises situate at 9/F, Southeast Industrial Building, 611–619 Castle Peak Road, Tsuen Wan, Hong Kong, which is being leased to the Karrie International, for the purpose of receiving rental income. Although our Group currently leases a piece of land for rental income, part of which is leased to a connected person details of which are set out in subsection headed "Continuing Connected Transactions — Fully Exempt Continuing Connected Transactions — Tenancy Agreement with Cui Feng Robotics", such 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 three years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022. Given that our Group is intended to focus on the development of residential property projects for sale rather than the purchasing of properties for investment for rental income and sale, our Directors consider that the properties owned by Mr. Ho Cheuk Fai do not compete with our Group's business and Mr. Ho Cheuk Fai has no intention to inject the investment properties to our Group.

Save as disclosed in this sub-section headed "Independence from the Controlling Shareholders and the Remaining Group", neither our Controlling Shareholders and their respective close associates, nor our Directors are interested in any business apart from our Group's business which competes or is likely to complete, directly or indirectly, with our Group's business and which disclosure is required pursuant to Rules 8.10(1) and (2) of the Listing Rules.

Management Independence

Upon completion of the Spin-off, our Group and the Remaining Group will have boards of directors that function independently of each other. The table below sets forth the directorship of our Group and the Remaining Group immediately upon Listing:

Name	Position in our Company	Position in Karrie International
Mr. Ho Cheuk Fai	Chairman of our Board and non-executive Director	Chairman of the board, executive director and chief executive officer
Ms. Chan Ming Mui, Silvia . .	—	Executive director
Mr. Zhao Kai	—	Executive director
Mr. Chan Raymond	—	Executive director
Mr. Ho Cheuk Ming	—	Non-executive director
Mr. Ho Kai Man	—	Non-executive director
Mr. Ho Man Chung	Executive Director and chief executive officer	—
Mr. Ho Wai Hon, Brian	Executive Director	—
Ms. Yiu Yuet Fung	Executive Director	—
Mr. Zhu Nian Hua	Executive Director	—
Dr. Lau Kin Wah	—	Independent non-executive director
Mr. Fong Hoi Shing.	—	Independent non-executive director

Name	Position in our Company	Position in Karrie International
Mr. Yam Chung Shing	—	Independent non-executive director
Mr. Ho Lai Hong.	Independent non-executive Director	—
Dr. Lo Yung Fong	Independent non-executive Director	—
Mr. Choi Wai Hin	Independent non-executive Director	—

Other than Mr. Ho Cheuk Fai, who is also the chairman of the board, chief executive officer and an executive director of Karrie International, there are no overlapping directorships between our Board and the Karrie International Board. Following completion of the Spin-off, Mr. Ho Cheuk Fai will not play any executive role in our Group and will not be involved in the day-to-day management and operation of our Group.

The senior management team of our Group consists of Mr. Wong Ho Kwan, Ms. Yang Xiuchun and Mr. Guo Laifu. They possess relevant management experience and have assumed senior management and supervisory responsibilities for our Group's business. Save for Mr. Wong Ho Kwan, who is also the chief financial officer of Karrie International, from which position he will resign before the Listing, there is no overlapping personnel between the senior management of our Group and the Remaining Group.

Our Directors consider that our Group will be able to operate independently of the Remaining Group following completion of the Spin-off for the following reasons:

(a) Mr. Ho Cheuk Fai, our non-executive Director and chairman of the Board, is the only overlapping director between our Company and Karrie International. Although Mr. Ho Cheuk Fai would remain as the chairman, the chief executive officer and an executive director of the Remaining Group responsible for the Remaining Group's daily operations and the overall corporate strategies and objective, his role in our Group is non-executive in nature for developing corporate strategies for our Group and he will not be involved in the day-to-day management and operation of our Group. It is expected that Mr. Ho Cheuk Fai will spend approximately 80% and 20% of his time in the Remaining Group and our Group respectively. On issues that involve our Group and the Remaining Group where Mr. Ho Cheuk Fai may have actual or potential conflict of interest, Mr. Ho Cheuk Fai will abstain from voting on relevant board decision in view of his roles in both our

Group and the Remaining Group. Save that Mr. Ho Cheuk Fai is the father of Mr. Ho Wai Hon, Brian, the brother of Mr. Ho Cheuk Ming and the uncle of Mr. Ho Kai Man, Mr. Ho Cheuk Fai has no relationship with other Directors of our Company and the directors of Karrie International;

(b) the management and day-to-day operations of our Group are managed by Mr. Ho Man Chung, Mr. Ho Wan Hon, Brian, Ms. Yiu Yuet Fung and Mr. Zhu Nian Hua, who are our executive Directors of our Company and will not have any roles in the Remaining Group following completion of the Spin-off;

(c) although the board of Directors of Karrie International and our Company consists of Mr. Ho Cheuk Fai and/or his associates, each of Karrie International and our Company will have other directors who are independent of Mr. Ho Cheuk Fai and his associates to handle the operations of each company;

(d) all our independent non-executive Directors do not, and will not, have any ongoing role with the Remaining Group and accordingly, our independent non-executive Directors will be able to provide independent judgement on matters discussed by our Board and take the lead where potential conflicts of interest arise, including in respect of any connected transactions. All non-exempt connected transactions will be reviewed by the audit committee, which majority and chairman will be our independent non-executive Directors;

(e) all members of our senior management are our full-time employees and have assumed senior management and supervisory responsibilities for our Group's business. Their management and supervisory functions will ensure that our Group's management and daily operations are independent of the Remaining Group;

(f) the majority of the members of each of the Remuneration Committee, Nomination Committee and Audit Committee will also be our independent non-executive Directors;

(g) each of our Directors have received training on and is aware of their responsibilities as directors, including on their fiduciary duties to act in the best interests of our Company, which require, among other things, that he or she acts for the benefit and in the best interest of our Shareholders as a whole and does not allow any conflict between his duties as a Director and his or her personal interests to affect the performance of his or her duties as a Director; and

(h) we have adopted a number of corporate governance measures in order to manage any potential conflict of interest which may arise between our Group and the Remaining Group or our Controlling Shareholders and to safeguard the interests of our Shareholders.

Administrative and Operational Independence

Following completion of the Spin-off, all essential administrative functions of our Group will be carried out by us without support from the Remaining Group. In particular, the administrative staff (including the company secretary) of our Group will be separated from that of the Remaining Group after the Spin-off. During the Track Record Period, certain staff such as the chief financial officer and the company secretary served both our Group and the Remaining Group. These functions will be separated after the Spin-off. Save as disclosed in the section headed "Continuing Connected Transaction" in this listing document, our Group's business operation will be independent from the Remaining Group. On the other hand, the operation of the Remaining Group will continue to be managed by Karrie International's directors and senior management which are, save for Mr. Ho Cheuk Fai, independent from our Group.

Financial Independence

Our Company is empowered to make independent decision of business financial matters. Our Group has our own internal control, accounting and financial management system, accounting and finance department, independent treasury functions for cash receipts and payment and the ability to operate independently of our Controlling Shareholders from financial perspective.

As at 30 September 2022, our borrowing in the amount of approximately RMB146.7 million in total was guaranteed by Karrie International and Karrie International (BVI) Limited, a member of the Remaining Group. The relevant guarantees will be released before or upon completion of the Spin-off.

As at the Latest Practicable Date, the Remaining Group had paid certain expenses on behalf of our Group in relation to Phases 4 and 5 of Castfast Villas, which amount will be fully settled by our Group to the Remaining Group before the Listing.

DEED OF NON-COMPETITION

To protect our Group from any potential competition, each of our Controlling Shareholders [has] entered into the irrevocable Deed of Non-competition in favour of our Company (for itself and for the benefits of its subsidiaries) pursuant to which each of them has, among other matters, irrevocably and unconditionally undertaken to us on a joint and several basis that at any time during the Relevant Period (as defined below), each of them shall, and shall procure that their respective associates (other than our Group):

(a) not, directly or indirectly, either on its own account or in conjunction with or on behalf of any person, firm or company, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) any activity or business which competes or is likely to compete, directly or indirectly, with the business of our Group referred to in this listing document and any other business from time to time conducted or carried on by any member of our Group or in which any member of our Group is engaged or has invested or which any member of our Group has otherwise publicly announced its intention to enter into, engage in or invest in (whether as principal or agent and whether undertaken directly or through any body corporate, partnership, joint venture, or other contractual or other arrangement) (the "**Restricted Activity**") save for the holding of not more than 5% shareholding interests (individually or with any of our Controlling Shareholders and their respective associates) in any listed company and the Excluded Business;

(b) to provide all information requested by our Company which is necessary for an annual review by our independent non-executive Directors of its compliance with the Deed of Non-competition and the enforcement of the Deed of Non-competition; and

(c) to make an annual declaration on compliance with its undertaking under the Deed of Non-competition in the annual reports of our Company as our independent non-executive Directors think fit and/or as required by the relevant requirements under the Listing Rules.

Each of our Controlling Shareholders has unconditionally and irrevocably undertaken to us that in the event that it/he/she or its/his/her close associate(s) (other than any member of our Group) (the "**Offeror**") is given or offered or has identified any business investment or commercial opportunity which directly or indirectly competes, or may lead to competition with the Restricted Activity (the "**New Opportunities**"), it/he/she will and will procure its/his/her close associate(s) (other than members of our Group) to refer the New Opportunities to us as soon as practicable in the following manner:

(a) each of our Controlling Shareholders is required to, and shall procure its/his close associates (other than members of our Group) to, refer, or to procure the referral of, the New Opportunities to us, and shall give written notice to us of any New Opportunities containing all information reasonably necessary for us to consider whether (a) such New

Opportunities would constitute competition with the Restricted Activity; and (b) it is in the interest of our Group to pursue such New Opportunities, including but not limited to the nature of the New Opportunities and the details of the investment or acquisition costs (the "**Offer Notice**"); and

(b) the Offeror will be entitled to pursue the New Opportunities only if (a) the Offeror has received a notice from us declining the New Opportunities; or (b) the Offeror has not received such notice from us within 10 business days from our receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunities pursued by the Offeror, the Offeror will refer the New Opportunities as so revised to us in the manner as set out above.

Upon receipt of the Offer Notice, we will form an independent board committee (the "**Independent Board Committee**") which comprises all our independent non-executive Directors without the attendance by any Director with beneficial or conflicting interest in such project or business opportunities and seek opinions and decisions from our Independent Board Committee in the manner as to whether (a) such New Opportunities would constitute competition with the Restricted Activity; and (b) it is in the interest of our Company and our Shareholders as a whole to pursue the New Opportunities.

Where our Controlling Shareholders and/or their close associates (other than our Group) have acquired any business, investment or interest in any entity relating to the Restricted Activity pursuant to the immediately preceding point (ii) above, our relevant Controlling Shareholders and/or their associates (other than our Group) shall provide us with pre-emptive right (the "**Pre-emptive Right**") to acquire any such business, investment or interest under the same circumstances. Where our Independent Board Committee decides to waive the Pre-emptive Right by way of written notice, our relevant Controlling Shareholders and/or their close associates (other than our Group) may offer to sell such business, investment or interest in Restricted Activity to other third parties on such terms which are no more favourable than those made available to our Group. In deciding whether to exercise the above options, our Directors will consider various factors including the purchase price and their values and benefits, as well as the benefit that they will bring to our Group.

For the above purpose, the "Relevant Period" means the period commencing from the Listing Date and shall expire on the earlier of:

(a) the date on which our Controlling Shareholders and their associates, individually or taken as a whole, cease to be our Controlling Shareholders for the purpose of the Listing Rules; and

(b) the date on which our Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange. The Deed of Non-competition is subject to and conditional upon the Listing.

The Deed of Non-competition is subject to and conditional upon the Listing.

CORPORATE GOVERNANCE MEASURES TO AVOID CONFLICT OF INTEREST

Our Directors recognise the importance of incorporating elements of good corporate governance in management conducive to the protection of the interests of our Shareholders. In particular, the following corporate governance measures in relation to managing potential conflict of interests arising from potential competing business between our Controlling Shareholders and Directors on one hand and our Group on the other hand will be taken:

(a) as part of our preparation for the Spin-off, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provides that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum present at the board meeting;

(b) a Director with material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interest and abstain from the board meetings on matters in which such Director or his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

(c) we are committed that our Board should include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors. We have appointed independent non-executive Directors and we believe our independent non-executive Directors possesses sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. For details of our independent non-executive Directors, please refer to the subsection headed "Directors, Senior Management and Employees — Board of Directors — Independent non-executive Directors" in this listing document;

(d) we have appointed Dongxing Securities (Hong Kong) Company Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors' duties and corporate governance;

(e) as required by the Listing Rules, our independent non-executive Directors shall review any connected transactions annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favourable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole; and

(f) on an annual basis, our independent non-executive Directors will review the non-compete undertakings provided by our Controlling Shareholders and their compliance with such undertakings.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and our Group and to protect the interests of our Shareholders, in particular, our minority Shareholders.

UNDERTAKINGS TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as permitted under Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

[REDACTED]

[REDACTED]

OVERVIEW

Prior to the Listing Date, our Group has entered into certain transactions with parties who will, upon the Listing, become connected persons of our Company. Following completion of the Listing, there will be a continuing connected transaction of our Company under the Listing Rules. Details of such transaction are set out below.

As Mr. Ho Cheuk Fai is one of our Controlling Shareholders, his associates, including Karrie International and its subsidiaries, are connected persons of our Company. Accordingly, the transactions our Group has entered into or will enter into with the Remaining Group and/or companies controlled by Mr. Ho Cheuk Fai will constitute connected transactions of our Group.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Following completion of the Spin-off, the following transaction will be regarded as continuing connected transactions fully exempt from the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Tenancy Agreement with Cui Feng Robotics

Castfast Industrial, a wholly owned subsidiary of our Group, has entered into a tenancy agreement dated 1 April 2022 (the "**Cui Feng Tenancy Agreement**") with Guangdong Cui Feng Robotics Technology Co., Limited* (廣東翠峰機器人科技股份有限公司) ("**Cui Feng Robotics**"), pursuant to which Castfast Industrial leased to Cui Feng Robotics part of the land situate at 1-2/F of Phase Four Jiahui Plastic Hardware Factor, 67 Tiannan Road, Yantian Village, Fenggang Town, Dongguan City (東莞市鳳崗鎮雁田村鎮田南路67號嘉輝塑膠五金廠四期一、二樓廠房), with a gross floor area of approximately 1,867 sq.m.. The term of the Cui Feng Tenancy Agreement was one year commencing from 1 April 2022 and ending on 31 March 2023, at an aggregate annual rental of RMB246,444 (exclusive of fees such as government rates and foreign exchange deposit, and other tax and utilities outgoings which are payable by the tenant), which was determined after arm's length negotiations between the parties by making reference to the general range of market rental of comparably properties in similar location.

During the Track Record Period, Cui Feng Robotics previously rented the abovementioned premises from Castfast Industrial from 1 April 2019 to 31 March 2022. The historical rental paid by Cui Feng Robotics to Castfast Industrial was RMB246,444 for each of the year ended 31 March 2020, 2021 and 2022 and RMB123,222 for the six months ended 30 September 2022.

Since Cui Feng Robotics is owned as to 30% by Karrie International, it is therefore an associate of the Controlling Shareholders and thus a connected person of our Company upon Listing.

As the aggregate annual amount receivable under the Cui Feng Tenancy Agreement does not exceed HK$3 million and none of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect thereof exceeds 5%, and the transaction is conducted on normal commercial terms or better, the transaction contemplated under the Cui Feng Tenancy Agreement will constitute de minimis continuing transaction exempt from the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of our Company as at the Latest Practicable Date, and assuming that the total number of Karrie International Shares in issue remains unchanged from the Latest Practicable Date to the Distribution Record Date and without taking into account of any Karrie International Shares that may be allotted and issued upon the exercise of the Karrie International Share Options, immediately following completion of the Spin-off, the following persons will have an interest or a short position in our Shares and the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company, once our Shares are listed on the Stock Exchange:

Name		Name Capacity/nature of interest	Number of Shares held or Interested *(Note 9)*	Approximate shareholding percentage
(i)	Mr. Ho Cheuk Fai	Beneficial interest	**[REDACTED]**	**[REDACTED]**
	(Note 1)	Interest of spouse	**[REDACTED]**	
	(Note 2)	Interest of a controlled corporation/Other interests	**[REDACTED]**	
(ii)	Ms. Ho Po Chu	Beneficial interest	**[REDACTED]**	**[REDACTED]**
	(Note 2)	Interest of spouse	**[REDACTED]**	
	(Note 3)	Interest of a controlled corporation/Other interests	**[REDACTED]**	
(iii)	Mr. Ho Cheuk Ming	Beneficial interest	**[REDACTED]**	**[REDACTED]**
	(Note 2) *(Note 4)*	Interest of a controlled corporation/Other interests	**[REDACTED]**	
(iv)	TMF *(Note 5)*	Interest of a controlled corporation/Other interests	**[REDACTED]**	**[REDACTED]**
(v)	New Sense *(Note 6)*	Beneficial interest	**[REDACTED]**	**[REDACTED]**
(vi)	Castfast Properties *(Note 7)*	Beneficial interest	**[REDACTED]**	**[REDACTED]**
(vii)	Honford Investment *(Note 8)*	Interest of a controlled corporation/Other interests	**[REDACTED]**	**[REDACTED]**
(viii)	The Wedding City	Beneficial interest	**[REDACTED]**	**[REDACTED]**

Notes:

(1) Immediately following completion of the Spin-off and assuming that its shareholding in Karrie International remains unchanged from the Latest Practicable Date to the Distribution Record Date, Mr. Ho Cheuk Fai's personal interest will consist of **[REDACTED]** Shares. By virtue of the SFO, he is deemed to be interested in **[REDACTED]** Shares held by his spouse, Ms. Ho Po Chu, as beneficial owner.

(2) Immediately following completion of the Spin-off and assuming that its shareholding in Karrie International remains unchanged from the Latest Practicable Date to the Distribution Record Date, the **[REDACTED]** Shares will comprise (i) **[REDACTED]** Shares held by New Sense Enterprises Limited ("**New Sense**"); and (ii) **[REDACTED]** Shares held by Castfast Properties Development Co., Limited ("**Castfast Properties**"), **[REDACTED]** of the issued share capital of which is beneficially owned by Honford Investments Limited ("**Honford Investments**"). New Sense and Honford Investments are each wholly-owned by TMF (BVI) Limited ("**TMF**") as trustee for a discretionary trust, The Ho Family Trust, and (iii) **[REDACTED]** Shares held by The Wedding City Co., Limited ("**The Wedding City**"), **[REDACTED]** and **[REDACTED]** of the issued share capital of which is beneficially owned by Mr. Ho Cheuk Fai and Ms. Ho Po Chu, respectively. By virtue of the SFO, Mr. Ho Cheuk Fai is deemed to be interested in the **[REDACTED]** Shares in (i) and (ii) as founder of The Ho Family Trust and in **[REDACTED]** Shares in (iii) through The Wedding City. Ms. Ho Po Chu and Mr. Ho Cheuk Ming are the discretionary objects of The Ho Family Trust and are thus deemed to be interested in the **[REDACTED]** Shares held under The Ho Family Trust. Therefore, the interests of Mr. Ho Cheuk Fai, Ms. Ho Po Chu and Mr. Ho Cheuk Ming in the **[REDACTED]** Shares duplicate with each other.

(3) Immediately following completion of the Spin-off and assuming that its shareholding in Karrie International remains unchanged from the Latest Practicable Date to the Distribution Record Date, the personal interests of Ms. Ho Po Chu will comprise **[REDACTED]** Shares. By virtue of the SFO, Ms. Ho Po Chu is also deemed to be interested in (a) **[REDACTED]** Shares held by her spouse, Mr. Ho Cheuk Fai, and (b) **[REDACTED]** Shares deemed to be held by Mr. Ho Cheuk Fai referred to in Note 2 above.

(4) Immediately following completion of the Spin-off and assuming that its shareholding in Karrie International remains unchanged from the Latest Practicable Date to the Distribution Record Date, the personal interests of Mr. Ho Cheuk Ming will comprise **[REDACTED]** Shares.

(5) By virtue of the SFO, TMF is deemed to be interested in these Shares held by New Sense Castfast Properties and Honford Investments by virtue of acting as the trustee for The Ho Family Trust.

(6) Immediately following completion of the Spin-off and assuming that its shareholding in Karrie International remains unchanged from the Latest Practicable Date to the Distribution Record Date, the entire issued share capital of New Sense will be owned by TMF as trustee for The Ho Family Trust.

(7) Immediately following completion of the Spin-off and assuming that its shareholding in Karrie International remains unchanged from the Latest Practicable Date to the Distribution Record Date, **[REDACTED]** of the issued share capital of Castfast Properties will be beneficially owned by Honford Investments. The entire issued share capital of Honford Investments will be owned by TMF as trustee for a discretionary trust, The Ho Family Trust. The interests of Honford Investments duplicate with those of the Castfast Properties.

(8) Immediately following completion of the Spin-off and assuming that its shareholding in Karrie International remains unchanged from the Latest Practicable Date to the Distribution Record Date, **[REDACTED]** Shares will be beneficially held by The Wedding City. **[REDACTED]** and **[REDACTED]** of the issued share capital of which is beneficially owned by Mr. Ho Cheuk Fai and Ms. Ho Po Chu, respectively.

(9) Fractional entitlements of our Shares under the Distribution may be taken into account in calculating the interests shown above, and accordingly the number of Shares in which they are, or are deemed to be interested, as well as the shareholding percentages, are approximate only. The letter "L" denotes the person's long position in our Shares.

Save as disclosed in this section headed "Substantial Shareholders", none of our Directors is aware of any person who will, immediately following completion of the Spin-off, have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

For details of our Directors' interests in our Shares immediately following completion of the Spin-off, please refer to the section headed "Appendix V — Statutory and general information — D. Disclosure of interests" in this listing document.

SHARE CAPITAL OF OUR COMPANY

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and after the completion of the Spin-off and Listing:

		Aggregate nominal value
		HK$
Authorised share capital:		
[REDACTED]	Shares as at the date of this listing document	**[REDACTED]**
Shares issued or to be issued, fully paid or credited as fully paid:		
[30]	Shares in issue as at the date of this listing document	[0.3]
[REDACTED]	Shares to be issued pursuant to the Distribution	**[REDACTED]**
[REDACTED]		**[REDACTED]**

Assumptions

The above table assumes that (a) the Listing becomes unconditional; and (b) the total number of Karrie International Shares in issue remains unchanged from the Latest Practicable Date to the Distribution Record Date, and takes no account of (i) any Shares which may be allotted and issued pursuant to the exercise of any options that have been or may be granted under the Share Option Scheme; (ii) any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issue Mandate and the Repurchase Mandate; and (iii) any Karrie International Shares that may be allotted and issued upon the exercise of the Karrie International Share Options.

As at the Latest Practicable Date, there were Karrie International Share Options which entitled the holders thereof to subscribe for Karrie International Shares. For illustrative purpose, assuming all the Karrie International Share Options were exercised or converted on or before the Distribution Record Date, the issued share capital of our Company immediately after completion of the Listing shall be HK$**[REDACTED]** divided into **[REDACTED]** Shares of HK$0.01 each. For the avoidance of doubt, holders of Karrie International Share Options will not, by virtue only of their holding of any Karrie International Share Options, be entitled to any Shares under the Distribution.

MINIMUM PUBLIC FLOAT

The minimum level of public float to be maintained by our Company at all times after Listing under the Listing Rules is 25% of its share capital in issue from time to time.

RANKING

Our Shares are ordinary shares in the share capital of our Company and will rank equally in all respects with each other, and will qualify for all dividends, income and other distributions declared, made or paid and any other rights and benefits attaching or accruing to our Shares following completion of the Spin-off.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Listing becoming unconditional, our Directors have been granted a general mandate to allot and issue Shares, details of which are set out in the section headed "Appendix V — Statutory and General Information — A. Further information about our Company — 4. Written resolutions of the sole Shareholder" in this listing document.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Listing becoming unconditional, our Directors have been granted a general mandate to repurchase Shares, details of which are set out in the sections headed "Appendix V — Statutory and General Information — A. Further information about our Company — 4. Written resolutions of the sole Shareholder" and "Appendix V — Statutory and General Information — A. Further information about our Company — 6. Repurchase by our Company of our own securities" in this listing document.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. Details of the principal terms are summarised in the section headed "Appendix V — Statutory and General Information" in this listing document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in the Articles of Association. For details, please see the section headed "Appendix V — Summary of the Constitution of our Company and the Cayman Islands Company Law" in this listing document.

You should read this section in conjunction with our consolidated financial statements, including the notes thereto, as set out in "Appendix I — Accountants' Report" to this listing document. The consolidated financial statements have been prepared in accordance with HKFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in the section "Risk Factors" in this listing document.

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 conversion into residential development sites.

As of the Valuation Date, we had land bank of approximately 262,555 sq.m., including (i) the total GFA available for sale for completed properties of approximately 131,083 sq.m. and (ii) total GFA of 131,472 sq.m. held for future development. During the Track Record Period, we recorded (i) revenue of RMB481.8 million, RMB590.8 million, RMB775.6 million and RMB473.0 million, respectively and (ii) net profit was RMB128.9 million, RMB160.5 million, RMB243.7 million and RMB143.1 million, respectively.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 2 September 2020 as an exempted company with limited liability under the Companies Act Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands.

The ultimate holding company of our Company is Karrie International which is incorporated in Bermuda with its shares listed on the Main Board of the Stock Exchange.

Our Company is an investment holding company. Our Group is principally engaged in development and sales of residential properties in Dongguan, Huizhou and Foshan in the Greater Bay Area.

During the Track Record Period, the principal activities of our Group were carried out by certain subsidiaries of the controlling shareholder of Karrie International, including certain subsidiaries to Karrie International to rationalise the corporate structure in preparation of the listing of our shares on the Stock Exchange, we underwent Reorganisation, as more fully explained in the section headed "History, Reorganisation and Corporate Structure" in the listing document.

As part of the Reorganisation, we acquired Dongguan City Jiaxuntong and Kar Info International, the fellow subsidiaries that shared control with Karrie International over the development and sales of the residential units of Phase 3 of Castfast Villas (the "**Property Development Project**") during the Track Record Period. Prior to the Reorganisation, Dongguan City Jiaxuntong completed a corporate division such that only the assets and liabilities in connection with the Property Development Project was retained by Dongguan City Jiaxuntong, whereas all other businesses, assets and liabilities unrelated to the Property Development Project were transferred to a new entity outside of our Group. The table below sets forth the details of the assets and liabilities of Phase 3 Project Company as at the time of transfer of its equity interest from Kar Info Property to our Group in March 2022:

	(RMB'000)
Non-current assets	
Property, plant and equipment	23
Deferred tax assets	94,326
	94,349
Current assets	
Inventories	22,628
Other receivables	4,727
Amounts due from related companies	259,642
Pledged deposits	80
Cash and bank deposits	271
	287,348

	(RMB'000)
Current liabilities	
Other payables	1,210
Receipt in advance	20,292
Amounts due to fellow subsidiaries	194,683
Current tax payable	25,775
	241,960
Net current assets	45,388
Total assets less current liabilities	139,737
NET ASSETS	139,737

As far as the financial information of Dongguan City Jiaxuntong and Kar Info International are concerned, the historical financial information only includes those assets, liabilities, results of operations and cash flows attributable to the Property Development Project during the Track Record Period to reflect the substance of our Group's principal activities during the periods. Transactions and balances attributed to the Property Development Project have been included in the historical financial information based on specific identification.

Upon completion of the Reorganisation, our Company became the holding company of our Group. The companies now comprising our Group were under common control by Mr. Ho Cheuk Fai before and after the Reorganisation. The control is not transitionary and, consequently, there was a continuation of the risks and benefits to the controlling shareholder. Therefore, the Reorganisation is a business combination of entities under common control. The historical financial information has been prepared using the merger basis of accounting as if the companies or businesses now comprising our Group have been combined at the beginning of the Track Record Period. The assets and liabilities of the companies now comprising our Group are combined using the historical carrying amounts from the perspective of the Controlling Shareholder.

The intra-group balances, transactions and unrealised gains/losses on intra-group transactions were eliminated in full in preparing the historical financial information.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, many of which may be beyond our control, including those factors set out in the section headed "Risk Factors" in this listing document and those set out below:

Economic growth and the state of real estate market in the PRC

Economic growth, urbanisation and rising disposable income in China have been the key drivers behind increasing market demand for residential properties. Currently, the real estate industry is regarded by the PRC government as one of the country's pillar industries, it is significantly dependent on overall economic growth, in particular, the cities where we operate and intend to operate are especially important to our sales and profitability. Therefore, this factor will continue to have a significant impact on our business and results of operations.

In addition, our results of operations are primarily subject to the performance of the PRC's real estate market, in particular, the supply and demand for residential properties and pricing trends of mid to high-end residential properties in the cities where we operate. Any general economic downturn or downturn in the real estate market, particularly in the cities where we operate, could adversely affect our business, results of operations and financial position. See the section headed "Risk Factors — Risks Relating to Conducting Business in the PRC — The PRC economic, political, social conditions as well as government policies could adversely affect our business, prospects, financial performance and results of operations" in the listing document for details.

Regulatory environment and measures affecting the real estate industry in China

Our business has been, and will continue to be, affected by the regulatory environment in China, including, specifically, policies and measures adopted by the PRC government on the property development and related industries. In recent years, the PRC government has implemented a series of measures to contain the pace of economic growth, particularly the perceived over-heating in the real estate market. While the PRC government may still regard the real estate industry as important, it has taken restrictive measures to discourage speculation and increase the supply of affordable residential properties. From time to time, the PRC government adjusts or introduces macroeconomic policies to encourage or restrict development in the property sector through regulating, among others, land grants, pre-sales of properties, bank financing, mortgage and taxation. Measures taken by the PRC government to control money supply, credit availability and fixed assets also have a direct impact on our business.

The PRC government may introduce initiatives, which may affect our access to capital and the means through which we finance our property developments. Since the first half of 2010, in response to the rising property prices across the country, the PRC government announced new policies, adopted new measures to curtail speculation in the property market, and imposed more stringent requirements on the payment of land premiums by property developers. These policies include the abolishment of certain preferential treatment in respect of business tax payable upon transfer of residential properties, increased minimum down payment for mortgage loans, more stringent requirements on the payment of land premium, further limits on the number of residential properties one household can buy and a 20% capital gains tax on residential property re-sales. More recently, the property market in the PRC witnessed signs of a slowdown, with some developers reported to have lowered prices in order to stimulate sales, and many local government have relaxed property purchase restrictions previously imposed as cooling measures to help boost demand. PRC regulatory measures in the real estate industry will continue to affect our business. See the sections headed "Risk Factors — Risks Relating to Our Industry" and "Regulatory Overview" in this listing document for more details on the relevant PRC laws and regulations.

Availability and cost of financing

Financing is an important source of funding for property development. During the Track Record Period, we financed our operations primarily through internally generated cashflow from the pre-sale of our properties, as well as external financings, such as borrowings from banks and amounts due to fellow subsidiaries. The monetary regulations imposed by the PRC government from time to time may affect our access to capital and cost of financing. We are also highly susceptible to any regulations or measures adopted by PBOC, that restrict bank lending, especially those that restrict the ability of real estate developers to obtain bank financing. As commercial banks in the PRC link the interest rates on their loans to benchmark lending rates published by the PBOC, namely loan prime rates, or LPRs, we expect that any increase in the LPRs benchmark lending rates will increase our borrowing costs. As such, any increase in interest rates offered to us and the general credit availability may significantly impact our real estate development business.

In addition, a significant portion of our finance costs are capitalised at the time it is incurred to the extent such costs are directly attributable to the land acquisition and project construction. An increase in our finance costs will negatively affect our profitability and results of operations and the availability of financing will affect our ability to engage in our project development activities, which will adversely affect our results of operations.

Availability and land cost in strategically selected locations

Land costs are one of the major components of our cost of sales for property development. Our continued business growth is highly dependent on our ability to secure and acquire quality land parcels at reasonable prices that can yield favourable returns. As the PRC economy continues to grow and demand for commodity properties remains relatively strong, we expect competition among property developers to intensify, especially in new markets in selected cities in the Greater Bay Area where most of our properties are located in.

In addition, PRC governmental land supply policies and implementation measures are likely to further intensify competition, consequently, increase the land costs. In order to participate in the public tender, auction and listing-for-sale processes, we are required to pay a deposit upfront, which typically represents a significant portion of the actual cost of the relevant land and we are required to settle the land costs within the prescribed time limit after signing the land grant contract in accordance with relevant regulation, which has accelerated the timing of our payment for land costs and has had a significant impact on our cash flows. It is generally expected that land costs will continue to rise in the PRC as the economy continues to grow, which may materially and adversely affect our business and operating results.

Construction costs and labour costs

A key component of our cost of sales is construction costs. Construction costs are affected by the price of certain key construction materials, such as steel and cement. Most building construction materials, including steel and cement, are procured by our contractors. We typically designate the brands and quality requirements of these construction materials in our construction agreements. In most of our construction agreements, the contract price will be adjusted if the market price of such materials fluctuates beyond a certain threshold, and we, as a result, will bear the risks or enjoy the benefits associated with such price increases or decreases outside this range. We can pass the increases in construction material costs to our homebuyers only to the extent that we are able to increase the prices of our properties and therefore bear the risk of price fluctuations in raw materials to the extent that we are unable to increase our prices to fully cover any increases in costs.

In addition, our results of operations are affected by labour costs, directly on our staff cost and indirectly on our contractors' staff cost. In general, labour costs in the PRC have been increasing in recent years. Increases in labour costs will continue to have an impact on our results of operations.

Pre-sale

Our ability to sell properties prior to completion, known as the pre-sale of properties, constitutes the most important source of our operating cash inflow during project development. The relevant pre-sale requirements vary from city to city and pre-sale proceeds of a project are required to be used to finance its development. The amount and timing of cash inflows from pre-sales are affected by a number of factors, including timing and other restrictions on pre-sale imposed by the PRC government, market demand for our properties subject to pre-sale and the number of properties we have available for pre-sale. Timing of pre-sale is subject to not only our internal schedules but also relevant PRC laws and regulations. See the section headed "Risk Factors — Risks Relating to Our Business — We are exposed to contractual and legal risks related to pre-sales" in this listing document. In addition, delays in construction, regulatory approval and other processes may also adversely affect the timetable of our projects. As a result of the time differences between cost incurred, cash received from pre-sales and revenue recognition, our results of operation have fluctuated in the past and are likely to continue to fluctuate in the future.

Revenue and change in product mix

We derive our revenue principally from the sale of residential properties that we develop. As we recognise revenue from the sale of properties upon their delivery, our revenue primarily depends on the volume of properties we sell, the prices at which we make the sales and the timing of delivery of sold properties to homebuyers. The volume of properties we sell and the timing of delivery of sold properties depend on the progress of the construction of our properties and the market response we obtain when we launch our property sales.

Revenue from sales of properties fluctuate based on the levels of actual completion of construction and delivery of our properties and therefore may vary significantly from period to period. Our revenue may fluctuate because of the mix of our projects, the timing of completion of our projects and the timing of recognition of revenue from pre-sales of units in our development properties. The average selling prices per sq.m. and the gross profit margin of our property products vary by the type of properties we develop and sell. We offer two main series of residential property developments, namely, "Villas" (豪庭) series and "Mansion" (公館). Generally, "Villas" (豪庭), which mainly targets home upgraders or middle and higher-income households, respectively, command relatively higher ASP as compared to that of "Mansion" (公館), which mainly target first-time and retirees home purchasers. Our product mix varies from period to period based on a number of factors, including government-regulated plot ratios, project locations, land size and cost, market conditions and our development planning. We adjust our product mix from time to time but may nonetheless be unable to maintain or increase the average selling prices or gross profit margin, which would materially and adversely affect our profitability.

LAT

All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of the property, which is calculated by deducting from the gross sales proceeds the cost associated with the property development and certain other deductibles. For each of the Track Record Period, we assessed the difference between the amount we prepaid and our estimated LAT liability. During the Track Record Period, we recorded provision for LAT in the amount of RMB135.0 million, RMB168.3 million, RMB222.1 million and RMB130.0 million, respectively. The provision for LAT requires our management to use a significant amount of judgement and estimates and we cannot assure you that the relevant tax authorities will agree to the basis on which we have calculated our LAT liabilities for provision purposes, or that such provisions will be sufficient to cover all LAT obligations that tax authorities may ultimately impose on us. Under such circumstances, our results of operations and cashflows may be materially and adversely affected.

CERTAIN SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES AND JUDGEMENT

We have identified certain accounting policies that are significant to the preparation of our Group's financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. In each case, the determination of these items requires management judgements based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider: (i) our selection of significant accounting policies; (ii) the judgements and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgements used in the preparation of our Group's financial statements. Our significant accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations, are set forth in detail in note 2 and note 3 to our consolidated financial statements included in the appendix headed "Appendix I — Accountants' Report to this listing document.

For our accounting estimates on valuation of investment properties, recognition of LAT and the recognition of deferred tax assets, we have not noted material difference of our estimates from the actual results during the Track Record Period. In addition, we did not make any material change in the assumptions underlying such estimates during the Track Record Period. We do not currently expect the methodology and assumptions regarding such estimates to change in the foreseeable future.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgements used in the preparation of our financial statements:

Revenue recognition

Sale of properties

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when the property is accepted by the customer, or deemed as accepted according to the contract, whichever is earlier, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statements of financial position under contract liabilities (see the appendix headed "Appendix I — Accountants' Report — note 2(j)") to this listing document.

If any advance payments received from the buyers are regarded as providing a significant financing benefit to our Group, interest expense arising from the adjustment of time value of money will be accrued by our Group during the period between the payment date and the date of delivery property. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, *Borrowing costs*, in accordance with the policies set out in the appendix headed "Appendix I — Accountants' Report — note 2(s)" to this listing document.

Property development

Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses and an appropriate proportion of overheads and borrowing costs capitalised. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

Completed property held for sale

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In the case of completed properties developed by our Group which comprise of multiple units which are sold individually, the cost of each unit is determined by apportionment of the total development costs for that development project to each unit on a per square meter basis, unless another basis is more representative of the cost of the specific unit. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

Income tax

Income tax comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, our Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if our Company or our Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, our Company or our Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

RESULTS OF OPERATIONS

The following table sets forth selected items of our consolidated statements of profit or loss and other comprehensive income for the periods indicated, details of which are set out in the appendix headed "Accountants' Report" in Appendix I to this listing document:

	Years ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	481,778	590,803	775,555	359,868	473,010
Cost of sales	(132,756)	(161,477)	(188,554)	(88,717)	118,577
Gross profit	349,022	429,326	587,001	271,151	354,433
Other net income/gains	2,368	1,153	2,547	820	1,688
Selling expenses	(16,665)	(17,989)	(10,533)	(4,558)	(8,150)
General and administrative expenses	(16,588)	(31,427)	(29,600)	(9,502)	(18,180)
Operating profit	318,137	381,063	549,415	257,911	329,791
Finance income	7,198	9,235	12,764	5,722	3,507
Finance costs	(11,021)	(314)	(4,018)	(941)	(2,185)
Finance (costs)/income, net	(3,823)	8,921	8,746	4,781	1,322
Profit before taxation	314,314	389,984	558,161	262,692	331,113
Income tax charge	(185,377)	(229,481)	(314,501)	(147,427)	(187,986)
Profit for the year/period	128,937	160,503	243,660	115,265	143,127
Other comprehensive income for the year/period	(24,407)	28,346	13,779	6,057	(42,104)
Total comprehensive income for the year/period	104,530	188,849	257,439	121,322	101,023

DESCRIPTION OF SELECTED ITEMS IN OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

Our revenue represents revenue from sales of properties in the PRC. For the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022, our total revenue amounted to approximately RMB481.8 million, RMB590.8 million, RMB775.6 million and RMB473.0 million, respectively. Currently, our Group engages in residential property development in the PRC as the only one operating segment.

We develop and sell residential properties in Dongguan, Huizhou and Foshan in the Greater Bay Area. During the Track Record Period, all of our revenue was derived from Castfast Villas in Dongguan and Louvre Mansion in Huizhou.

Cost of sales

Our cost of sales primarily represents the costs we incur directly relating to our property sale activities.

- *Construction and labour costs.* Construction and labour costs include all the costs for the design and construction of a project, including costs of construction materials and labour costs. Our construction and labour costs are affected by a number of factors, including the type and geographic condition of the properties constructed and the type and amount of construction materials used, which may vary from city to city. Historically, construction material costs, which are generally included in the payments to the construction contractors, particularly the cost of steel and cement, have been a primary contributing factor in terms of fluctuations in our construction and labour costs.

- *Land use rights costs.* Land use rights costs include costs relating to acquisition of the rights to occupy, use and develop land and primarily land premiums incurred in connection with a land grant from the government. These costs for a project are affected by a number of factors, such as the location of the underlying property, regional property market condition, the timing of the land acquisition, the project's plot ratios, the method of acquisition and changes in PRC regulations. We may also be required to pay demolition and resettlement costs, subject to the condition of the land parcel acquired.

- *Capitalised interest.* We capitalise a significant portion of our finance costs to the extent that such costs are directly attributable to the construction of a particular project. Finance costs that are not directly attributable to the development of a project are expensed and recorded as finance costs in our consolidated profit or loss in the period in which they are incurred.

The following table sets forth a breakdown of our cost of sales by nature for the years/periods indicated:

	For the year ended 31 March						For the six months ended 30 September			
	2020		2021		2022		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Cost of sale for sales of properties										
Construction and labour costs	113,261	85.3	133,934	82.9	152,173	80.7	71,770	80.9	98,031	82.7
Land use rights costs	16,706	12.6	23,517	14.6	31,237	16.6	15,127	17.1	17,056	14.4
Capitalised interest	2,789	2.1	4,026	2.5	5,144	2.7	1,820	2.0	3,490	2.9
Total	132,756	100.0	161,477	100.0	188,554	100.0	88,717	100.0	118,577	100.0

Construction and labour costs are our main cost of sales, accounting for 85.3%, 82.9%, 80.7% and 82.7% of our total cost of sales for the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022, respectively.

The table below sets forth a sensitivity analysis relating to our construction costs, illustrating, for the periods indicated, what the impact on our profit before income tax would have been if our constructions costs had been 5% higher or lower.

	For the year ended 31 March			For the six months ended 30 September	
	2020	2021	2022	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*(RMB'000)*	*(RMB'000)*
Increase/(decrease) in profit before taxation					
If construction and labour costs had been 5% lower	5,663	6,697	7,609	3,589	4,902
If construction and labour costs had been 5% higher	(5,663)	(6,697)	(7,609)	(3,589)	(4,902)

The table below sets forth a sensitivity analysis relating to our ASP, illustrating, for the years/periods indicated, what the impact on our profit before income tax would have been if our ASP had been 5% higher or lower.

	For the year ended 31 March			For the six months ended 30 September	
	2020	2021	2022	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Increase/(decrease) in profit before taxation					
If ASP had been 5% higher	24,088	29,540	38,778	15,984	23,651
If ASP had been 5% lower	(24,088)	(29,540)	(38,778)	(15,984)	(23,651)

During the Track Record Period, our cost of sales continued to increase in absolute amount, primarily due to the increase in the number of our residential property projects completed and delivered, and accordingly, our total delivered GFA continued to grow, which was in line with our overall business expansion activities.

Gross profit and gross profit margin

Our gross profits for the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022 were RMB349.0 million, RMB429.3 million, RMB587.0 million and RMB354.4 million, respectively. Our gross profit margins for the same periods were 72.4%, 72.7%, 75.7% and 74.9% respectively.

Gross Profit and gross profit margin by project series

The following table sets forth a breakdown of gross profit and gross profit margin by project series for the years/periods indicated:

	For the year ended 31 March						For the six months ended 30 September			
	2020		2021		2022		2021		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Phase 3 of Castfast Villas	349,022	72.4	352,866	72.4	52,007	73.7	19,262	73.3	8,425	71.7
Phase 4 of Castfast Villas	—	—	76,460	73.9	402,193	75.9	251,889	75.5	85,821	76.3
Phase 5 of Castfast Villas	—	—	—	—	132,801	76.0	—	—	256,531	75.7
Louvre Mansion	—	—	—	—	—	—	—	—	3,656	36.2
Total	349,022	72.4	429,326	72.7	587,001	75.7	271,151	75.3	354,433	74.9

The following table shows the number of units sold, GFA sold, ASP and revenue by projects of the respective years/periods.

	For the year ended 31 March			For the six months ended 30 September	
	2020	2021	2022	2021	2022
Number of units sold	**202**	**229**	**268**	**132**	**150**
Phase 3 of Castfast Villas	202	188	22	9	4
Phase 4 of Castfast Villas	—	41	195	123	40
Phase 5 of Castfast Villas	—	—	51	—	89
Louvre Mansion	—	—	—	—	17
GFA delivered (sq.m.)	**19,797**	**23,464**	**28,053**	**13,276**	**17,670**
Phase 3 of Castfast Villas	19,797	19,521	2,758	1,040	493
Phase 4 of Castfast Villas	—	3,943	19,402	12,236	4,086
Phase 5 of Castfast Villas	—	—	5,893	—	11,546
Louvre Mansion	—	—	—	—	1,545
ASP (RMB/sq.m.) (VAT inclusive)	**26,527**	**27,444**	**30,134**	**29,547**	**29,178**
Phase 3 of Castfast Villas	26,527	27,207	27,894	27,538	25,954
Phase 4 of Castfast Villas	—	28,617	29,788	29,718	29,999
Phase 5 of Castfast Villas	—	—	32,321	—	31,974
Louvre Mansion	—	—	—	—	7,133
Revenue (RMB'000)	**481,778**	**590,803**	**775,555**	**359,868**	**473,010**
Phase 3 of Castfast Villas	481,778	487,272	70,593	26,266	11,750
Phase 4 of Castfast Villas	—	103,531	530,235	333,602	112,458
Phase 5 of Castfast Villas	—	—	174,727	—	338,692
Louvre Mansion	—	—	—	—	10,110
Land acquisition cost (RMB/sq.m.)	**844**	**1,002**	**1,113**	**1,139**	**965**
Phase 3 of Castfast Villas *(Note)*	844	844	844	844	844
Phase 4 of Castfast Villas	—	1,786	1,214	1,165	1,190
Phase 5 of Castfast Villas	—	—	908	—	933
Louvre Mansion	—	—	—	—	649

Note:

Phases 4 and 5 of Castfast Villas is comprised of several lots of lands with different size of area and residential densities, the land acquisition cost of Phases 4 and 5 of Castfast Villas therefore varied throughout the Track Record Period.

The general increase in our gross profit during the Track Record Period was primarily attributable to the general increase in our revenue for development and sales of properties, which was in line with our business growth. Our gross profit margin for sale and development of properties generally increased from the year ended 31 March 2020 to the year ended 31 March 2022, primarily driven by (i) the delivery of Phase 3, 4 and 5 of Castfast Villas, coupled with (ii) the standardisation of our project development, which helped us to control development and construction costs and (iii) the general increase in residential property market condition in the relevant cities in the Greater Bay Area in the same periods. Our gross profit margin decreased slightly from the six months ended 30 September 2021 to the six months ended 30 September 2022 primarily due to the lower gross profit margin for Lourve Mansion.

According to the C&W Report, the average land acquisition cost of public tender, auction or listing-for-sale process organised by government authorities in Fenggang and Dongguan are RMB 4,112 per sq.m. and RMB 3,344 per sq.m. respectively in the same year when our Group obtained its land. Our Group's land acquisition cost including land grant premiums, other land-related taxes and government surcharge and costs relating to payments made for demolition of existing buildings and compensation for resettlement of existing residents is RMB 1,150 per sq.m., which is 72% and 66% lower than the average land acquisition cost in Fenggang and Dongguan respectively as aforesaid.

The land acquisition cost of the Louvre Mansion is RMB649 per sq.m. and is relatively lower than the average land acquisition costs of Phases 3, 4 and 5 of the Castfast Villas due to its location and market positioning. We offer two main series of residential property developments, namely, "Villas" (豪庭) series and "Mansion" (公館). Generally, "Villas" (豪庭), which mainly targets home upgraders or middle and higher-income households, respectively, command relatively higher ASP as compared to that of "Mansion" (公館), which mainly target first-time and retirees home purchasers. Therefore, the ASP of our Louvre Mansion is expected to be lower than Phases 3, 4 and 5 of the Castfast Villas. Our gross profit margin is expected to be lower for this project, but the effect is not expected to be material.

The land acquisition cost of the Hecheng Neibourhood Parcel is RMB1,664 per sq.m. and is relatively higher than the average land acquisition costs of Phases 3, 4 and 5 of the Castfast Villas. The ASP of the future project to be developed on the Hecheng Neibourhood Parcel is expected to be higher than Phases 3, 4 and 5 of the Castfast Villas. Our gross profit margin is expected to be lower than Phases 3, 4 and 5 of the Castfast Villas. For the risk factor relating to the possible impact of the higher land acquisition cost on the Group's gross profit margin, please refer to the paragraph headed "Our historical financial growth, including revenue and profit margin growth, may not be indicative of our future financial performance" of the "Risk factors" section.

Other net income/gains

Other net income/gains mainly represents our rental income in connection with our Industrial Complex in Yantian, Fenggang Town, net valuation gain or loss on investment properties and net exchange gain or loss.

The following table sets forth a breakdown of our other net income/gains by nature for the years/periods indicated:

	For the year ended 31 March			For the six months ended 30 September	
	2020	2021	2022	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Rental income	1,490	1,376	1,404	708	756
Net valuation gain/(loss) on investment properties	80	(235)	900	90	490
Net exchange gain/(loss)	798	(93)	24	22	14
Others	—	105	219	—	428
Total	2,368	1,153	2,547	820	1,688

Selling expenses

Our selling expenses mainly consist of (i) sales commissions to real estate agents, (ii) advertising and promotion expenses and (iii) employee salaries and benefit expenses relating to our sales and marketing staff. The decrease in employee salaries and benefit expenses from RMB 1.2 million for the year ended 31 March 2021 to RMB0.7 million for the year ended 31 March 2022 was mainly due to the decrease in the number of employees in sales and marketing function during the year ended 31 March 2022 for the sales of Phase 3 of Castfast Villas as it was close to completion. Our selling expenses accounted for 3.5%, 3.0%, 1.4% and 1.7% of our total revenue for the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022, respectively.

The following table sets forth a breakdown of our selling expenses for the years/periods indicated.

	For the year ended 31 March						For the six months ended 30 September			
	2020		2021		2022		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Sales commission	11,373	68.2	14,649	81.4	5,681	53.9	2,700	59.2	4,286	52.6
Advertising and promotion expenses	3,661	22.0	2,125	11.8	4,106	39.0	1,537	33.7	3,339	41.0
Employee salaries and benefit expenses	1,631	9.8	1,215	6.8	746	7.1	321	7.1	525	6.4
Total	16,665	100.0	17,989	100.0	10,533	100.0	4,558	100.0	8,150	100.0

General and administrative expenses

General and administrative expenses primarily comprise employee salaries and benefit expenses, management and service fees, legal and professional fee, **[REDACTED]**, depreciation and amortisation, office expenses, travel and entertainment expenses, PRC taxes and others. Our general and administrative expenses accounted for 3.4%, 5.3%, 3.8% and 3.8% of our total revenue for the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022, respectively.

The following table sets forth a breakdown of our general and administrative expenses for the years/periods indicated.

	For the year ended 31 March						For the six months ended 30 September			
	2020		2021		2022		2021		2022	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Employee salaries and benefit expenses *(Note 1)*	6,270	37.8	10,222	32.5	9,372	31.7	4,742	49.9	5,880	32.4
Management and service fees *(Note 2)*	3	0.0	2,285	7.3	2,498	8.4	1,165	12.3	4,553	25.0
Legal and professional fee	541	3.3	723	2.3	1,253	4.2	343	3.6	544	3.0
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Office expenses	1,938	11.7	2,342	7.5	1,270	4.3	628	6.6	1,171	6.4
Depreciation and amortisation	758	4.6	820	2.6	768	2.6	400	4.2	636	3.5
Travelling and entertainment expenses	235	1.4	318	1.0	405	1.4	336	3.5	290	1.6
PRC taxes including surcharges and miscellaneous tax	4,312	26.0	6,155	19.6	5,570	18.8	1,746	18.4	1,451	8.0
Other	2,531	15.2	1,524	4.8	231	0.8	112	1.2	268	1.5
Total	16,588	100.0	31,427	100.0	29,600	100.0	9,502	100.0	18,180	100.0

Notes:

(1) Include salaries, bonus, staff benefits, medical welfare and social insurance.

(2) Include management fee of on-site sales offices in our properties. The increase for the year ended 31 March 2021 was mainly because the setting up of new sales office to facilitate sales of Phase 4 and 5 of Castfast Villas and Mansion. The increase for the six months ended 30 September 2022 was mainly because the management fees paid in respect of unsold residential and commercial units and car parks after completion of the development projects.

Finance costs, net

Our finance costs mainly represents our interest expenses on bank and other borrowings and amounts due to fellow subsidiaries less capitalised interest relating to properties under development for sale.

The following table sets forth the components of our finance costs for the years/periods indicated.

	For the year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Finance costs					
— Interest expense from financial liabilities measured at amortised cost	32,890	23,197	24,436	13,567	5,828
— Interest expense on leased liabilities	—	—	18	—	51
Less: Interest expenses capitalised into property under development for sale *(Note)*	(21,869)	(22,883)	(20,436)	(12,626)	(3,694)
	11,021	314	4,018	941	2,185
Finance income					
— Interest income from financial assets measured at amortised cost	(7,198)	(9,235)	(12,764)	(5,722)	(3,507)
Finance costs/(income), net	3,823	(8,921)	(8,746)	(4,781)	(1,322)

Note: The borrowing costs have been capitalised at weighted average rate of 5.14%, 4.23%, 4.14%, 4.08% and 5.25% per annum for the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2021 and 2022.

The construction period for a project does not necessarily coincide with the drawdown and repayment schedules of the relevant loan, and not all of the interest costs related to a project can be capitalised. Our finance costs may fluctuate from period to period, depending on the level of total interest expenses as well as the level of interest costs that are capitalised within the reporting period.

Income tax charge

Our Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate.

(i) Cayman Island/BVI profits tax

Our Group has not been subject to any taxation in the Cayman Island/BVI.

(ii) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5%, for the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022 on the estimated assessable profit for the Track Record Period.

(iii) PRC enterprise income tax

PRC enterprise income tax ("**EIT**") has been generally provided at the applicable enterprise income tax rate of 25% on the estimated assessable profits of the companies in our Group during the Track Record Period.

Our EIT, net of deferred tax impact was RMB50.4 million, RMB61.2 million, RMB92.4 million and RMB58.0 million during the Track Record Period, respectively. Our provision for EIT was RMB74.4 million, RMB93.4 million, RMB203.6 million and RMB61.9 million as at 31 March 2020, 2021 and 2022 and 30 September 2022, respectively. The significant increase in EIT provision was mainly due to the increase in revenue recognised for Phase 4 and Phase 5 of Castfast Villas during the year ended 31 March 2022. A significant proportion of the EIT expenses that remained unsettled as at 31 March 2022 had been settled in May 2022. As at 31 October 2022, RMB3,674.8 of the EIT expenses that remained unsettled as at 30 September 2022 were subsequently settled.

(iv) PRC land appreciation tax

PRC land appreciation tax, or LAT, is levied on properties developed by our Group for sale, at progressive rates ranging from 30% to 60% on appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures, including lease charges of land use rights, borrowing costs and relevant property development expenditures.

The following table sets forth the components of our income tax charge for the years/periods indicated.

	For the year ended 31 March			For the six months ended 30 September	
	2020	2021	2022	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current taxation					
Taxes in Mainland China					
— provision for enterprise income tax	81,745	98,400	145,459	67,796	88,769
— reversal for enterprise income tax	—	—	—	—	(96,294)
	81,745	98,400	145,459	67,796	(7,525)
— provision for land appreciation tax	135,002	168,257	222,099	104,288	129,983
Deferred taxation					
Origination and reversal of temporary differences	(31,370)	(37,176)	(53,057)	(24,657)	65,528
Total income tax charge	185,377	229,481	314,501	147,427	187,986

Our income tax charges were RMB185.4 million, RMB229.5 million, RMB314.5 million and RMB188.0 million for the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022, respectively; the effective tax rate for the corresponding periods was 59.0%, 58.8%, 56.3% and 56.8%, respectively.

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

REVIEW OF HISTORICAL RESULTS OF OPERATION

The six months ended 30 September 2021 compared to the six months ended 30 September 2022

Revenue

Our revenue increased significantly by RMB113.1 million or 31.4% from RMB359.9 million for the six months ended 30 September 2021 to RMB473.0 million for the six months ended 30 September 2022 mainly due to the commencement of the sale and delivery of Phase 5 of

Castfast Villas and Louvre Mansion which was partially offset by the decrease in ASP from RMB29,547 per sq.m. for the six months ended 30 September 2021 to RMB29,118 per sq.m. for the six months ended 30 September 2022.

Cost of sales

Our cost of sales increased by RMB29.9 million or 33.7% from RMB88.7 million for the six months ended 30 September 2021 to RMB118.6 million for the six months ended 30 September 2022 mainly due to the increase in our construction and labour costs. Our construction and labour costs increased by RMB26.3 million or 36.6% from RMB71.8 million for the six months ended 30 September 2021 to RMB98.0 million for the six months ended 30 September 2022, primarily due to an increase in the scale of our operation in relation to Phase 5 of Castfast Villas and Louvre Mansion.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB83.2 million or 30.7% from RMB271.2 million for the six months ended 30 September 2021 to RMB354.4 million for the six months ended 30 September 2022. Our gross profit margin remained stable at 75.3% for the six months ended 30 September 2021 and 74.9% for the six months ended 30 September 2022.

Other net income/gains

Our other net income/gains increased by RMB0.9 million or 105.9% from RMB0.8 million for the six months ended 30 September 2021 to RMB1.7 million for the six months ended 30 September 2022. The increase in other income was mainly due to the net valuation gain of RMB490,000 in relation to investment properties.

Selling expenses

Our selling expenses increased by RMB3.6 million or 78.8% from RMB4.6 million for the six months ended 30 September 2021 to RMB8.2 million for the six months ended 30 September 2022. The increase was primarily due to the increase in commission paid to sales agents of RMB1.6 million and advertising and promotion expenses of RMB1.8 million in relation to the sales of Phase 5 of Castfast Villas and Louvre Mansion.

General and administrative expenses

Our general and administrative expenses increased by RMB8.7 million or 91.3% from RMB9.5 million for the six months ended 30 September 2021 to RMB18.2 million for the six months ended 30 September 2022. The increase was primarily due to (i) the increase in management and service fees of RMB3.4 million as a result of the management fees paid for the unsold units and carparks upon completion of the development projects; and (ii) the increase in **[REDACTED]** of RMB**[REDACTED]**.

Finance income

Our finance income decreased by RMB2.2 million or 38.7% from RMB5.7 million for the six months ended 30 September 2021 to RMB3.5 million for the six months ended 30 September 2022. The decrease was mainly due to the decrease in interest income on bank deposits as a result of a decrease in the amount of pre-sale proceeds received.

Finance costs

Our finance costs increased by RMB1.2 million or 132.2% from RMB0.9 million for the six months ended 30 September 2021 to RMB2.2 million for the six months ended 30 September 2022. The increase was mainly because of a decrease in interest capitalised upon completion of Phases 4 and 5 of Castfast Villas.

Profit before tax

As a result of the foregoing, our profit before tax increased by RMB68.4 million or 26.0% from RMB262.7 million for the six months ended 30 September 2021 to RMB331.1 million for the six months ended 30 September 2022.

Income tax charge

We recorded an income tax charge of RMB147.4 million and RMB188.0 million for the six months ended 30 September 2021 and 2022, respectively. Effective tax rate was 56.1% for the six months ended 30 September 2021 and 56.8% for the six months ended 30 September 2022.

Profit for the period

As a result of the foregoing, profit for the period increased by RMB27.9 million or 24.2% from RMB115.3 million for the six months ended 30 September 2021 to RMB143.1 million for the six months ended 30 September 2022. Our net profit margin decreased from 32.0% for the six months ended September 2021 to 30.3% for the six months ended 30 September 2022.

The year ended 31 March 2021 compared to the year ended 31 March 2022

Revenue

Our revenue increased by RMB184.8 million or 31.3% from RMB590.8 million for the year ended 31 March 2021 to RMB775.6 million for the year ended 31 March 2022, mainly due to the increase in total GFA delivered from 23,464 sq.m. for the year ended 31 March 2021 to 28,053 sq.m. for the year ended 31 March 2022, as a result of the commencement of the sale recognition of Phase 5 of Castfast Villas coupled with the increase in ASP from RMB27,444 per sq.m. for the year ended 31 March 2021 to RMB 30,134 per sq.m. for the year ended 31 March 2022.

Cost of sales

Our cost of sale increased by RMB27.1 million or 16.8% from RMB161.5 million for the year ended 31 March 2021 to RMB188.6 million for the year ended 31 March 2022, primarily due to the increase in our construction and labour costs . Our construction and labour costs increased by RMB18.2 million or 13.6% from RMB133.9 million for the year ended 31 March 2021 to RMB152.2 million for the year ended 31 March 2022, primarily due to an increase in the scale of our operations in relation to Phase 5 of Castfast Villas.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit rose by RMB157.7 million or 36.7% from RMB429.3 million for the year ended 31 March 2021 to RMB587.0 million for the year ended 31 March 2022 in line with the increase of our revenue primarily due to the GFA delivered increased from 23,464 sq.m. to 28,053 sq.m.. Our gross profit margin increased from 72.7% for the year ended 31 March 2021 to 75.7% for the year ended 31 March 2022, primarily due to contributions from the delivery of Phase 4 and Phase 5 of Castfast Villas which recorded comparatively higher gross profit margins. Phase 4 and Phase 5 of Castfast Villas had higher gross profit margin as they had comparatively high ASP, which was the result of the prevailing price, alongside with an upward trend in price, in the local market.

Other net income/gains

Our other net income/gains increased by RMB1.4 million or 120.9% from RMB1.2 million for the year ended 31 March 2021 to RMB2.5 million for the year ended 31 March 2022, primarily due to net valuation gain of RMB0.9 million in relation to investment properties.

Selling expenses

Our selling expenses decrease by RMB7.5 million or 41.4% from RMB18.0 million for the year ended 31 March 2021 to RMB10.5 million for the year ended 31 March 2022, primarily due to the decreased commission paid to sales agent in relation to the sales of Phase 4 and Phase 5 of Castfast Villas which we engaged agents with lower commission rates. These agents were agents assigned by various professional real estate agent companies in the PRC. We held a number of sales fair 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, therefore, they were willing to accept a lower commission rate.

General and administrative expenses

Our general and administrative expenses decreased by RMB1.8 million or 5.8% from RMB31.4 million for the year ended 31 March 2021 to RMB29.6 million for the year ended 31 March 2022, primarily due to decrease in employee salaries and benefit expenses of RMB0.9 million as a result of completion of Phase 3 of Castfast Villas, and decrease in PRC taxes of RMB0.6 million as a result of provision of PRC taxes for the year ended 31 March 2021 due to the lower VAT position following the completion of Phases 3 of Castfast Villas.

Finance income

Our finance income increased by RMB3.5 million or 38.2% from RMB9.2 million for the year ended 31 March 2021 to RMB12.8 million for the year ended 31 March 2022. The increase was mainly due to increase in pre-sale proceeds received.

Finance costs

We incurred finance costs of RMB4.0 million for the year ended 31 March 2022, as compared to RMB0.3 million for the year ended 31 March 2021 primarily because less finance costs can be capitalised upon completion of Phase 4 and 5 for the year ended 31 March 2022.

Profit before tax

As a result of the foregoing, our profit before tax increased by RMB168.2 million or 43.1% from RMB390.0 million for the year ended 31 March 2021 to RMB558.2 million for the year ended 31 March 2022.

Income tax charge

We recorded an income tax charge of RMB229.5 million and RMB314.5 million for the year ended 31 March 2021 and 2022, respectively. Effective tax rate remained stable and was 58.8% for the year ended 31 March 2021 and 56.3% for the year ended 31 March 2022, respectively.

Profit for the year

As a result of the foregoing, our profit for the year increased by RMB83.2 million or 51.8% from RMB160.5 million for the year ended 31 March 2021 to RMB243.7 million for the year ended 31 March 2022. Our net profit margin increased from 27.2% for the year ended 31 March 2021 to 31.4% for the year ended 31 March 2022.

The year ended 31 March 2020 as compared to the year ended 31 March 2021

Revenue

Our revenue increased significantly by RMB109.0 million or 22.6% from RMB481.8 million for the year ended 31 March 2020 to RMB590.8 million for the year ended 31 March 2021, mainly due to the increase in the total GFA delivered from 19,797 sq.m. for the year ended 31 March 2020 to 23,464 sq.m. for the year ended 31 March 2021, which was primarily attributable to the completion and delivery of Phase 4 of Castfast Villas coupled with the increase in ASP of the Phase 3 of Castfast Villas from RMB26,527 per sq.m. for the year ended 31 March 2020 to RMB27,207 per sq.m. in the year ended 31 March 2021.

Cost of sales

Our cost of sales increased by RMB28.7 million or 21.6% from RMB132.8 million for the year ended 31 March 2020 to RMB161.5 million for the year ended 31 March 2021, primarily due to the increase in our cost for development and capitalised interest. Our construction and labour costs increased 18.3% from RMB113.3 million to RMB133.9 million, primarily due to an increase in the scale of our operations as illustrated with the increase in GFA delivered in relation to Phase 4 of Castfast Villas.

Gross profit and gross profit margin

Our gross profit rose by RMB80.3 million or 23.0% from RMB349.0 million for the year ended 31 March 2020 to RMB429.3 million for the year ended 31 March 2021 in line with the increase in our revenue and primarily due to the GFA delivered increased from 19,797 sq.m. to 23,464 sq.m.. Our gross profit margin remained stable and was 72.4% for the year ended 31 March 2020 and 72.7% for the year ended 31 March 2021.

Selling expenses

Our selling expenses increased by RMB1.3 million or 7.9% from RMB16.7 million for the year ended 31 March 2020 to RMB18.0 million for the year ended 31 March 2021, primarily due to slight increase of sales commission paid to real estate agents.

General and administrative expenses

Our general and administrative expenses increased by RMB14.8 million or 89.5% from RMB16.6 million for the year ended 31 March 2020 to RMB31.4 million for the year ended 31 March 2021, primarily due to increase in employee salaries and benefit expenses of RMB4.0 million due to increase in number of our administrative staff, and increase in **[REDACTED]** of RMB**[REDACTED]**.

Other net income/gains

Our other net income/gains decreased by 51.3% from RMB2.4 million for the year ended 31 March 2020 to RMB1.2 million for the year ended 31 March 2021, primarily because of a net valuation loss on investment properties of RMB0.2 million and net exchange loss of RMB0.1 million.

Finance income

Our finance income increased by 28.3% from RMB7.2 million for the year ended 31 March 2020 to RMB9.2 million for the year ended 31 March 2021. The increase was mainly due to increase in pre-sale proceeds received.

Finance costs

We incurred finance costs of RMB11.0 million for the year ended 31 March 2020, as compared to RMB0.3 million for the same period in 2021, primarily because less finance costs can be capitalised upon completion of Phase 3 of Castfast Villas for the year ended 31 March 2019 and higher weighted average rate of borrowing in relation to new loans obtained for construction of Phases 4 and 5 of Castfast Villas.

Profit before tax

As a result of the foregoing, our profit before tax increased by RMB75.7 million or 24.1% from RMB314.3 million for the year ended 31 March 2020 to RMB390.0 million for the same period in 2021.

Income tax charge

We recorded an income tax charge of RMB185.4 million and RMB229.5 million for the year ended 31 March 2020 and 2021, respectively. Effective tax rate remained stable and was 59.0% for the year ended 31 March 2020 and 58.8% for the year ended 31 March 2021, respectively.

Profit for the year

As a result of the foregoing, our profit for the year increased by RMB31.6 million or 24.5% from RMB128.9 million for the year ended 31 March 2020 to RMB160.5 million for the year ended 31 March 2021. Our net profit margin increased from 26.8% for the year ended 31 March 2020 to 27.2% in the same period in 2021.

DESCRIPTION OF CERTAIN ITEMS OF OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our property, plant and equipment primarily comprise (i) furniture, tools and computer equipment, (ii) motor vehicles; and (iii) fixtures and leasehold improvement. Our property, plant and equipment amounted to RMB1.9 million, RMB1.1 million, RMB4.3 million and RMB4.4 million as of 31 March 2020, 2021, 2022 and 30 September 2022, respectively. Increase for the year ended 31 March 2022 was primarily due to an increase in motor vehicles and properties leased for own use.

Investment properties

Investment properties are properties we retain mainly for rental income purposes and for capital appreciation and properties under construction for such purposes. They are measured initially at cost, including transaction costs and subsequent to initial recognition, measured at fair value. Our investment properties as of 31 March 2020, 2021, 2022 and 30 September 2022 amounted to RMB76.3 million, RMB76.4 million, RMB77.3 million and RMB77.8 million, respectively. The fair value of our investment properties as of each reporting date was valued by an independent professional valuer and has demonstrated a continuous increasing trend during the Track Record Period. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Inventories and other contract costs

Our inventories and other contract costs consist of properties under development for sale and completed properties held for sale. The following table sets forth our property development as at the dates indicated:

	As of 31 March			As of 30 September
	2020	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property development				
Properties under development for sale.	606,868	861,855	149,650	—
Completed properties held for sale . . .	179,405	88,844	876,738	913,041
	786,273	950,699	1,026,388	913,041
Other contract costs	298	2,860	3,497	1,358
Total	786,571	953,559	1,029,885	914,399

Properties under development for sale

Properties for development for sale in our consolidated statements of financial position are accounted for as current assets. Properties under development include properties in respect of which concrete planning and preparatory activities have been approved by management and have commenced. Properties under development are stated at lower of cost comprising land costs, construction costs and capitalised interests during the development period and net realisable value. Upon completion, the properties are transferred to completed properties for sale. The value of our properties under development was approximately RMB606.9 million, RMB861.9 million, RMB149.7 million and nil, respectively, as of 31 March 2020, 2021, 2022 and 30 September

2022. The increase in our properties under development from 2020 to 2021 was primarily due to the construction of Castfast Villas and Louvre Mansion. The decrease in our properties under development from 2021 to 2022 was primarily due to the completion of Castfast Villas. As of 30 September 2022, properties under development for sale had been transferred to completed properties held for sale due to the completion of Louvre Mansion.

Completed properties held for sale

Completed properties held for sale represent completed properties remaining unsold as of the end of each financial period and are stated at the lower of cost and net realisable value. Cost of completed properties for sale is determined by an apportionment of related costs incurred attributable to the unsold properties. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable selling expenses, or by management estimates of the estimated selling prices based on prevailing market conditions. As of 31 March 2020, 2021, 2022 and 30 September 2022, we had completed properties for sale of RMB179.4 million, RMB88.8 million, RMB876.7 million and RMB913.0 million, respectively. The value of the completed properties held for sale as at 30 September 2022 that was sold and delivered subsequent to the Track Record Period and up to 31 October 2022 amounted to approximately RMB10.4 million, representing 1.1% of the total value of the completed properties held for sale as at 30 September 2022.

As the market value of the Group's completed properties held for sale as at 30 September 2022 as stated in the Property Valuation Report in Appendix III to this listing document is higher than their respective costs (after considering, among others, the estimated cost of completion and applicable selling expenses), our Directors are of the view that there is no recoverability issue for the completed properties, and that no provision has been made.

Prepayments, deposits and other receivables

Our prepayments mainly included the prepayments made to our suppliers or contractors in relation to the feasibility studies, advertising and promotional fee and prepayment of VAT. Deposits were deposits for office equipment and tendering of land. Other receivables were mainly receivables of Dongguan Wansheng, our subsidiary for procuring construction materials. The following table sets forth our other receivables as of the dates indicated:

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	34,520	49,103	54,127	18,168
Deposits	364	327	31,876	78,466
Other receivables	4,318	2,903	596	834
	39,202	52,333	86,599	97,468
Representing:				
Non-current portion	43	—	—	—
Current portion	39,159	52,333	86,599	97,468
	39,202	52,333	86,599	97,468

Note:

The balance of deposits as at 31 March 2022 and 30 September 2022 included a deposit of approximately RMB31.1 million and RMB77.6 million paid in the respective periods in respect of the land-bidding for the land situated at Foshan City of the PRC. We have successfully won the bidding on 1 April 2022 at a consideration of approximately RMB155.3 million.

For more details of the land, please refer to the paragraph headed "Description of our development projects — Foshan City" under the section headed "Business" in the listing document.

Prepayments

The following table sets for the breakdown of our prepayments as of the dates indicated.

	As of 31 March			As of 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments				
VAT recoverable and prepayment	32,861	44,144	47,407	3,833
Other	1,659	4,959	6,720	14,335
Total	34,520	49,103	54,127	18,168

VAT recoverable and prepayment balances were in line with our construction activities and sales proceeds received during the respective periods.

Pledged deposits

As of 31 March 2020, 31 March 2022 and 30 September 2022, we recorded pledged deposits of RMB50.0 million, RMB68.7 million and RMB21.9 million, respectively, representing deposits pledged to secure our banking facilities. We had no pledged deposits as of 31 March 2021.

RELATED PARTY TRANSACTIONS

The related party transactions during the Track Record Period are as set forth in note 27 to the Accountants' Report in Appendix I to this listing document.

	Years ended 31 March			**Six months ended 30 September**	
	2020	**2021**	**2022**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales to related parties *(note (i))*	4,650	3,707	—	—	2,740
Construction costs paid to related parties *(note (i))*	30,044	636	—	—	—
Rental expenses paid to related parties *(note (i))*	819	—	—	—	12
Rental income received from related parties *(note (i))*	246	246	246	123	123
Finance costs payable to related parties	9,457	5,963	6,150	3,072	—

Note:

(i) These related party transactions are trade-in-nature.

Balances with related parties

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due from Dongguan Jiale *(note (i))*	436,942	435,621	1,719	5,739
Amount due from Kar Info Property Limited *(note (ii))*	—	—	28,616	—
Amount due from related parties	436,942	435,621	30,335	5,739
Amounts due from fellow subsidiaries *(note (iii))*	52,560	140,684	5,484	335
Amounts due from related companies	489,502	576,305	35,819	6,074
Amount due to Kar Info Property Limited *(note (ii))*	—	—	—	3,221
Amounts due to fellow subsidiaries *(note (iv))*	466,536	543,328	—	26,934
Amount due to related companies	466,536	543,328	—	30,155

Notes:

(i) Represents the amount due from Dongguan Jiale, a new entity established by Mr. Ho as a result of the Corporate Division as mentioned in note 1 to the Accountants' Report. The amount with Dongguan Jiale was paid by Dongguan City Jiaxuntong prior to the Corporate Division to support its ordinary business operations. The amounts are unsecured, interest-free, recoverable on demand and non-trade in nature. The directors of the Company confirm that the amounts will be settled prior to listing of shares of the Company on the Main Board of the Stock Exchange.

During the year ended 31 March 2022, the amount due from the related party of RMB276,278,000 was settled by debt assumption as part of the consideration pursuant to the acquisition agreement of Dongguan City Jiaxuntong, and the amount was recognised as merger reserve as set out in note 24(c)(iii) to the Accountants' Report.

(ii) Represents the amount due from/(to) Kar Info Property Limited, the Vendor for the acquisition of Dongguan City Jiaxuntong that was wholly-owned by Mr. Ho. The balance as at 31 March 2022 was related to LAT payment by Dongguan City Jiaxuntong that was in excess of the provision amount for LAT when acquisition consideration was determined. Such excess amount of RMB28,616,000 would be refunded to our Group pursuant to the acquisition agreement of Dongguan City Jiaxuntong.

During the six months ended 30 September 2022, Dongguan City Jiaxuntong received EIT refund of RMB42,858,000 that was in excess of the net tax positions when acquisition consideration was determined. Such excess amount is entitled by the vendor pursuant to the acquisition agreement of Dongguan City Jiaxuntong. In addition, provision for LAT and EIT related to corporate division, amounted to RMB11,390,000, are payable by Dongguan City Jiaxutong to tax authority, while such amount is payable by the vendor pursuant to the acquisition agreement of Dongguan City Jiaxuntong, this amount is recoverable from the vendor as at 30 September 2022. The amounts are unsecured, interest-free, recoverable/repayable on demand and non-trade in nature. The directors of the Company confirm that the amounts will be settled prior to listing of shares of the Company on the Main Board of the Stock Exchange.

(iii) The amounts due from fellow subsidiaries are unsecured, interest-free, recoverable/repayable on demand and non-trade in nature.

The directors of the Company confirm that the amounts due from fellow subsidiaries will be recovered prior to listing of shares of the Company on the Main Board of the Stock Exchange.

(iv) Throughout the Track Record Period, funding was provided by Karrie International and its fellow subsidiaries to the Group to financially support the Group's operations. The amounts due to fellow subsidiaries are unsecured, interest-free, repayable on demand and non-trade in nature, except for the balance amounted to RMB375,124,000, RMB363,606,000, RMB Nil and RMB Nil as at 31 March 2020, 2021 and 2022 and 30 September 2022 which were deemed to have an effective interest rate of 3.59%, 2.10%, Nil and Nil respectively. The amounts are non-trade in nature.

During the year ended 31 March 2022, the amounts due to related companies of RMB374,400,000 was capitalised as consideration for one share of the Company issued, details of the transaction are more fully explained in the section headed "History, Reorganisation and Corporate Structure" in the Listing Document.

The directors of the Company confirm that the amounts due to related companies will be settled prior to listing of shares of the Company on the Main Board of the Stock Exchange.

The directors of the Company confirm that the amounts due from/to related companies and related companies will be settled prior to Listing. All the balances with the related parties are non-trade in nature.

Save as disclosed in the section headed "Continuing Connected Transactions" in this listing document, there will be no other continuing connected transactions after Listing.

Trade and other payables

Our trade payables were mainly purchases with invoices while our other payables primarily include accruals for construction costs, loan interest payables and other expenses payables.

	As at 31 March			As at 30 September
	2020	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	2,320	901	914
Other payables and accruals	82,904	43,895	164,071	80,628
	82,904	46,215	164,972	81,542

All of the other payables as at 31 March 2020, 2021, 2022 and 30 September 2022 are expected to be settled within one year.

Ageing analysis of trade payables as at the end of the reporting period, based on invoice date, is as follows:

	As at 31 March			As at 30 September
	2020	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 6 months	—	2,320	883	13
6 months to 12 months	—	—	—	883
Over 12 months	—	—	18	18
	—	2,320	901	914

As of the Latest Practicable Date, 1.4% of our trade payables as of 30 September 2022 were subsequently settled.

Lease Liabilities

As of 31 March 2022 and 30 September 2022, we had lease contracts of an exhibition centre used in our operations. This lease has a lease term of five years. The carrying amount of lease liabilities was RMB2.4 million and RMB2.2 million as of 31 March 2022 and 30 September 2022, respectively.

Contract liabilities

Our contract liabilities consist of the amounts received by our Group from customers when they sign the sale and purchase agreement. These receipts in advance are recognised as contract liabilities until the properties are completed and accepted by the customers, or deemed as accepted according to the sale and purchase agreement, whichever is earlier, as the point in time when the control of completed property is transferred to the customer resulting in recognition of the corresponding revenue. All contract liabilities are expected to be recognised as revenue within one year. Our contract liabilities increased from RMB176.0 million as of 31 March 2020 to RMB359.2 million as of 31 March 2021 and further increased to RMB407.2 million as of 31 March 2022, which was aligned with the expansion of our property development activities. Our contract liabilities decreased from RMB407.2 million as of 31 March 2022 to RMB133.5 million as of 30 September 2022, mainly due to the decrease in pre-sale proceeds and the corresponding recognition of revenue as a result of delivery of the development projects.

As of the Latest Practicable Date, RMB31.0 million, representing 23.2% of our contract liabilities as of 30 September 2022 were subsequently recognised as revenue.

NET CURRENT ASSETS

During the Track Record Period, we had met our working capital needs mainly from cash flow from operations, bank and other borrowings and amounts due to fellow subsidiaries.

The following table sets forth a breakdown of our net current assets as of the dates indicated.

	As of 31 March			As of 30 September
	2020	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets				
Inventories and other contract costs	786,571	953,559	1,029,885	914,399
Prepayments, deposits and other receivables	39,159	52,333	86,599	97,468
Amounts due from related companies	489,502	576,305	35,819	6,074
Prepaid taxes	198	4	247	—
Pledged deposits	50,000	—	68,731	21,931
Cash and bank deposits and restricted deposits	220,635	446,860	524,099	369,644
Total current assets	1,586,065	2,029,061	1,745,380	1,409,516
Current liabilities				
Bank borrowings	25,157	85,747	236,479	146,698
Trade and other payables	82,904	46,215	164,972	81,542
Lease liabilities	—	—	514	500
Contract liabilities	176,037	359,239	407,227	133,461
Amounts due to related companies	466,536	543,328	—	30,155
Current tax payable	271,842	432,688	396,056	375,612
Total current liabilities	1,022,476	1,467,217	1,205,248	767,968
Net current assets	563,589	561,844	540,132	641,548

Our net current assets generally decreased during the Track Record Period primarily due to continuous increases in contract liabilities and trade and other payables in line with expansion of our property development activities, partially offset by increases in inventories and other contract costs as we accelerated our business expansion.

Our net current assets increased from RMB540.1 million as of 31 March 2022 to RMB641.5 million as of 30 September 2022 primarily due to decrease in bank borrowing and contract liabilities, partially offset by the decrease in cash and bank deposits and pledged deposits.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our operations are capital intensive, and our primary uses of cash are for the payment of acquisition of land, cost of constructions, staff costs, various operating expenses and capital expenditure and have been funded through a combination of cash generated mainly from our operations, bank borrowing and amounts due to fellow subsidiaries. Following the completion of the Spin-off and the Listing, we intend to continue to fund our cash requirements through our net cash flows from operating activities.

The following table summarises our statements of cash flows during the Track Record Period:

	For the year ended 31 March			For the six months ended 30 September	
	2020	2021	2022	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash generated from operations	86,454	285,634	919,503	319,621	50,759
Income tax paid	(84,202)	(105,719)	(436,115)	(42,792)	(191,133)
Income tax refunded	—	—	—	—	80,015
Net cash generated from/(used in) operating activities	2,252	179,915	483,388	276,829	(60,359)
Net cash generated from investing activities	96,414	8,687	11,181	5,666	2,798
Net cash (used in)/generated from financing activities	(27,364)	38,933	(417,363)	19,594	(99,418)
Increase/(decrease) in cash and cash equivalents	71,302	227,535	77,206	302,089	(156,979)
Cash and cash equivalents at the beginning of the year/period	148,156	220,635	446,860	446,860	524,099
Effect of foreign exchange rate changes	1,177	(1,310)	33	(30)	2,524
Cash and cash equivalents at the end of the year/period	220,635	446,860	524,099	748,919	369,644

Net cash generated from/(used in) operating activities

Our primary source of cash generated from operating activities is proceeds from the sales of our properties, including pre-sales of properties under development. Our primary uses of cash in operating activities are amounts that we pay for our property development activities, including land use rights costs and construction and labour costs.

For the six months ended 30 September 2022, our net cash used in operating activities were RMB60.4 million, which was the results of income tax paid of RMB191.1 million offset by cash generated from operations of RMB50.8 million and income tax refund of RMB80.0 million. Net cash generated from operations was primarily the result of profit before taxation of RMB331.1 million and decrease in inventories and other contract costs of RMB96.7 million, offset by decrease in contract liabilities of RMB273.8 million.

For the year ended 31 March 2022, our net cash generated from operating activities were RMB483.4 million, which was the result of cash generated from operations of RMB919.5 million offset by income tax paid of RMB436.1 million. Net cash generated from operations was primarily the result of profit before taxation of RMB558.2 million, decrease in amounts due from related companies of RMB293.7 million and increase in trade and other payables of RMB102.2 million.

For the year ended 31 March 2021, our net cash generated from operating activities were RMB179.9 million, which was the result of cash generated from operations of RMB285.6 million offset by income tax paid of RMB105.7 million. Net cash generated from operations was primarily the result of profit before taxation of RMB390.0 million, increase in contract liabilities of RMB182.9 million, offset by increase in amounts due from related companies of RMB86.9 million and increase in inventories and other contract costs of RMB127.3 million.

For the year ended 31 March 2020, our net cash generated from operating activities were RMB2.3 million, which was the result of cash generated from operations of RMB86.5 million offset by income tax paid of RMB84.2 million. Net cash generated from operations was primarily the result of profit before taxation of RMB314.3 million, increase in contract liabilities of RMB93.2 million, offset by increase in amounts due from related companies of RMB210.9 million and increase in inventories and other contract costs of RMB124.5 million.

Net cash (used in)/generated from investing activities

Net cash generated from our investing activities is primarily related to cash inflow in connection with interest received and proceeds from redemption of deposits. Net cash used in our investing activities is primarily related to cash outflow in connection with, purchase of property, plant and equipment, addition of investment properties and placement of deposits.

For the six months ended 30 September 2022, our net cash generated from investing activities were RMB2.8 million, primarily attributable to interest received of RMB3.5 million.

For the year ended 31 March 2022, our net cash generated from investing activities were RMB11.2 million, primarily attributable to interest received of RMB12.8 million.

For the year ended 31 March 2021, our net cash generated from investing activities were RMB8.7 million, primarily attributable to interest received of RMB9.2 million and placement and redemption of deposits of RMB125.0 million.

For the year ended 31 March 2020, our net cash generated from investing activities were RMB96.4 million, primarily interest received of RMB7.2 million, proceeds from redemption of deposits of RMB190.0 million offset by placement of deposits of RMB100.0 million.

Net cash (used in)/generated from financing activities

Cash generated from financing activities is primarily related to proceeds from new bank borrowings and increase in amount due to fellow subsidiaries. Cash used in financing activities is primarily related to repayment of bank borrowings, interest paid and distribution paid.

For the six months ended 30 September 2022, our net cash used in financing activities was RMB99.4 million, which was primarily attributable to repayment of bank borrowings of RMB102.2 million and distribution paid of RMB65.0 million partially offset by the decrease in pledged deposits of RMB46.8 million and increase in amounts due to related parties of RMB27.3 million.

For the year ended 31 March 2022, our net cash used in financing activities was RMB417.4 million, which was primarily attributable to repayment of bank borrowings of RMB139.6 million, decrease in amounts due to fellow subsidiaries of RMB162.5 million and increase in pledged deposits of RMB68.7 million.

For the year ended 31 March 2021, our net cash generated from financing activities was RMB38.9 million, which was primarily attributable to decrease in pledged deposits of RMB50.0 million and increase in amounts due to fellow subsidiaries of RMB25.5 million partially offset by distribution paid of RMB20.0 million and interest paid of RMB19.5 million.

For the year ended 31 March 2020, our net cash used in financing activities was RMB27.4 million, which was primarily attributable to repayment of bank borrowings of RMB212.8 million, increase in pledged deposits of RMB50.0 million partially offset by proceeds from new bank borrowings of RMB188.0 million and increase in amounts due to fellow subsidiaries of RMB80.7 million.

Working Capital

Substantial capital expenditures are required in property development for land acquisition and construction. During the Track Record Period, we funded our growth primarily through proceeds generated from pre-sales and sales of our properties and bank borrowings. The availability and cost of financing may be subject to a number of factors, such as measures or initiatives imposed by the PRC government on borrowings. We expect to continue to fund our operations by cash generated from operations and external financing.

After taking into consideration the financial resources available to our Group, including our cash on hand, operating cash flows and banking facilities, and in the absence of unforeseen circumstances, our Directors confirm that we have sufficient working capital for our present requirements, that is for at least the next 12 months from the date of this listing document.

CAPITAL EXPENDITURES

Our Group's capital expenditures have principally consisted of expenditures on acquisitions of property, plant and equipment in our operations. For the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022, our Group incurred capital expenditures of RMB0.7 million, RMB0.2 million, RMB1.6 million and RMB0.7 million, respectively. Between 1 October 2022 and the Latest Practicable Date, we did not make any material capital expenditures.

We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

COMMITMENTS AND CONTINGENT LIABILITIES

We had the following capital commitments and contingent liabilities:

	As of 31 March			As of 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for	301,369	115,173	13,366	80,506

Our property development expenditure commitments as of the end of each reporting period during the Track Record Period were the commitments which will be incurred in accordance with the construction progress of our property development projects. Our Directors believe that we will be able to settle our property development expenditure commitments by proceeds received from the sale and pre-sale of our properties, bank borrowings and internal resources.

The undiscounted lease payments to be received under non-cancellable operating leases by our Group were as follows:

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	64	64	64	64

Contingent liabilities

As of 31 March 2020, 2021, 2022 and 30 September 2022, we have issued guarantees to banks to secure the mortgage arrangements of certain property buyers. The outstanding guarantees to the banks amounted to RMB521.9 million, RMB421.6 million, RMB695.8 million and RMB819.5 million as of 31 March 2020, 2021, 2022 and 30 September 2022, which will be released upon the completion of the transfer procedures with the property buyers in respect of the legal title of the properties.

Our Directors do not consider our Group will sustain a loss under these guarantees as the bank has the rights to sell the property and recovers the outstanding loan balance from the sale proceeds if the property buyers have default payment.

During the Track Record Period, we provided guarantees to secure the loans borrowed by related companies which shall be released upon Listing. The total banking facilities granted to related companies were RMB423.4 million, RMB558.8 million, RMB571.7 million and RMB550.7 million, respectively as of 31 March 2020, 2021 and 2022 and 30 September 2022, respectively. The outstanding bank borrowings of the related companies as of 31 March 2020, 2021 and 2022 and 30 September 2022, amounted to RMB211.4 million, RMB222.2 million, RMB349.6 million and RMB321.6 million, respectively. Our Directors do not consider it is probable that a claim will be made against us under the guarantees.

INDEBTEDNESS

As of 31 March 2020, 2021, 2022 and 30 September 2022, our total borrowings (including interest-bearing bank borrowings, amounts due to related companies and lease liabilities) amounted to RMB848.9 million, RMB913.8 million, RMB238.9 million and RMB179.0 million, respectively.

The following table sets out our indebtedness as of the dates indicated.

	As of 31 March			As of 30 September
	2020	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Bank borrowings — secured and guaranteed	357,213	284,703	—	—
Lease liabilities	—	—	1,859	1,670
Current				
Bank borrowings — secured and guaranteed	25,157	85,747	236,479	146,698
Amounts due to related companies	466,536	543,328	—	30,155
Lease liabilities	—	—	514	500
Total	848,906	913,778	238,852	179,023

As at 31 March 2020, 2021 and 2022 and 30 September 2022, our bank borrowings were repayable as follows.

	As at 31 March			As of 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Portion of bank borrowings repayable within one year and classified as current liabilities	25,157	85,747	236,479	146,698
Portion of bank borrowings repayable after one year and classified as non-current liabilities				
— After 1 year but within 2 years	83,029	284,703	—	—
— After 2 years but within 5 years	274,184	—	—	—
	357,213	284,703	—	—
Total bank borrowings	382,370	370,450	236,479	146,698

The bank borrowings of our Group were guaranteed by our Group's certain subsidiaries and pledged by certain assets of our Group. At the close of business on 30 September 2022, being the latest practicable date for the purpose of this indebtedness statement, we had outstanding bank borrowings of RMB146.7 million which was guaranteed by our certain subsidiary and secured by certain assets of our Group.

As at 31 March 2020, 2021, 2022 and 30 September 2022, some of our Group's banking facilities are subject to the fulfilment of covenants. If our Group were to breach the covenants, the drawn down facilities would become repayable on demand. Our Group regularly monitors our compliance with these covenants. As at 31 March 2020, 2021, 2022 and 30 September 2022, none of the covenants relating to drawn down facilities had been breached. Our Group's banking facilities are subject to restrictive covenants on maintaining minimum deposit balances in our relevant designated escrow accounts. During the Track Record Period, our Group did not breach the restrictive covenants on maintaining minimum deposit balances as required by the respective banks.

Further, our Group's banking facilities are subject to other restrictive covenants including but not limited to (i) pledging the Group's land use rights or other assets with the relevant bank; (ii) fulfilling requirements such as minimum total GFA of the project; and (iii) maintaining adequate insurance coverage. During the Track Record Period, we were not subject to any loan recall or early repayment request by the relevant banks, our Group did not materially breach any restrictive covenants.

During the Track Record Period, we did not experience any delay or default in repayment of bank borrowings nor experience any difficulty in obtaining banking facilities with terms that are commercially acceptable to us. As at the date of this listing document, we did not have any plan for material external debt financing.

As at 30 September 2022, being the latest practicable date for the purpose of this indebtedness statement, the total available banking facilities obtained by us was approximately RMB201.9 million, of which approximately RMB55.7 million was unutilised.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, our Group did not have outstanding at Latest Practicable Date any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet transaction to guarantee the payment obligations of any third parties or related persons other than as disclosed above.

KEY FINANCIAL RATIOS

	As of/for the year ended 31 March			As of/for the six months ended 30 September
	2020	2021	2022	2022
Gross profit margin [(1)]	72.4%	72.7%	75.7%	74.9%
Net profit margin [(2)]	26.8%	27.2%	31.4%	30.3%
Return on equity [(3)]	39.9%	37.3%	32.5%	N/A
Return on total assets [(4)]	7.5%	7.3%	12.3%	N/A
Current ratio [(5)]	1.6	1.4	1.4	1.8
Gearing ratio [(6)]	1.2	0.9	0.3	0.2
Net gearing ratio [(7)]	34.6%	Net Cash	Net Cash	Net Cash

Notes:

(1) Gross profit margin is calculated by dividing the gross profit for the year/period by the revenue for the respective year/period and multiplied by 100%.

(2) Net profit margin is calculated by the profit for the year/period divided by the revenue for the respective year/period and multiplied by 100%.

(3) Return on equity is calculated by dividing the profit for the year with total equity as at the end of the respective year multiplied by 100%.

(4) Return on total assets is calculated by dividing the profit for the year with total assets as at the end of the respective year and multiplied by 100%.

(5) Current ratio is calculated by dividing the current assets by the current liabilities as at the end of the respective dates.

(6) Gearing ratio is calculated by dividing total bank borrowings and lease liabilities with total equity as of the end of the respective dates.

(7) Net gearing ratio is calculated by dividing total bank borrowings and lease liabilities less cash and bank deposits and pledged deposits with total equity as of the end of the respective dates and multiplied by 100%.

Gross profit margin

Please refer to the paragraph headed "Review of historical results of operation" above in this section.

Net profit margin

Please refer to the paragraph headed "Review of historical results of operation" above in this section.

Return on equity

Our return on equity was 39.9%, 37.3% and 32.5% for the years ended 31 March 2020, 2021 and 2022, respectively. For the years ended 31 March 2020, 2021 and 2022, we continued to record an increase in profit for the year which contributed to an increase in our total equity at a greater magnitude given our low level of equity base and therefore our return on equity continued to decrease.

Return on total assets

Our return on total assets remained relatively stable at 7.5%, 7.3% and 12.3% for the years ended 31 March 2020, 2021 and 2022, respectively.

Current ratio

Our current ratio remained relatively stable at 1.6, 1.4, 1.4 and 1.8 times as of 31 March 2020, 2021, 2022 and 30 September 2022, respectively.

Gearing ratio

Our gearing ratio was 1.2, 0.9, 0.3 and 0.2 times as of 31 March 2020, 2021, 2022 and 30 September 2022, respectively. Our decrease in gearing ratio generally corresponds to the gradual decrease in our bank and other borrowings, coupled with effect of the increase in our total equity resulting from the profit for the year/period.

Net gearing ratio

Our net gearing ratio was 34.6% as of 31 March 2020. We had net cash as of 31 March 2021, 31 March 2022 and 30 September 2022, respectively. Our decrease in net gearing ratio generally corresponds to the decrease in our bank and other borrowings, and increment of pre-sale proceeds, coupled with the effect of the increase in our total equity resulting from the profit for the year/period.

The Proposed Three Red Lines Policy

In a public forum held in August 2020, the MOHURD, the PBOC and certain property developers jointly discussed the long term regulatory mechanisms for the real estate sector in the PRC, which indicated that the proposed new standards, regulations or rules governing the external financing of property developers in the PRC as follow.

Three pro forma ratios are required under such newly proposed standard, also known as the "Three Red-Lines", including: (a) liability-to-asset ratio after excluding contractual liabilities should not exceed 70.0%; (b) net gearing ratio should not exceed 100%; and (c) non-restricted cash-to-current borrowing ratio should not be lower than 1.0. For property developers who are not in compliance with all of three red-lines, they need to commit the target of deleveraging by 30 June 2023. It is further stipulated that (i) for property developers which comply with all of the three red-lines, their size of interest bearing liabilities may increase by less than 15% annually; (ii) for property developers which only comply with two of the three red-lines, their size of interest-bearing liabilities may increase by less than 10% annually; (iii) for property developers which only comply with one of the three red-lines, their size of interest-bearing liabilities may increase by less than 5% annually; and (iv) for property developers which fail to comply with all of the three red-lines, their size of interest-bearing liabilities shall not increase at all.

As of 30 September 2022, we had (1) liability-to-asset ratio after excluding contractual liabilities (calculated by dividing total liabilities minus contract liabilities by total assets minus contract liabilities) of 45.6%, which is below the cap ratio of 70.0%; (2) net gearing ratio (calculated based on the total bank borrowings and lease liabilities less cash and bank balances divided by the total equity at the end of the year multiplied by 100%) was not applicable as we were at a net cash position; and (3) non-restricted cash-to-current borrowing ratio (calculated by dividing non-restricted cash and cash equivalents by current borrowings) of 2.7, which was higher than the minimum requirement of 1.0.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risks from changes in market rates and prices, such as interest rates, credit and liquidity.

Interest rate risk

Our Group's interest rate risk arises primarily from bank borrowing issued at variable rates that expose the Group to cash flow interest rate risk. Our Group does not use financial derivatives to hedge against the interest rate risk. Our Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of our Group's bank borrowings and amount due to fellow subsidiaries with deemed interest at the end of the respective period:

	As at 31 March						As at 30 September	
	2020		2021		2022		2022	
	Effective interest rate	*RMB'000*	*Effective interest rate*	*RMB'000*	*Effective interest rate*	*RMB'000*	*Effective interest rate*	*RMB'000*
Borrowings with floating rate:								
Bank borrowings	5.86%	382,370	5.13%	370,450	5.08%	236,479	6.06%	146,698
Amounts due to fellow subsidiaries	3.59%	375,124	2.10%	363,606	—	—	—	—
		757,494		734,056		236,479		146,698

(ii) Sensitivity analysis

At 31 March 2020, 2021 and 2022 and 30 September 2022, it has estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased our Group's profit after taxation and retained earnings by approximately RMB3,056,000, RMB2,991,000, RMB929,000 and RMB594,000 respectively.

In respect of the net exposure to cash flow interest rate risk arising from floating rate bank borrowings held by the Group at the end of the reporting period, the impact on our Group's profit after taxation and retained earnings is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on a consistent basis for the Track Record Period.

The sensitivity analysis above assumes that the change in interest rates had occurred at the end of the reporting period and had been applied to all floating rate bank and other borrowings, without taking into account the impact of interest capitalisation.

Currency risk

Our Group operates primarily in the PRC and most of its business transactions, assets and liabilities are denominated in RMB and Hong Kong dollars. Currency risk arises from commercial transactions, recognised assets and liabilities and net investments in foreign operations that are denominated in a currency that is not the entity's functional currency. Our management considers that our Group is mainly exposed to foreign currency risk with respect to United States Dollars. Our management will continue to monitor foreign exchange exposure and will take measures to minimise the currency translation risk. The conversion rate of RMB to foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

The following table details the currency portfolio of our Group's monetary assets denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the portfolio are expressed in RMB, translated using the spot rate at the end of the reporting period:

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank deposits in USD	3,049	94	65	69

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

[REDACTED]

For the year ended 31 March 2020, we did not incur any **[REDACTED]** for the Listing. We incurred **[REDACTED]** of approximately RMB**[REDACTED]**, RMB**[REDACTED]** and RMB**[REDACTED]** for the year ended 31 March 2021 and 2022 and the six months ended 30 September 2022. Approximately RMB**[REDACTED]** of **[REDACTED]** is expected to be recognised and charged to our consolidated statements of profit or loss subsequent to the Track Record Period. The total amount of **[REDACTED]** for the Listing are estimated to be RMB**[REDACTED]**, of which (i) no **[REDACTED]** expenses (including but not limited to commission and fee) will be involved due to **[REDACTED]**, (ii) **[REDACTED]** expenses amount to RMB**[REDACTED]** , comprising fees and expenses of accountants of RMB**[REDACTED]**, fees and expenses of legal advisors RMB**[REDACTED]** and other fees and expenses of RMB**[REDACTED]**.

DIVIDEND POLICY

Prior to the acquisition of Dongguan City Jiaxuntong which was approved by the shareholders of Karrie International on 21 February 2022, our Company has distributed and paid RMB10,000,000 and RMB20,000,000 to Mr. Ho Cheuk Fai respectively during the year ended 31 March 2020 and 2021 respectively. During the year ended 31 March 2021, dividend of RMB61,636,000 have also been declared and was capitalised as part of loan capitalisation on 8 March 2022. Such dividend was declared by Castfast Industrial and Kwong Hing to Karrie International B.V.I., the immediate holding company that is a subsidiary of Karrie International and will not be part of our Group after the completion of Reorganisation. During the six months ended 30 September 2022, our Company declared and paid an interim dividend of RMB65,000,000 to Karrie International. We may declare dividends in the future after taking into account various factors. Any declaration of dividends, is subject to our results of operations, working capital and cash position, future business and earnings, capital requirements, contractual restrictions, if any, as well as any other factors which our Directors may consider relevant. In addition, any declaration and payment as well as the amount of the dividends will be subject to the provisions of (i) our Articles of Association, which require any final dividends to be approved by our Shareholders at a general meeting, and (ii) the Cayman Companies Act, which provides that dividends may be paid out of sums standing to the credit of its share premium account provided that immediately following the payment of dividend, our Company shall be able to pay its debts as they fall due in the ordinary course of business. Any future declarations and payments of dividends will be at the discretion of our Directors and may require the approval of our Shareholders. Under applicable PRC law, each of our subsidiaries in the PRC may only distribute after-tax profits after it has made allocations or allowances for recovery of accumulated losses and allocations to the statutory reserves.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 2 September 2020 and is an investment holding company. As at 30 September 2022, our reserves available for distribution to our shareholders were RMB390.2 million.

UNAUDITED PRO FORMA STATEMENT ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the Listing on our consolidated net tangible assets attributable to the owners of our Company as at 30 September 2022 as if the Listing had taken place on 30 September 2022. Because of its hypothetical nature, the following unaudited pro forma statement may not give a true picture of our consolidated net tangible assets as at 30 September 2022 or as at any future dates following the Listing.

	Consolidated net tangible assets attributable to equity shareholders of our Company as at 30 September 2022(1)	Estimated [REDACTED](2)	Subscription of Shares paid by Karrie International(3)	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of our Company	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of our Company per share(4)(5)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on **[REDACTED]** Shares issued prior to the Listing	748,697	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of our Company as of 30 September 2022 is based on the consolidated total equity attributable to the equity shareholders of our Company of RMB748,697,000 as at that date, as shown in the Accountants' Report, the text of which is set out in Appendix I to this listing document.

(2) The estimated listing **[REDACTED]** include professional fees payable to the sponsor, legal advisors of our Company and sponsor, the reporting accountants and other listing related expenses to be incurred by our Group subsequent to 30 September 2022. Our Company incurred **[REDACTED]** of RMB**[REDACTED]** for the year ended 31 March 2021, RMB**[REDACTED]** for the year ended 31 March 2022 and RMB**[REDACTED]** for the six months ended 30 September 2022.

(3) To facilitate the distribution in specie by Karrie International and the Listing of the Company, Karrie International will subscribe for such number of new Shares as is equal to **[REDACTED]** of the number of Karrie International Shares in issue as at the Distribution Record Date, which is expected to be **[REDACTED]** shares, for a total subscription price of HK$**[REDACTED]** (equivalent to RMB**[REDACTED]**), which will be paid by Karrie International to our Company in cash.

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of our Company per Share is arrived after the above adjustment and on the basis that a total of **[REDACTED]** shares were issued prior to the Listing, but taking no account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issue Mandate and the Repurchase Mandate, or any Karrie International shares that may be allotted and issued upon the exercise of the Karrie International Share Options.

(5) The unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of our Company per Share is converted from Renminbi into Hong Kong dollar at the exchange rate of RMB1.00 to HK$1.1. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(6) The Group's property interests located in the People's Republic of China (the "**PRC**") as at 30 September 2022 have been valued by Cushman & Wakefield Limited, an independent property valuer. Details of the valuation is set out in Appendix III to this listing document. The above unaudited pro forma statement of adjusted consolidated net tangible assets does not take into account the surplus arising from the revaluation of the Group's property interests as at 30 September 2022. The revaluation surplus for the Group's properties held for development and held for sale as at 30 September 2022 has not been recorded in the historical financial information of the Group as at 30 September 2022 and will not be recorded in the consolidated financial statements of the Group in future periods as the Group's inventories are stated at the lower of cost and net realisable value. The revaluation surplus for the Group's properties held for investment as at 30 September 2022 has been recorded in the historical financial information of the Group as at 30 September 2022 as the Group's investment properties are stated at their fair value. No additional annual depreciation would be charged against the profit in the future periods had the Group's properties been stated at valuation.

(7) No adjustment has been made to the unaudited pro forma consolidated net tangible assets to reflect any trading result or other transactions of the Group entered into subsequent to 30 September 2022.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, there has been no material adverse change in our financial position since 30 September 2022 and there has been no event since 30 September 2022 that would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I to this listing document.

The following is the text of a report set out on pages I-1 to I-83, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this listing document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF KRP DEVELOPMENT HOLDINGS LIMITED AND DONGXING SECURITIES (HONG KONG) COMPANY LIMITED

Introduction

We report on the historical financial information of KRP Development Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-83 which comprises the consolidated statements of financial position of the Group as at 31 March 2020, 2021 and 2022 and 30 September 2022, the statements of financial position of the Company as at 31 March 2021 and 2022 and 30 September 2022, the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022 (the "**Relevant Periods**"), and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-83 forms an integral part of this report, which has been prepared for inclusion in the listing document of the Company dated **[REDACTED]** (the "**Listing Document**") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial

Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's financial position as at 31 March 2021 and 2022 and 30 September 2022, and the Group's financial position as at 31 March 2020, 2021 and 2022 and 30 September 2022, and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended 30 September 2021 and other explanatory information (the "**Stub Period Corresponding Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

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

Dividends

We refer to note 24(e) to the Historical Financial Information which contains information about the dividends paid in respect of the Relevant Periods.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
[REDACTED]

HISTORICAL FINANCIAL INFORMATION

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

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

*(Expressed in Renminbi ("**RMB**"))*

		Years ended 31 March			Six months ended 30 September	
	Note	2020	2021	2022	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	4	481,778	590,803	775,555	359,868	473,010
Cost of revenue		(132,756)	(161,477)	(188,554)	(88,717)	(118,577)
Gross profit		349,022	429,326	587,001	271,151	354,433
Other net income/gains	6	2,368	1,153	2,547	820	1,688
Selling expenses		(16,665)	(17,989)	(10,533)	(4,558)	(8,150)
General and administrative expenses		(16,588)	(31,427)	(29,600)	(9,502)	(18,180)
Operating profit		318,137	381,063	549,415	257,911	329,791
Finance income	7(a)	7,198	9,235	12,764	5,722	3,507
Finance costs	7(a)	(11,021)	(314)	(4,018)	(941)	(2,185)
Finance (costs)/income, net		(3,823)	8,921	8,746	4,781	1,322
Profit before taxation	7	314,314	389,984	558,161	262,692	331,113
Income tax charge	8(a)	(185,377)	(229,481)	(314,501)	(147,427)	(187,986)
Profit for the year/period		128,937	160,503	243,660	115,265	143,127
Earnings per share						
— Basic and diluted	11	N/A	N/A	N/A	N/A	N/A

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in RMB)

	Years ended 31 March			Six months ended 30 September	
	2020	**2021**	**2022**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit for the year/period	128,937	160,503	243,660	115,265	143,127
Other comprehensive income for the year/period					
Item that will not be reclassified to profit or loss:					
Remeasurement of provision for long service payments	—	(243)	105	—	—
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of financial statements of operations outside Mainland China	(24,407)	28,589	13,674	6,057	(42,104)
Other comprehensive income for the year/period	(24,407)	28,346	13,779	6,057	(42,104)
Total comprehensive income for the year/period	104,530	188,849	257,439	121,322	101,023

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

	Note	As at 31 March 2020	As at 31 March 2021	As at 31 March 2022	As at 30 September 2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*12*	1,934	1,134	4,284	4,387
Investment properties	*13*	76,250	76,400	77,300	77,790
Deferred tax assets	*21(b)*	56,666	93,997	148,235	83,242
Other non-current assets	*15*	43	—	—	—
		134,893	171,531	229,819	165,419
Current assets					
Inventories and other contract costs	*14*	786,571	953,559	1,029,885	914,399
Prepayments, deposits and other receivables	*15*	39,159	52,333	86,599	97,468
Amounts due from related companies	*27(d)*	489,502	576,305	35,819	6,074
Prepaid taxes	*21(a)*	198	4	247	
Pledged deposits	*16*	50,000	—	68,731	21,931
Cash and bank deposits	*17(a)*	220,635	446,860	524,099	369,644
		1,586,065	2,029,061	1,745,380	1,409,516
Current liabilities					
Bank borrowings	*18*	25,157	85,747	236,479	146,698
Trade and other payables	*19*	82,904	46,215	164,972	81,542
Lease liabilities	*22*	—	—	514	500
Contract liabilities	*20*	176,037	359,239	407,227	133,461
Amounts due to related companies	*27(d)*	466,536	543,328	—	30,155
Current tax payable	*21(a)*	271,842	432,688	396,056	375,612
		1,022,476	1,467,217	1,205,248	767,968
Net current assets		563,589	561,844	540,132	641,548
Total assets less current liabilities		698,482	733,375	769,951	806,967

		As at 31 March			As at 30 September
	Note	**2020**	**2021**	**2022**	**2022**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities					
Provision for long service payable		—	254	146	164
Bank borrowings	*18*	357,213	284,703	—	—
Lease liabilities	*22*	—	—	1,859	1,670
Deferred tax liabilities	*21(b)*	18,194	18,130	19,272	20,436
		375,407	303,087	21,277	22,270
NET ASSETS		323,075	430,288	748,674	784,697
CAPITAL AND RESERVES					
Share capital	*24(b)*	51,134	51,134	—*	—*
Reserves		271,941	379,154	748,674	784,697
TOTAL EQUITY		323,075	430,288	748,674	784,697

* The balance represents an amount less than RMB500.

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in RMB)

	Note	31 March 2021	31 March 2022	30 September 2022
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Interest in a subsidiary	*23(a)*	—*	375,615	375,615
Current assets				
Amount due from a subsidiary	*23(b)*	—	—	87,243
Current liabilities				
Amount due to a subsidiary	*23(b)*	—*	(27)	(72,682)
NET ASSETS		—*	375,588	390,176
CAPITAL AND RESERVES	*24(a)*			
Share capital		—*	—*	—*
Reserves		—*	375,588	390,176
TOTAL EQUITY		—*	375,588	390,176

* The balance represents an amount less than RMB500.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

	Share capital	Share premium	Exchange reserve	Statutory surplus reserve	Merger reserve	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 24(b))		*(note 24(c)((i))*	*(note 24(c)(ii)*	*(note 24(c)(iii))*		
Balance at 1 April 2019	51,134	40	(1,066)	11,040	—	167,397	228,545
Changes in equity for the year ended 31 March 2020:							
Profit for the year	—	—	—	—	—	128,937	128,937
Other comprehensive income	—	—	(24,407)	—	—	—	(24,407)
Total comprehensive income	—	—	(24,407)	—	—	128,937	104,530
Appropriation of statutory surplus reserve	—	—	—	14,497	—	(14,497)	—
Distribution *(note 24(e))*	—	—	—	—	—	(10,000)	(10,000)
Balance at 31 March 2020 and 1 April 2020	51,134	40	(25,473)	25,537	—	271,837	323,075
Changes in equity for the year ended 31 March 2021:							
Profit for the year	—	—	—	—	—	160,503	160,503
Other comprehensive income	—	—	28,589	—	—	(243)	28,346
Total comprehensive income	—	—	28,589	—	—	160,260	188,849
Issuance of shares *(note 24(b)(i))*	—*	—	—	—	—	—	—*
Appropriation of statutory surplus reserve	—	—	—	2,419	—	(2,419)	—
Distribution *(note 24(e))*	—	—	—	—	—	(81,636)	(81,636)
Balance at 31 March 2021	51,134	40	3,116	27,956	—	348,042	430,288
Balance at 1 April 2021	51,134	40	3,116	27,956	—	348,042	430,288
Changes in equity for the year ended 31 March 2022:							
Profit for the year	—	—	—	—	—	243,660	243,660
Other comprehensive income	—	—	13,674	—	—	105	13,779
Total comprehensive income	—	—	13,674	—	—	243,765	257,439
Issuance of shares *(note 24(b))*	—*	374,400	—	—	—	—	374,400
Appropriation of statutory surplus reserve	—	—	—	24,608	—	(24,608)	—
Effect arising from the Reorganisation *(note 24(c)(iii))*	(51,134)	(40)	—	—	(262,279)	—	(313,453)
Balance at 31 March 2022	—*	374,400	16,790	52,564	(262,279)	567,199	748,674

* The balance represents an amount less than RMB500.

(Unaudited)	Share capital	Share premium	Exchange reserve	Statutory surplus reserve	Merger reserve	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 24(b))		*(note 24(c)(i))*	*(note 24(c)(ii)*	*(note 24(c)(iii))*		
Balance at 1 April 2021	51,134	40	3,116	27,956	—	348,042	430,288
Changes in equity for the six months ended 30 September 2021:							
Profit for the period	—	—	—	—	—	115,265	115,265
Other comprehensive income	—	—	6,057	—	—	—	6,057
Total comprehensive income	—	—	6,057	—	—	115,265	121,322
Appropriation of statutory surplus reserve	—	—	—	11,573	—	(11,573)	—
Balance at 30 September 2021	51,134	40	9,173	39,529	—	451,734	551,610
Balance at 1 April 2022	—*	374,400	16,790	52,564	(262,279)	567,199	748,674
Changes in equity for the six months ended 30 September 2022:							
Profit for the period	—	—	—	—	—	143,127	143,127
Other comprehensive income	—	—	(42,104)	—	—	—	(42,104)
Total comprehensive income	—*	—	(42,104)	—	—	143,127	101,023
Appropriation of statutory surplus reserve	—	—	—	15,151	—	(15,151)	—
Distribution *(note 24(e))*		(8,000)				(57,000)	(65,000)
Balance at 30 September 2022	—*	366,400	(25,314)	67,715	(262,279)	638,175	784,697

* The balance represents an amount less than RMB500.

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in RMB)

	Note	Years ended 31 March			Six months ended 30 September	
		2020	2021	2022	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
OPERATING ACTIVITIES						
Cash generated from operations	*17(b)*	86,454	285,634	919,503	319,621	50,759
Income tax paid		(84,202)	(105,719)	(436,115)	(42,792)	(191,133)
Income tax refunded		—	—	—	—	80,015
Net cash generated from/(used in) operating activities		2,252	179,915	483,388	276,829	(60,359)
INVESTING ACTIVITIES						
Payment for the addition of property, plant and equipment		(784)	(163)	(1,583)	(56)	(709)
Payment for the addition of investment properties		—	(385)	—	—	—
Interest received		7,198	9,235	12,764	5,722	3,507
Placement of deposits with more than three months to maturity when placed		(100,000)	(125,000)	—	—	—
Proceeds from redemption of deposits with more than three months to maturity when placed		190,000	125,000	—	—	—
Net cash generated from investing activities		96,414	8,687	11,181	5,666	2,798
FINANCING ACTIVITIES						
Proceeds from new bank borrowings	*17(c)*	188,019	6,886	9,661	9,661	—
Repayment of bank borrowings	*17(c)*	(212,818)	(4,000)	(139,569)	(85,016)	(102,236)
Interest paid	*17(c)*	(23,232)	(19,467)	(19,062)	(8,558)	(6,062)
Increase/(decrease) in amounts due to related parties	*17(c)*	80,667	25,514	(162,487)	103,507	27,334
Capital element of lease rental paid	*17(c)*	—	—	—	—	(203)
Interest element of lease rental paid	*17(c)*	—	—	—	—	(51)
Payment for the acquisition of Jiaxuntong and Kar Info International	*24(c)(iii)*	—	—	(37,175)	—	—
(Increase)/decrease in pledged deposits		(50,000)	50,000	(68,731)	—	46,800
Distribution paid	*24(e)*	(10,000)	(20,000)	—	—	(65,000)

		Years ended 31 March			Six months ended 30 September	
	Note	**2020**	**2021**	**2022**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash (used in)/generated from financing activities		(27,364)	38,933	(417,363)	19,594	(99,418)
Increase/(decrease) in cash and cash equivalents		71,302	227,535	77,206	302,089	(156,979)
Cash and cash equivalents at the beginning of the year/period		148,156	220,635	446,860	446,860	524,099
Effect of foreign exchange rate changes		1,177	(1,310)	33	(30)	2,524
Cash and cash equivalents at the end of the year/period	*17(a)*	220,635	446,860	524,099	748,919	369,644

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

KRP Development Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 2 September 2020 as an exempted company with limited liability under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The ultimate holding company of the Company is Karrie International Holdings Limited ("**KIHL**") which is incorporated in Bermuda with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. The Company and its subsidiaries (together, "**the Group**") are principally engaged in development and sales of residential properties in Dongguan, Huizhou and Foshan the Greater Bay Area.

During the Relevant Periods, the principal activities of the Group were carried out by certain companies controlled by the controlling shareholder of KIHL, including certain subsidiaries of KIHL. To rationalise the corporate structure in preparation of the listing of the Company's shares on the Stock Exchange, the Group underwent a group reorganisation ("**Reorganisation**"), as more fully explained in the section headed "History, Reorganisation and Corporate Structure" in the Listing Document.

As part of the Reorganisation, the Company acquired Dongguan City Jiaxuntong Computer Projects Limited ("**Jiaxuntong**") and Kar Info International Property Limited ("**Kar Info International**"), the companies which shared control with KIHL over the development and sales of the residential units of Phase 3 of Castfast Villas (the "**Property Development Project**") with a total net cash consideration of RMB37,175,000 during the Relevant Periods ("**Acquisitions**"). Prior to the Reorganisation, Jiaxuntong completed a corporate division ("**Corporate Division**") such that only the assets and liabilities in connection with the Property Development Project was retained by Jiaxuntong, whereas all other businesses, assets and liabilities unrelated to the Property Development Project were transferred to 東莞嘉樂企業發展有限公司 ("**Dongguan Jiale**"), a new entity outside of the Group. As far as the financial information of Jiaxuntong and Kar Info International are concerned, the Historical Financial Information only includes those assets, liabilities, results of operations and cash flows attributable to the Property Development Project during the Relevant Periods to reflect the substance of the Group's principal activities during the periods. Transactions and balances attributed to the Property Development Project have been included in the Historical Financial Information based on specific identification.

After the completion of the Reorganisation on 22 March 2022, the Company has become the holding company of the Group. The companies now comprising the Group were under common control by Mr. Ho before and after the Reorganisation. The control is not transitionary and, consequently, there was a continuation of the risks and benefits to the controlling shareholder. Therefore, the Reorganisation is a business combination of entities under common control. The Historical Financial Information has been prepared using the merger basis of accounting as if the companies or businesses now comprising the Group have been consolidated at the beginning of the Relevant Periods. The assets and liabilities of the companies now comprising the Group are consolidated using the historical carrying amounts from the perspective of the controlling shareholder.

The consolidated statements of profit or loss, the consolidated statements of profits or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group include the consolidated results of operations of the companies now comprising the Group for the Relevant Periods as if the current group structure had been in existence throughout the Relevant Periods (or where a company now comprising the Group was incorporated or established at a date later than 1 April 2019, for the period from the date of incorporation or establishment, where this is a shorter period). The consolidated statements of financial position of the Group as at 31 March 2020, 2021 and 2022 and 30 September 2022 have been prepared to present the state of affairs of the Group as at the respective dates as if the Reorganisation had occurred at the beginning of the Relevant Periods, taking into account the respective dates of incorporation or establishment, where applicable.

The intra-group balances, transactions and unrealised gains/losses on intra-group transactions were eliminated in full in preparing the Historical Financial Information.

As at the date of this report, no audited financial statements have been prepared for the Company, as it has not carried on any business since the date of incorporation and is not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies.

Company name	Date and place of incorporation/ establishment	Particulars of issued and paid-in capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity	*Notes*
Benefit Master Limited	8 September 2015, British Virgin Islands ("**BVI**")	US$1	100%	—	Investment holdings	*(i)*
Massive Era Limited	1 April 2015, BVI	US$1	—	100%	Investment holdings	*(i)*
Gold Praiseworthy Limited	1 June 2012, BVI	US$1	—	100%	Investment holdings	*(i)*
Abundant Tech International Development Limited	1 February 2017, BVI	US$1	—	100%	Dormant	*(i)*
Kar Info International	15 April 2015, BVI	US$100	—	100%	Investment holdings	*(i)*
Castfast Industrial (Yan Tien) Limited	29 September 1987, Hong Kong	Ordinary shares of HK$100	—	100%	Investment holdings	*(ii)*
		Non-voting deferred shares of HK$10,000				
Karrie Properties Management Limited	11 March 1988, Hong Kong	Ordinary shares of HK$10	—	100%	Dormant	*(ii)*
		Non-voting deferred shares of HK$2				
Kar Gain Enterprise Company Limited	4 December 2014, Hong Kong	HK$10,000	—	100%	Investment holdings	*(ii)*
Kar King Development Company Limited	10 October 2012, Hong Kong	HK$1	—	100%	Investment holdings	*(ii)*

Company name	Date and place of incorporation/ establishment	Particulars of issued and paid-in capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity	*Notes*
Kar York Industrial Company Limited	26 May 2014, Hong Kong	HK$10,000	—	100%	Investment holdings	*(ii)*
KRP Development Company Limited	9 June 2021, Hong Kong	HK$1	—	100%	Investment holdings	*(i)*
Kwong Hing Computer Metallic Components Limited.	11 December 1981, Hong Kong	Ordinary shares of HK$100 Non-voting deferred shares of HK$1,250,010	—	100%	Properties holdings	*(ii)*
Gold Praiseworthy Wedding Convention Limited.	23 August 2012, Hong Kong	HK$1	—	100%	Investment holdings	*(ii)*
東莞嘉創房地產開發有限公司 (Dongguan Karrie Properties Development Company Limited)	17 September 2013, People's Republic of China ("**PRC**")	US$43,700,000	—	100%	Real estate development	*(iii), (vii)*
東莞市嘉灝實業有限公司 (Dongguan City Jiahao Industry Limited Co. Ltd.).	8 March 2016, PRC	RMB1,000,000	—	100%	Commercial housing sales	*(iii), (vii)*
博羅縣嘉盈利房地產開發有限公司 (Boluo County Jiayingli Real Estate Development Company Limited)	11 January 2017, PRC	RMB78,501,000	—	100%	Real estate development	*(iv), (vii)*

Company name	Date and place of incorporation/ establishment	Particulars of issued and paid-in capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity	*Notes*
東莞萬升貿易有限公司 (Dongguan Wansheng Trading Company Limited)	21 March 2017, PRC	RMB0	—	100%	Trading of materials	*(iii), (vii)*
東莞嘉輝婚慶會展服務有限公司 (Dongguan Jiahui Wedding Exhibition Service Company Limited)	1 August 2013, PRC	HK$1,000,000	—	100%	Investment holdings	*(v), (vii)*
東莞市嘉訊通電腦產品有限公司 (Dongguan City Jiaxuntong Computer Products Limited)	7 September 2000, PRC	RMB50,000,000	—	100%	Real estate development	*(iii), (vii)*
東莞嘉鼎房地產開發有限公司 (Dongguan Jiading Properties Development Company Limited)	11 May 2021, PRC	RMB0	—	100%	Real estate development	*(vi), (vii)*
佛山市嘉諾房地產開發有限公司 (Foshan City Jianuo Properties Development Company Limited)	5 July 2021, PRC	RMB0	—	95%	Real estate development	*(vi), (vii)*
東莞嘉灃房地產開發有限公司 (Dongguan Jiafeng Properties Development Company Limited)	4 July 2021, PRC	RMB0	—	100%	Real estate development	*(vi), (vii)*

Company name	Date and place of incorporation/ establishment	Particulars of issued and paid-in capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity	*Notes*
東莞嘉展房地產開發有限公司 (Dongguan Jiazhan Properties Development Company Limited)	30 September 2021, PRC	RMB0	—	100%	Real estate development	*(vi), (vii)*
佛山嘉鎮房地產開發有限公司 (Foshan Jiazhen Properties Development Company Limited)	9 March 2022, PRC	RMB0	—	100%	Real estate development	*(vi), (vii)*
佛山嘉荷房地產開發有限公司 (Foshan Jiahe Properties Development Company Limited)	11 March 2022, PRC	RMB0	—	100%	Real estate development	*(vi), (vii)*

Notes:

(i) As at the date of this report, no audited financial statements have been prepared for these entities as they are not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

(ii) The statutory financial statements of these companies for the years ended 31 March 2020, 2021 and 2022 were prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and audited by KPMG.

(iii) These companies are wholly-owned foreign enterprises established in the PRC. The statutory financial statements of these companies for the years ended 31 December 2019, 2020 and 2021 were prepared in accordance with Accounting Standards for Business Enterprises applicable to the enterprises in the PRC ("**ASBE**") and audited by 東莞市勤思會計師事務所.

(iv) The company is a wholly-owned foreign enterprise established in the PRC. The statutory financial statements of this company for the years ended 31 December 2019, 2020 and 2021 were prepared in accordance with ASBE. The statutory financial statements for the years ended 31 December 2019 and 2020 were audited by 惠州康海會計師事務所 while the statutory financial statements of this company for the year ended 31 December 2021 were audited by 惠州安眾會計師事務所.

(v) The company is a wholly-owned foreign enterprise established in the PRC. The statutory financial statements of this company for the years ended 31 December 2019, 2020 and 2021 were prepared in accordance with ASBE and audited by 東莞市勤思會計師事務所.

(vi) These companies are wholly-owned foreign enterprises established in the PRC and have been inactive since their establishment. These companies are not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation throughout the Relevant Periods.

(vii) The official names of these entities are in Chinese. The English names of these companies are for identification purpose only.

The Historical Financial Information has been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the HKICPA. Further details of the significant accounting policies adopted are set out in note 2.

2 SIGNIFICANT ACCOUNTING POLICIES

The HKICPA has issued a number of new amendments to HKFRSs. For the purpose of preparing the Historical Financial Information, the accounting policies set out in note 2 have been applied consistently throughout the Relevant Periods. The Group has not applied any new standards or interpretation that is not yet effective during the Relevant Periods. The new accounting standards and interpretations issued but not yet effective for the accounting year beginning on or after 1 April 2023 are set out in note 28.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

(a) Basis of measurement

The Historical Financial Information are presented in RMB, rounded to the nearest thousand.

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except where stated otherwise in the accounting policies set out below.

(b) Use of estimates and judgements

The preparation of the Historical Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in note 3.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is included in the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows, and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

Business combination involving entities under common control

The Historical Financial Information consolidates the financial results and the financial position of the entities or business which are acquired through business combination under common control as if they had been consolidated from the earliest date presented or since the date when these consolidating entities or business first came under the control of the controlling party, where there is a shorter period.

The assets and liabilities of the consolidating entities or business are consolidated using the existing book values from the controlling shareholder's perspective. No amount is recognised in consideration for goodwill or excess of the acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling shareholder's interest.

The consolidated statements of profit or loss, and consolidated statements of profit or loss and other comprehensive income include the results of each of the consolidating entities or business from the earliest date presented or since the date when the consolidating entities or business first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between consolidating entities or business are eliminated on consolidation.

(d) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses (see note 2(g)(ii)). Historical cost includes expenditure that is directly attributable to the acquisition of the item.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any replaced parts are derecognised accordingly. All other repairs and maintenance are expensed in profit or loss during the financial period in which they are incurred.

Gain or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write-off the cost of items of property, plant and equipment using the straight-line method over their estimated useful lives as follows:

— Fixtures and leasehold improvements	3–5 years
— Furniture, tools and computer equipment	3–5 years
— Motor vehicles	5 years
— Properties leased for own use	Over the lease term

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(e) Investment properties

Investment properties are land and buildings which are owned or held under a leasehold interest (see note 2(f)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(q)(ii).

(f) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(d) and 2(g)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consolidation for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In the case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective rate of the modification.

In the consolidated statements of financial position, the Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and presents lease liabilities separately. The current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(q)(ii).

(g) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("**ECLs**") on the financial assets measured at amortised cost (including cash and bank deposits, amounts due from related companies, pledged deposits and prepayments, deposits and other receivables).

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present values of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held) or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

— failure to make payments of principal or interest on their contractual due dates;

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

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

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 2(q)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Groups assess whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or past due event;

— it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that property, plant and equipment, including right-of-use assets (other than property carried at revalued amounts) may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of the recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(h) Inventories and contract costs

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process.

Inventories are carried at the lower of cost and net realisable value as follows:

(i) Property development

— *Leasehold land held for development for sale*

The cost of leasehold land, which is held for development for sale, represents the cost of acquisition and the premium, if any, payable to the relevant government authorities. Net realisable value is determined by the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

— *Property under development for sale*

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of interests in leasehold land, aggregate cost of development, materials and supplies, wages and other direct expenses and an appropriate proportion of overheads and borrowing costs capitalised (see note 2(s)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

— *Completed property held for sale*

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In the case of completed properties developed by the Group which comprise of multiple units which are sold individually, the cost of each unit is determined by apportionment of the total development costs for that development project to each unit on a per square meter basis, unless another basis is more representative of the cost of the specific unit. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 2(h)(i)) or property, plant and equipment (see note 2(d)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (for example, an incremental sales commission). Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfiling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2(q).

(i) Other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables that do not contain a significant financing component are initially measured at their transaction price. Receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 2(g)(i)).

(j) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(q)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(i)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(q)).

(k) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expenses is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(s)).

(l) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statements. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 2(g)(i).

(n) Employee benefits

(i) Employee leave entitlement

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

Group companies operate a defined contribution plan under which the Group pays fixed contributions into a separate entity on a mandatory, contractual or voluntary basis. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due and are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Retirement plan — Long service payments

The Group's net obligation in respect of long service payments to its employees upon the termination of their employment or retirement when the employee fulfils certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. The discount rate is the yield at the end of the reporting period on high quality corporate bonds which have terms to maturity approximating the terms of the related liability. The actuarial gains or losses are credited or charged to the consolidated statements of profit or loss and other comprehensive income in the current period.

(iv) Other compensations

Other directors' and employees' compensations are recorded as a liability and charged to profit or loss when the Group is contractually obliged or when there is a past practice that has created a constructive obligation and the associated services are rendered by the employees.

(o) Income tax

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(e), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    — the same taxable entity; or

— different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(q) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of properties

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when the property is accepted by the customer, or deemed as accepted according to the contract, whichever is earlier, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statements of financial position under contract liabilities (see note 2(j)).

If any advance payments received from the buyers are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the date of delivery property. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, *Borrowing costs*, in accordance with the policies set out in note 2(s).

(ii) Rental income

Rental income is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

(iii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(g)(i)).

(r) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the Historical Financial Information of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Historical Financial Information are presented in RMB, which is the Company's presentation currency.

(ii) Transactions and balances

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of operations with functional currency other than RMB are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statements of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

The Group manages its business as a whole as property development is the only reporting segment. The Historical Financial Information is presented in a manner consistent with the way in which information is reported retaining to the Group's senior executive management for the purpose of resource allocation and performance assessment.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates may be different from the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future years are discussed below.

(a) PRC Land Appreciation Tax ("LAT")

As explained in note 8(a), LAT is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing cost and relevant property development expenditures. Given the uncertainties of the calculation basis of land appreciation tax to be interpreted by the local tax bureau and the actual appreciation of land value may be different from the original estimates, the actual outcomes may be higher or lower than that estimated at the end of the reporting period. Any increase or decrease in estimates would affect the amount recognised in the profit or loss.

(b) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses and other deductible temporary differences carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised.

(c) Valuation of investment properties

As described in note 13, investment properties are stated at fair value based on the valuation performed by an independent firm of professional surveyors.

In determining the fair value of investment properties, the valuers have used the director comparison method and the replacement cost method, which involves, inter alia, certain estimates including adjustment factors on the timing, location and other individual factors for its comparable transactions. In relying on the valuation report, management has exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

4 REVENUE

	Years ended 31 March			Six months ended 30 September	
	2020	**2021**	**2022**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Recognised at a point in time under HKFRS 15:					
Sale of properties	481,778	590,803	775,555	359,868	473,010

The principal activities of the Group are property sales and development in Dongguan, Huizhou and Foshan in the Greater Bay Area.

Revenue represents the income from sale of properties, net of sales related taxes and discounts allowed.

As at 31 March 2020, 2021 and 2022 and 30 September 2022, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts are RMB604,509,000, RMB811,357,000, RMB742,342,000 and RMB298,939,000 respectively. These amounts represent revenue expected to be recognised in the future from pre-completion sales contracts for properties under development. The Group will recognise the expected revenue in future when the properties are accepted by the customer, or deemed as accepted according to the contract, whichever is earlier.

For the years ended 31 March 2020, 2021 and 2022, and for the six months ended 30 September 2021 and 2022, the Group's customer base is diversified and does not have a customer with whom transactions have exceeded 10% of the Group's revenue.

5 SEGMENT REPORTING

Operating segments are identified on the basis of internal reports that the Group's most senior executive management reviews regularly in allocating resources to segments and in assessing their performances. The Group's most senior executive management makes resources allocation decisions based on internal management functions and asses the Group's business instead of by separate business lines or geographical regions. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

The Group primarily operates in Mainland China and accordingly, no geographical information is presented.

6 OTHER NET INCOME/GAINS

	Years ended 31 March			Six months ended 30 September	
	2020	**2021**	**2022**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Rental income	1,490	1,376	1,404	708	756
Net valuation gain/(loss) in investment properties *(note 13)*	80	(235)	900	90	490
Net exchange gain/(loss)	798	(93)	24	22	14
Others	—	105	219	—	428
	2,368	1,153	2,547	820	1,688

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs/(income), net

	Years ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Finance costs					
— Interest expense from financial liabilities measured at amortised cost	32,890	23,197	24,436	13,567	5,828
— Interest expense on leased liabilities	—	—	18	—	51
Less: Interest expenses capitalised into property under development for sale *(Note)*	(21,869)	(22,883)	(20,436)	(12,626)	(3,694)
	11,021	314	4,018	941	2,185
Finance income					
— Interest income from financial assets measured at amortised cost	(7,198)	(9,235)	(12,764)	(5,722)	(3,507)
Finance costs/(income), net	3,823	(8,921)	(8,746)	(4,781)	(1,322)

Note:

The borrowing costs have been capitalised at weighted average rate of 5.14%, 4.23%, 4.14%, 4.08% and 5.25% per annum for the years ended 31 March 2020, 2021 and 2022, and for the six months ended 30 September 2021 and 2022 respectively.

(b) Staff costs

	Years ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Wages and salaries	14,006	18,212	16,896	8,146	8,077
Contributions to defined contribution retirement plan	540	427	736	377	373
Less: staff costs capitalised into property under development for sale	(6,645)	(7,213)	(7,518)	(3,461)	(2,045)
	7,901	11,426	10,114	5,062	6,405

The subsidiaries operated in Mainland China participate in defined contribution retirement benefit schemes (the "**Schemes**") organised by the PRC municipal and provincial government authorities, whereby the subsidiaries operated in Mainland China are required to make contribution at the rates required by different local government authorities. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

The Group also operates a Mandatory Provident Fund Scheme ("**the MPF scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of pension benefits beyond the contributions described above.

(c) Other items

	Years ended 31 March			**Six months ended 30 September**	
	2020	**2021**	**2022**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Outgoings relating to investment properties	367	421	474	230	288
Expense relating to short-term leases	819	—	—	—	—
Depreciation of owned property, plant and equipment *(note 12)*	1,003	952	692	400	409
Depreciation of properties leased for own use (note 12)	—	—	76	—	228
Auditors' remuneration	165	318	342	192	132
Cost of properties sold *(note 14(a))*	132,756	161,477	188,554	88,717	118,577
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

8 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss represents:

	Years ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current taxation					
Taxes in Mainland China					
— provision for Enterprise Income Tax ("**EIT**")	81,745	98,400	145,459	67,796	88,769
— reversal for EIT *(note v)*	—	—	—	—	(96,294)
	81,745	98,400	145,459	67,796	(7,525)
— provision for Land Appreciation Tax ("**LAT**"). .	135,002	168,257	222,099	104,288	129,983
Deferred taxation					
Origination and reversal of temporary differences *(note 21(b))*	(31,370)	(37,176)	(53,057)	(24,657)	65,528
Total Income tax charge	185,377	229,481	314,501	147,427	187,986

(i) EIT

The provision for EIT is calculated at 25% based on the estimated taxable income for the subsidiaries operated in Mainland China during the Relevant Periods.

(ii) LAT

LAT is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing costs and relevant property development expenditure.

(iii) Hong Kong Profits Tax

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit for the year for the subsidiaries incorporated in and operated in Hong Kong. No provision for Hong Kong Profits Tax for the Relevant Periods as the subsidiaries incorporated in and operated in Hong Kong did not have any assessable profits for the Relevant Periods.

(iv) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

(v) The clearance of LAT settlement of Jiaxuntong was completed during the six months period ended 30 September 2022 and tax refund relating to the LAT deduction for EIT purpose was received. As a result, the deferred tax assets relating to the accrual of LAT of RMB96,294,000 were utilised, with a corresponding reversal of EIT provision of the same amount was made during the six months period ended 30 September 2022. There is no net impact to the consolidated statement of profit or loss in this respect.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Years ended 31 March			Six months ended 30 September	
	2020	**2021**	**2022**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation	314,314	389,984	558,161	262,692	331,113
Less: LAT	(135,002)	(168,257)	(222,099)	(104,288)	(129,983)
Profit before taxation less LAT	179,312	221,727	336,062	158,404	201,130
Notional tax calculated at applicable income tax rate of the relevant jurisdictions concerned	45,734	56,915	85,306	39,966	50,931
Income not subject to taxation	(264)	(227)	(238)	(117)	(123)
Expenses not deductible for taxation purposes	4,905	4,536	7,334	3,290	3,264
Others	—	—	—	—	3,931
EIT, net of deferred tax impact	50,375	61,224	92,402	43,139	58,003
LAT	135,002	168,257	222,099	104,288	129,983
Income tax charge	185,377	229,481	314,501	147,427	187,986

9 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation are as follows:

		For the year ended 31 March 2020				
		Fees	Salaries	Discretionary Bonuses	Employer's contributions to retirement plans	Total
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Ho Wai Hon, Brian	*(iii)*	—	—	—	—	—
Ho Man Chung	*(iii)*	—	829	197	16	1,042
Yiu Yuet Fung	*(iii)*	—	—	—	—	—
Zhu Nian Hua	*(iii)*	—	352	160	8	520
		—	1,181	357	24	1,562

		For the year ended 31 March 2021				
		Fees	Salaries	Discretionary Bonuses	Employer's contributions to retirement plans	Total
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Ho Wai Hon, Brian	*(iii)*	—	361	568	9	938
Ho Man Chung	*(iii)*	—	817	208	16	1,041
Yiu Yuet Fung	*(iii)*	—	323	265	9	597
Zhu Nian Hua	*(iii)*	—	380	200	7	587
		—	1,881	1,241	41	3,163

	Note	For the year ended 31 March 2022				
		Fees	**Salaries**	**Discretionary Bonuses**	**Employer's contributions to retirement plans**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Ho Wai Hon, Brian	*(iii)*	—	700	802	15	1,517
Ho Man Chung	*(iii)*	—	784	201	15	1,000
Yiu Yuet Fung	*(iii)*	—	534	261	15	810
Zhu Nian Hua	*(iii)*	—	394	234	16	644
		—	2,412	1,498	61	3,971

	Note	For six months ended 30 September 2021 (unaudited)				
		Fees	**Salaries**	**Discretionary Bonuses**	**Employer's contributions to retirement plans**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Ho Wai Hon, Brian	*(iii)*	—	353	—	8	361
Ho Man Chung	*(iii)*	—	394	—	8	402
Yiu Yuet Fung	*(iii)*	—	268	—	8	276
Zhu Nian Hua	*(iii)*	—	191	—	8	199
		—	1,206	—	32	1,238

	Note	For six months ended 30 September 2022				
		Fees	**Salaries**	**Discretionary Bonuses**	**Employer's contributions to retirement plans**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Ho Wai Hon, Brian	*(iii)*	—	374	—	8	382
Ho Man Chung	*(iii)*	—	411	—	8	419
Yiu Yuet Fung	*(iii)*	—	279	—	8	287
Zhu Nian Hua	*(iii)*	—	212	—	8	220
		—	1,276	—	32	1,308

Notes:

(i) The directors of the Company were appointed on the following dates.

	Date of appointment
Executive directors	
Ho Wai Hon, Brian	2 September 2020
Ho Man Chung	2 September 2020
Yiu Yuet Fung	8 March 2022
Zhu Nian Hua	8 March 2022
Non-executive director	
Ho Cheuk Fai	8 March 2022
Independent non-executive director	
Ho Lai Hong	to be appoint upon listing
Lo Yung Fong	to be appoint upon listing
Choi Wai Hin	to be appoint upon listing

(ii) There was no arrangement under which a director waived or agreed to waive any emoluments during the Relevant Periods. No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(iii) These directors received remuneration from KIHL and/or its subsidiaries during the Relevant Periods in respect of their services to KIHL and its subsidiaries (including the Group). The amounts paid were not specifically allocated between their services to the Group and to the other subsidiaries under KIHL as there is no arrangement to recharge the Group for such expenses and it is not meaningful to perform a retrospective allocation of the services rendered by these directors to the Group.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The number of directors and non-directors included in the five highest paid individuals for the years ended 31 March 2020, 2021 and 2022 and for the six months ended 30 September 2021 and 2022 are set forth below:

	Years ended 31 March			**Six months ended 30 September**	
	2020	**2021**	**2022**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Directors	2	3	4	3	4
Non-directors	3	2	1	2	1

The aggregate of the emoluments in respect of the non-directors included in the five highest paid individuals are as follows:

	Years ended 31 March			Six months ended 30 September	
	2020	**2021**	**2022**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other emoluments . .	1,034	1,450	1,172	767	636
Contributions to retirement benefit scheme.	20	16	15	12	8
	1,054	1,466	1,187	779	644

The emoluments of these individuals with the highest emoluments are within the following bands:

	Years ended 31 March			Six months ended 30 September	
	2020	**2021**	**2022**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
HK$Nil — HK$1,000,000.	3	2	—	2	1
HK$1,000,001 — HK$1,500,000.	—	—	1	—	—

11 EARNINGS PER SHARE

Earnings per share information is not presented as if inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Periods on the basis as disclosed in note 1.

12 PROPERTY, PLANT AND EQUIPMENT

	Furniture, tools and computer equipment	Motor vehicles	Fixtures and leasehold improvements	Properties leased for own use	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At 1 April 2019	1,795	1,505	279	—	3,579
Additions	62	670	9	—	741
Exchange adjustments	—	65	—	—	65
At 31 March 2020 and 1 April 2020	1,857	2,240	288	—	4,385
Additions	179	—	27	—	206
Exchange adjustments	—	(94)	—	—	(94)
At 31 March 2021 and 1 April 2021	2,036	2,146	315	—	4,497
Additions	114	1,460	9	2,355	3,938
Exchange adjustments	—	(53)	—	—	(53)
At 31 March 2022 and 1 April 2022	2,150	3,553	324	2,355	8,382
Additions	593	—	116	—	709
Exchange adjustments	—	147	—	—	147
At 30 September 2022	2,743	3,700	440	2,355	9,238
Accumulated depreciation:					
At 1 April 2019	582	763	80	—	1,425
Charge for the year	587	369	47	—	1,003
Exchange adjustments	—	23	—	—	23
At 31 March 2020 and 1 April 2020	1,169	1,155	127	—	2,451
Charge for the year	525	377	50	—	952
Exchange adjustments	—	(40)	—	—	(40)
At 31 March 2021 and 1 April 2021	1,694	1,492	177	—	3,363
Charge for the year	268	372	52	76	768
Exchange adjustments	—	(33)	—	—	(33)
At 31 March 2022 and 1 April 2022	1,962	1,831	229	76	4,098
Charge for the period	102	277	30	228	637
Exchange adjustments	—	116	—	—	116
At 30 September 2022	2,064	2,224	259	304	4,851
Net book value:					
At 31 March 2020	688	1,085	161	—	1,934
At 31 March 2021	342	654	138	—	1,134
At 31 March 2022	188	1,722	95	2,279	4,284
At 30 September 2022	679	1,476	181	2,051	4,387

(a) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	As at 31 March			As at 30 September
	2020	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties leased for own use, carried at depreciated cost	—	—	2,279	2,051

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	Years ended 31 March			Six months ended 30 September	
	2020	**2021**	**2022**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Depreciation charge of properties leased for own use	—	—	76	—	228
Interest on lease liabilities	—	—	18	—	51
Expense relating to short-term leases	819	—	—	—	—

During the year ended 31 March 2022, the Group has entered into a lease contract as a lessee for a property unit in the PRC which was used for sales exhibition. The lease will last for an initial period of five years. The lease does not include variable lease payments, option to renew the lease nor option to purchase the properties at the end of the lease term.

13 INVESTMENT PROPERTIES

	RMB'000
At 31 March 2019 and 1 April 2019	76,170
Fair value adjustment	80
At 31 March 2020 and 1 April 2020	76,250
Addition	385
Fair value adjustment	(235)
At 31 March 2021 and 1 April 2021	76,400
Fair value adjustment	900
At 31 March 2022 and 1 April 2022	77,300
Fair value adjustment	490
At 30 September 2022	77,790

The investment properties are located in the PRC and held under lease terms of 50 years expiring in October 2046.

Fair value measurement of properties

(a) Fair value hierarchy

The fair values of the investment properties are categorised into level 3 of the fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. During the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022, there was no transfer between Level 1 and Level 2, or transfer into or out of Level 3.

The valuation of the Group's investment properties at 31 March 2020, 2021 and 2022 and 30 September 2022 was carried out by an independent firm of surveyors, Cushman & Wakefield Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The Group's chief financial officer have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at reporting date.

Fair value adjustment of investment properties is recognised in the line item "Other net income/gains" on the consolidated statements of profit or loss.

(b) The unobservable inputs are summarised as follows:

	Valuation technique	Unobservable input	Input factor
Investment properties, Industrial land — Mainland China	Direct Comparison Approach	Price per square meter, using market direct comparables and taking into account of time of transaction, location and other individual factors	31 March 2020: RMB1,138 per square meter 31 March 2021: RMB1,165 per square meter 31 March 2022: RMB1,180 per square meter 30 September 2022: RMB1,189 per square meter
Investment properties, Industrial buildings — Mainland China	Depreciated Replacement Cost Approach	Replacement Cost — Buildings	31 March 2020: RMB888 per square meter 31 March 2021: RMB879 per square meter 31 March 2022: RMB889 per square meter 30 September 2022: RMB894 per square meter

For the industrial land of investment properties using the direct comparison approach, the fair value is based on prices for recent market transactions in similar land and adjusted to reflect the conditions and locations of the Group's land. The most significant input into this valuation approach is price per square feet and taking into account of time of transaction, location and other individual factors such as the location of the land. The fair value measurement is positively correlated to the price per square meter of the land.

For the industrial buildings of investment properties using the depreciated replacement cost approach, the fair value is based on estimated new replacement cost of the buildings and other site works from which adjustments are then made to account for age, condition, and functional obsolescence, while taking into account the site formation cost and those public utilities connection charges to the properties. The fair value measurement is positively correlated to the replacement cost of the buildings.

14 INVENTORIES AND OTHER CONTRACT COSTS

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development for sale	606,868	861,855	149,650	—
Completed properties held for sale	179,405	88,844	876,738	913,041
	786,273	950,699	1,026,388	913,041
Other contract costs	298	2,860	3,497	1,358
	786,571	953,559	1,029,885	914,399

(a) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Years ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Carrying amount of properties sold	132,756	161,477	188,554	88,717	118,577

(b) At 31 March 2020 and 2021, certain of the Group's inventories were pledged for bank borrowings as disclosed in note 18.

(c) The analysis of carrying value of land held for property development for sale is as follows:

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
In the PRC				
— Less than 50 years	100,413	100,307	86,048	78,175
— More than 50 years	22,910	7,818	5,491	5,074
	123,323	108,125	91,539	83,249

(d) Contract costs

Contract costs capitalised as at 31 March 2020, 2021 and 2022 and 30 September 2022 relate to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at the reporting date. Contract costs are recognised as part of "selling expenses" in the statements of profit or loss in the period in which revenue from the related property sales is recognised. There are no capitalised costs recognised in profit or loss or impairment in relation to the opening balance of capitalised cost during the Relevant Period.

The amount of capitalised contract costs of RMB Nil, RMB536,000, RMB3,452,000 and RMB4,286,000 were recognised in profit or loss during the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022 respectively.

The Group applies the practical expedient in paragraph 94 of HKFRS 15 and recognises the incremental costs of obtaining contracts relating to the sale of completed properties and services as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is within the same reporting period as the date of entering into the contract.

The amount of capitalised contract costs that is expected to be recovered or recognised as expenses after more than one year is RMB298,000, RMB Nil, RMB Nil and RMB Nil as at 31 March 2020, 2021, 2022 and 30 September 2022 respectively.

15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 March			As at 30 September
	2020	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	34,520	49,103	54,127	18,168
Deposits	364	327	31,876	78,466
Other receivables	4,318	2,903	596	834
	39,202	52,333	86,599	97,468
Representing:				
Non-current portion	43	—	—	—
Current portion	39,159	52,333	86,599	97,468
	39,202	52,333	86,599	97,468

All prepayment, deposits and other receivables, apart from the deposits for acquiring property, plant and equipment amounted to RMB43,000, RMB Nil, RMB Nil and RMB Nil and the prepayment for PRC value-added taxes of RMB32,409,000, RMB7,708,000, RMB Nil and RMB Nil, are expected to be recovered or recognised as expenses within one year as at 31 March 2020, 2021 and 2022 and 30 September 2022, respectively.

The balance of deposits as at 31 March 2022 and 30 September 2022 included a deposit and instalment of RMB31,060,000 and RMB46,570,000 paid in the respective periods in respect of the land-bidding for the land situated at Foshan City of the PRC. The Group has successfully won the bidding on 1 April 2022 at a consideration of RMB155,260,000.

For more details of the land, please refer to the paragraph headed "Description of our development projects — Foshan City" under the section headed "Business" in the Listing Document.

16 PLEDGED DEPOSITS

	As at 31 March			As at 30 September
	2020	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pledged deposits for banking facilities	50,000	—	68,731	21,931

The Group has deposits pledged to secure the Group's banking facilities, details of which are set out in note 18.

The remittance of the pledged deposits placed with banks in Mainland China are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC Government.

17 CASH AND BANK DEPOSITS

(a) Cash and bank deposits comprise:

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Restricted deposits *(note (i))*	30,400	233,716	323,545	9,883
Cash at bank and in hand	190,235	213,144	185,920	279,761
Deposits with banks with less than three months to maturity when placed	—	—	14,634	80,000
	220,635	446,860	524,099	369,644

Notes:

(i) In accordance with relevant government requirements, certain property development subsidiaries of the Group are required to set up designated bank accounts with certain amount of pre-sale proceeds for the construction of the relevant properties. The restricted deposits represent the pre-sale proceeds to secure the future payments of the Group's property development projects. Such restricted deposits will be released for the payments for construction costs of the related property development projects or upon completion of the construction.

(ii) The remittance of bank balances of RMB219,446,000, RMB445,360,000, RMB497,365,000 and RMB350,434,000 as at 31 March 2020, 2021 and 2022 and 30 September 2022 respectively placed with banks in Mainland China are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC Government.

(b) Reconciliation of profit before taxation to cash generated from operations:

		Years ended 31 March			Six months ended	
	Note	**2020**	**2021**	**2022**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation		314,314	389,984	558,161	262,692	331,113
Finance costs	*7(a)*	11,021	314	4,018	941	2,185
Finance income	*7(a)*	(7,198)	(9,235)	(12,764)	(5,722)	(3,507)
Depreciation	*7(c)*	1,003	952	768	400	637
Fair value changes in investment properties	*13*	(80)	235	(900)	(90)	(490)
Foreign exchange (gain)/loss		(798)	93	(24)	(22)	13
Changes in working capital:						
(Increase)/decrease in inventories and other contract costs		(124,453)	(127,255)	(39,333)	9,348	96,738
Decrease/(increase) in prepayments, deposits and other receivables		1,681	(12,976)	(34,266)	7,936	(9,549)
(Increase)/decrease in amounts due from related companies		(210,894)	(86,924)	293,666	(81,902)	(32,742)
Increase/(decrease) in trade and other payables		8,693	(52,452)	102,189	(4,983)	(59,873)
Increase/(decrease) in contract liabilities		93,165	182,898	47,988	131,023	(273,766)
Cash generated from operations		86,454	285,634	919,503	319,621	50,759

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statements as cash flows from financing activities.

	Bank borrowings	Amounts due to related companies	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 18)	*(Note 27(d))*	*(Note 22)*	
At 1 April 2019	392,916	364,850	—	757,766
Changes from financing cash flows:				
Proceeds from new bank borrowings	188,019	—	—	188,019
Repayment of bank borrowings	(212,818)	—	—	(212,818)
Interest paid	(23,232)	—	—	(23,232)
Increase in amounts due to related companies	—	80,667	—	80,667
Total changes from financing cash flows	(48,031)	80,667	—	32,636
Exchange adjustments	14,052	11,562	—	25,614
Other changes:				
Interest expenses *(note 7(a))*	8,000	3,021	—	11,021
Capitalised borrowing costs *((note 7(a))*	15,433	6,436	—	21,869
Total other changes	23,433	9,457	—	32,890
At 31 March 2020	382,370	466,536	—	848,906

	Bank borrowings	Amounts due to related companies	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 18)	*(Note 27(d))*	*(Note 22)*	
At 1 April 2020	382,370	466,536	—	848,906
Changes from financing cash flows:				
Proceeds from new bank borrowings	6,886	—	—	6,886
Repayment of bank borrowings	(4,000)	—	—	(4,000)
Interest paid	(19,467)	—	—	(19,467)
Increase in amounts due to related companies	—	25,514	—	25,514
Total changes from financing cash flows	(16,581)	25,514	—	8,933
Exchange adjustments	(12,573)	(16,321)	—	(28,894)
Other changes:				
Interest expenses *(note 7(a))*	186	128	—	314
Capitalised borrowing costs *((note 7(a))*	17,048	5,835	—	22,883
Dividends declared but not yet paid *(note 24(e))*	—	61,636	—	61,636
Total other changes	17,234	67,599	—	84,833
At 31 March 2021	370,450	543,328	—	913,778

	Bank borrowings	Amounts due to related companies	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 18)	*(Note 27(d))*	*(Note 22)*	
At 1 April 2021	370,450	543,328	—	913,778
Changes from financing cash flows:				
Proceeds from new bank borrowings	9,661	—	—	9,661
Repayment of bank borrowings	(139,569)	—	—	(139,569)
Interest paid	(19,062)	—	—	(19,062)
Decrease in amounts due to related companies	—	(162,487)	—	(162,487)
Total changes from financing cash flows	(148,970)	(162,487)	—	(311,457)
Exchange adjustments	(3,287)	(12,591)	—	(15,878)
Other changes:				
Interest expenses *(note 7(a))*	3,813	187	18	4,018
Capitalisation of amount due to the related companies *(note 17(d)(ii))*	—	(374,400)	—	(374,400)
Increase in lease liabilities from entering into a new lease during the year	—	—	2,355	2,355
Capitalised borrowing costs *((note 7(a))*	14,473	5,963	—	20,436
Total other changes	18,286	(368,250)	2,373	(347,591)
At 31 March 2022	236,479	—	2,373	238,852

	Bank borrowings	Amounts due to related companies	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 18)	*(Note 27(d))*	*(Note 22)*	
At 1 April 2022	236,479	—	2,373	238,852
Changes from financing cash flows:				
Repayment of bank borrowings	(102,236)	—	—	(102,236)
Capital element of lease rental paid	—	—	(203)	(203)
Interest element of lease rental paid	—	—	(51)	(51)
Interest paid	(6,062)	—	—	(6,062)
Increase in amounts due to related companies	—	27,334	—	27,334
Total changes from financing cash flows	(108,298)	27,334	(254)	(81,218)
Exchange adjustments	12,689	—	—	12,689
Other changes:				
Interest expenses *(note 7(a))*	2,134	—	51	2,185
Capitalised borrowing costs *((note 7(a))*	3,694	—	—	3,694
Others	—	2,821	—	2,821
Total other changes	5,828	2,821	51	8,700
At 30 September 2022	146,698	30,155	2,170	179,023

(d) Material non-cash transactions

(i) As disclosed in note 1, the Company acquired Jiaxuntong on 8 March 2022 as part of the Reorganisation. Pursuant to the acquisition agreement of Jiaxuntong, the total consideration of the acquisition was RMB313,453,000, which included net cash considerations paid of RMB37,175,000 and net settlement (non-cash) of amounts previously due from Dongguan Jiale of RMB276,278,000.

(ii) During the year ended 31 March 2022, the amount due to related companies of RMB374,400,000 was capitalised as consideration for one share of the Company issued.

For more details of these transactions, please refer to the section headed "History, Reorganisation and Corporate Structure" in the Listing Document.

18 BANK BORROWINGS

	As at 31 March			As at 30 September
	2020	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Portion of bank borrowings repayable within 1 year and classified as current liabilities	25,157	85,747	236,479	146,698
Portion of bank borrowings repayable after one year and classified as non-current liabilities				
— After 1 year but within 2 years	83,029	284,703	—	—
— After 2 years but within 5 years	274,184	—	—	—
	357,213	284,703	—	—
Total bank borrowings	382,370	370,450	236,479	146,698
Representing:				
Secured bank borrowings	382,370	370,450	236,479	146,698

As at 31 March 2020, 2021 and 2022 and 30 September 2022 banking facilities of RMB454,454,000, RMB437,881,000 and RMB292,387,000 and RMB248,273,000 were secured by the pledged deposits of RMB50,000,000, RMB Nil, RMB68,731,000 and RMB21,931,000, property under development for sale with the carrying amounts of RMB531,367,000, RMB128,794,000 RMB Nil and RMB Nil respectively and the share capital of the two subsidiaries, Castfast Industrial (Yan Tien) Limited and 東莞嘉創房地產開發有限公司, which were utilised to extent of RMB382,370,000, RMB370,450,000, RMB236,479,000 and RMB146,698,000 as at 31 March 2020, 2021 and 2022 and 30 September 2022 respectively. Unlimited guarantees are also provided by KIHL and Karrie International (B.V.I.) Limited, a subsidiary of KIHL, for such facilities.

At 31 March 2020, 2021 and 2022 and 30 September 2022, some of the Group's banking facilities are subject to the fulfilment of covenants. If the Group were to breach the covenants, the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants. As at 31 March 2020, 2021 and 2022 and 30 September 2022 none of the covenants relating to drawn down facilities had been breached.

The directors of the Company confirm that the guarantees provided by KIHL and KIHL International (B.V.I.) Limited and banking facilities subject to the fulfilment of covenants relating to certain of the KIHL and subsidiaries' statement of financial position ratios will be replaced by guarantees of the Company and covenants relating to the Company's financial position ratios upon initial listing of shares of the Company on the Main Board of the Stock Exchange.

19 TRADE AND OTHER PAYABLES

	As at 31 March			As at 30 September
	2020	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	2,320	901	914
Other payables and accruals	82,904	43,895	164,071	80,628
	82,904	46,215	164,972	81,542

All of the other payables 31 March 2020, 2021 and 2022 and 30 September 2022 are expected to be settled within one year.

Ageing analysis of trade payables as at the end of the reporting period, based on invoice date, is as follows:

	As at 31 March			As at 30 September
	2020	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 6 months	—	2,320	883	13
6 months to 12 months	—	—	—	883
Over 12 months	—	—	18	18
	—	2,320	901	914

20 CONTRACT LIABILITIES

The balance represents the receipts in advance received by the Group from customers when they sign the sale and purchase agreement. These receipts in advance are recognised as contract liabilities (see note 2(j)) until the properties is accepted by the customer, or deemed as accepted according to the contract, whichever is earlier, which is the point in time when the control of the completed property is transferred to the customer that results in recognising of revenue.

Movements of contract liabilities:

	Year ended 31 March			Six months ended 30 September
	2020	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	82,872	176,037	359,239	407,227
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(65,548)	(161,705)	(297,947)	(331,346)
Increase in contract liabilities as a result of receiving forward sales deposits and instalments during the year/period	158,713	344,907	345,935	57,580
At the end of the year/period	176,037	359,239	407,227	133,461

The increase in contract liabilities as at 31 March 2021 and 2022 were mainly attributable to the increase in developed properties, which is aligned with the expansion of the property development activities of the Group, and led to the receipt of a greater number of forward sales deposits and instalments. The decrease in contract liabilities as at 30 September 2022 was due to less number of pre-sales transactions which is aligned with the property market in Dongguan, Huizhou and Foshan in the Greater Bay Area.

The amounts of receipts in advance expected to be recognised as revenue after more than one year are RMB14,332,000, RMB117,075,000, RMB41,344,000 and RMB79,445,000 respectively as at 31 March 2020, 2021 and 2022 and 30 September 2022.

21 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	As at 31 March			As at 30 September
	2020	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepaid taxes				
Prepayment for LAT	198	4	247	—
Current tax payable				
Provision for EIT	74,439	93,417	203,620	61,923
Provision for LAT	197,403	339,271	192,436	313,689
	271,842	432,688	396,056	375,612

(b) Deferred tax assets and liabilities recognised:

Movement of each component of deferred tax assets/(liabilities)

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the year/period are as follows:

	Revaluation of investment properties	Accrual for LAT	Unused tax losses	Temporary difference for inventories	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax arising from:					
At 1 April 2019	(18,083)	21,719	2,732	782	7,150
(Charged)/credited to profit or loss *(note 8(a))*	(20)	33,751	1,149	(3,510)	31,370
Exchange adjustments	—	—	—	(48)	(48)
At 31 March 2020 and 1 April 2020	(18,103)	55,470	3,881	(2,776)	38,472
Credited/(charged) to profit or loss *(note 8(a))*	59	42,064	(3,057)	(1,890)	37,176
Exchange adjustments	—	—	(20)	239	219
At 31 March 2021 and 1 April 2021	(18,044)	97,534	804	(4,427)	75,867
(Charged)/credited to profit or loss *(note 8(a))*	(225)	55,525	454	(2,697)	53,057
Exchange adjustments	—	—	(40)	79	39
At 31 March 2022 and 1 April 2022	(18,269)	153,059	1,218	(7,045)	128,963
Credited to profit or loss *(note 8(a))*	(122)	(63,798)	(545)	(1,063)	(65,528)
Exchange adjustments	—	—	109	(738)	(629)
At 30 September 2022	(18,391)	89,261	782	(8,846)	62,806

The deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred income taxes determined after appropriate offsetting, are shown in the consolidated statements of financial position:

	As at 31 March			As at 30 September
	2020	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Representing:				
Deferred tax assets	56,666	93,997	148,235	83,242
Deferred tax liabilities	(18,194)	(18,130)	(19,272)	(20,436)
	38,472	75,867	128,963	62,806

(c) Deferred tax liabilities not recognised

As at 31 March 2020, 2021 and 2022 and 30 September 2022 deferred tax liabilities in respect of the 5% dividend withholding tax relating to the distributable profits of the Company's subsidiaries in the PRC were not recognised as the Company controls the dividend policy of the subsidiaries. Based on the assessment made by management as at the end of each reporting period, it was determined that the distributable profits of the Company's subsidiaries in the PRC would not be distributed to the Hong Kong and overseas holding companies in the foreseeable future. The deferred tax liabilities not recognised for the distributable profits earned by the subsidiaries in the PRC amounted to RMB54,343,000, RMB55,302,000, RMB78,499,000 and RMB233,259,000 as at 31 March 2020, 2021 and 2022 and 30 September 2022 respectively.

22 LEASE LIABILITIES

At 31 March 2020, 2021 and 2022 and 30 September 2022, the lease liabilities were repayable as follows:

	As at 31 March			As at 30 September
	2020	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	—	—	514	500
After 1 year but within 2 years	—	—	474	477
After 2 years but within 5 years	—	—	1,385	1,193
	—	—	1,859	1,670
	—	—	2,373	2,170

23 BALANCE DUE WITH THE COMPANY

(a) Interest in a subsidiary

At 31 March 2021 and 2022 and 30 September 2022, the interest in a subsidiary of the Company is as follows:

	As at 31 March		As at 30 September
	2021	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Investment in a subsidiary	—	1,215	1,215
Amount due from a subsidiary *(note (i))*	—	374,400	374,400
	—	375,615	375,615

Note:

(i) The amount due from a subsidiary is unsecured, interest-free, expected to be recoverable after one year.

(b) Amount due from/(to) a subsidiary

The amount due from/(to) a subsidiary is unsecured, interest-free, expected to be recoverable/(repayable) on demand.

Further details of the subsidiaries of the Group are set out in Note 1.

24 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

Details of the changes in the Company's individual components of equity between the beginning and the end of the period/year are set out below:

	Share capital	Share premium	Accumulated losses	Exchange reserve	Total
	RMB'000 *(Note 24(b))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 2 September 2020 (date of incorporation)	—	—	—	—	—
Issuance of shares *(note 24(b)(i))*	—*	—	—	—	—*
Loss and total comprehensive income for the period	—	—	—*	—*	—*
At 31 March 2021 and 1 April 2021	—*	—	—*	—*	—*
Loss and total comprehensive income for the period	—	—	(27)	—*	(27)
Issuance of shares *(note 24(b)(i))*	—*	375,615	—	—	375,615
At 31 March 2022 and 1 April 2022	—*	375,615	(27)	—*	375,588
Profit and total comprehensive income for the period	—	—	29,377	50,211	79,588
Distribution *(note 24(e))*	—	(8,000)	(57,000)	—	(65,000)
At 30 September 2022	—*	367,615	(27,650)	50,211	390,176

* The balance represents an amount less than RMB500.

(b) Share capital

The share capital of the Group as at 31 March 2020 and 2021 represented the aggregated amount of share capital of all entities now comprising the Group at the respective dates, after elimination of investment in subsidiaries, while the share capital as at 31 March 2022 and 30 September 2022 solely represented the amount of share capital of the Company.

Details of the movement of share capital of the Company are set out below:

	31 March 2021		31 March 2022		30 September 2022	
	No. of shares	*HK$*	*No. of shares*	*HK$*	*No. of shares*	*HK$*
Authorised:						
Ordinary shares of HK$0.01 each (2021: HK$0.1 each)	3,800,000	380,000	38,000,000	380,000	38,000,000	380,000
Issued and fully paid:						
Ordinary shares of HK$0.01 each: (2021: HK$0.1 each)						
On 2 September 2020 (date of incorporation)/ beginning of the year	—	—	1	—*	1	—*
Issuance of shares *(note (i))*	1	—*	2	—*	2	—*
Subdivision of shares *(note (ii))*	—	—	27	—	27	—
End of the year/period	1	—*	30	—*	30	—*

* The balance represents an amount less than RMB500.

Notes:

(i) Issuance of share

On 2 September 2020, the Company was incorporated in the Cayman Islands with an authorised share capital of HK$380,000 divided into 3,800,000 shares of HK$0.1 each. On the date of incorporation, one share was issued to the initial subscriber and such share was later transferred to KIHL on the same day.

On 8 March 2022, the Company issued one share to KIHL in consideration for KIHL directing Karrie International (B.V.I.) Limited ("**Karrie International BVI**"), one of its subsidiaries, to distribute in specie of its entire shareholding in Benefit Master Limited ("**Benefit Master**") to the Company. Upon completion of the distribution, Karrie International (B.V.I.) Limited ceased to be the shareholder of Benefit Master. Accordingly, Benefit Master became a direct wholly-owned subsidiary of the Company and eventually all of the companies listed out in note 1 that had been established on or before 8 March 2022 would became a subsidiary of the Company.

On the same day, the amount due to related companies of RMB374,400,000 that was owned by the subsidiaries of the Company were capitalised as consideration for one share of the Company issued.

Details of the above transactions are more fully explained in the section headed "History, Reorganisation and Corporate Structure" in the Listing Document.

(ii) Subdivision of shares

On 22 March 2022, the issued and unissued shares of HK$0.1 each in the share capital of the Company were subdivided into ten shares of HK$0.01 each, and the authorised share capital of the Company became HK$380,000 divided into 38,000,000 shares of HK$0.01 each.

(c) Nature and purpose of reserves

(i) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of Hong Kong operations from Hong Kong Dollars to RMB. The reserves are dealt with in accordance with the accounting policies set out in note 2(r).

(ii) Statutory surplus reserve

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

(iii) Merger reserve

The merger reserve represents the difference between the consideration paid by the Group and the share capital of Jiaxuntong and Kar Info International under common control of Mr. Ho during the Relevant periods.

As part of the consideration for the acquisition of Jiaxuntong, amounts previously due from Dongguan Jiale of RMB276,278,000 by Jiaxuntong was net settled in accordance with the acquisition agreement as disclosed in note 17(d)(i). The amount settled was recognised as merger reserve.

The Reorganisation was completed on 22 March 2022, and the details of these transactions are fully explained in the section headed "History, Reorganisation and Corporate Structure" in the Listing Document.

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the Group may adjust the amount of distribution and dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt is calculated as the sum of total bank borrowings and lease liabilities in the consolidated statements of financial position. Total capital is calculated as "total equity" shown in the consolidated statements of financial position.

The Group's strategy, which is unchanged from prior years, is to maintain an acceptable gearing ratio, calculated based on external bank borrowings. The gearing ratios at 31 March 2020, 2021 and 2022 and 30 September 2022 are as follows:

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total debt	382,370	370,450	238,852	148,868
Total equity	323,075	430,288	748,674	784,697
Gearing ratio	118.4%	86.1%	31.9%	19.0%

(e) Dividends and distribution

Prior to the acquisition of Jiaxuntong which was completed on 8 March 2022, Jiaxuntong distributed and paid dividends of RMB10,000,000 and RMB20,000,000 to Kar Info Property Limited, a company which was wholly-owned by Mr. Ho during the years ended 31 March 2020 and 2021 respectively.

During the year ended 31 March 2021, dividend of RMB 61,636,000 has also been declared by the Company's subsidiaries, Castfast Industrial (Yan Tien) Limited and Kwong Hing Computer Metallic Components Limited to Karrie International B.V.I. Limited, a subsidiary of KIHL.

During the six months ended 30 September 2022, interim dividend of RMB65,000,000 has been declared and paid by the Company.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

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

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Regular review and follow-up actions are carried out on overdue amounts of instalments receivable from sale of properties which enable management to assess their recoverability and to minimise the exposure to credit risk.

The Group's exposure to credit risks arising from cash and cash equivalents and other financial assets are limited because these financial assets held by the Group are mainly deposited in financial institutions such as commercial banks which maintain sound reputation and financial situation, for which the Group considered to have low credit risk.

The Group normally receives full payment from customers before the hand-over of the property, and therefore there is no trade receivables as at 31 March 2020, 2021 and 2022 and 30 September 2022.

In respect of other receivables and amounts due from related companies, the Group has assessed that the expected credit loss is not material under the 12 months ECL method. The expected credit loss rates were insignificant and close to zero. Thus, no expected credit loss for other receivables and amount due from a related party was recognised during the years ended 31 March 2020, 2021 and 2022 and 30 September 2022.

The Group has no concentrations of credit risk in view of its large number of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position. Except for the financial guarantees given by the Group as disclosed in note 26(c), the Group does not provide any other guarantee which would expose the Group to credit risk.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long terms.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the end of the reporting period) and the earliest date the Group can be required to pay:

	Contractual undiscounted cash outflow				
	Carrying Amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**Between 1 and 2 years**	**Between 2 and 5 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 March 2020					
Bank borrowings	382,370	437,018	26,195	92,675	318,148
Trade and other payables	82,904	82,904	82,904	—	—
Amounts due to related companies	466,536	466,536	466,536	—	—
Total	931,810	986,458	575,635	92,675	318,148

		Contractual undiscounted cash outflow			
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Between 1 and 2 years	Between 2 and 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 March 2021					
Bank borrowings	370,450	399,541	89,292	310,249	—
Trade and other payables	46,215	46,215	46,215	—	—
Amounts due to related companies	543,328	543,328	543,328	—	—
Total	959,993	989,084	678,835	310,249	—

		Contractual undiscounted cash outflow			
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Between 1 and 2 years	Between 2 and 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 March 2022					
Bank borrowings	236,479	253,568	253,568	—	—
Trade and other payables	164,972	164,972	164,972	—	—
Lease liabilities	2,373	2,657	510	510	1,637
Total	403,824	421,197	419,050	510	1,637

		Contractual undiscounted cash outflow			
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Between 1 and 2 years	Between 2 and 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 September 2022					
Bank borrowings	146,698	159,476	159,476	—	—
Trade and other payables	81,542	81,542	81,542	—	—
Lease liabilities	2,170	2,402	510	510	1,382
Total	230,410	243,420	241,528	510	1,382

(c) Interest rate risk

The Group's interest rate risk arises primarily from amounts due to related companies and the bank borrowing issued at variable rates that expose the Group to cash flow interest rate risk. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's bank borrowings and amount due to related companies with deemed interest (see note 27(d)(iii)) at the end of reporting period:

	As at 31 March						As at 30 September	
	2020		2021		2022		2022	
	Effective interest rate	*RMB'000*	*Effective interest rate*	*RMB'000*	*Effective interest rate*	*RMB'000*	*Effective interest rate*	*RMB'000*
Borrowings with floating rate:								
Bank borrowings	5.86%	382,370	5.13%	370,450	5.08%	236,479	6.06%	146,698
Amounts due to related companies *(note 27(d)(iii))*	3.59%	375,124	2.10%	363,606	—	—	—	—
		757,494		734,056		236,479		146,698

(ii) Sensitivity analysis

At 31 March 2020, 2021 and 2022 and 30 September 2022, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and retained earnings by approximately RMB3,056,000, RMB2,991,000, RMB929,000 and RMB594,000 respectively.

In respect of the net exposure to cash flow interest rate risk arising from floating rate bank borrowings held by the Group at the end of the reporting period, the impact on the Group's profit after taxation and retained earnings is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on a consistent basis for the Relevant Periods.

The sensitivity analysis above assumes that the change in interest rates had occurred at the end of the reporting period and had been applied to all floating rate bank and other borrowings, without taking into account the impact of interest capitalisation.

(d) Currency risk

The Group operates primarily in the PRC and most of its business transactions, assets and liabilities are denominated in RMB and Hong Kong Dollars ("**HK$**"). Currency risk arises from commercial transactions, recognised assets and liabilities and net investments in foreign operations that are denominated in a currency that is not the entity's functional currency. Management considers that the Group is mainly exposed to foreign currency risk with respect to United States Dollars ("**US$**"). Management will continue to monitor foreign exchange exposure and will take measures to minimise the currency translation risk. The conversion rate of RMB to foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

The following table details the currency portfolio of the Group's monetary assets denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the portfolio are expressed in RMB, translated using the spot rate at the end of the reporting period:

	As at 31 March			**As at 30 September**
	2020	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank deposits in US$	3,049	94	65	69

At 31 March 2020, 2021 and 2022 and 30 September 2022, if RMB had weakened/strengthened by 5% against the US$ with all other variables held constant, post-tax profit for the years/period and retained earnings would have approximately increased/decreased by approximately RMB114,000, RMB4,000, RMB2,000 and RMB3,000 respectively, mainly as a result of the net foreign exchange gains/losses on translation of cash and bank deposits that are denominated in US$. The analysis is performed on the same basis during the Relevant Periods.

(e) Fair value estimations

The carrying amount of the Group's financial instruments carried at amortised cost were not materially different from their fair value as at 31 March 2020, 2021 and 2022 and 30 September 2022. Please see note 13 for fair value estimate on investment properties.

26 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Commitments outstanding at 31 March 2020, 2021 and 2022 and 30 September 2022 not provided for in the Historical Financial Information were as follows:

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for	301,369	115,173	13,366	80,506

Commitments mainly related to land and development costs for the Group's properties under development for sale.

(b) The undiscounted lease payments to be received under non-cancellable operating leases by the Group were as follows:

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	64	64	64	64

(c) Contingent liabilities

(i) As at 31 March 2020, 2021 and 2022 and 30 September 2022, the Group has issued guarantees to banks to secure the mortgage arrangements of certain property buyers. The outstanding guarantees to the banks amounted to RMB521,909,000, RMB421,593,000, RMB695,820,000 and RMB819,513,000 as at 31 March 2020, 2021 and 2022 and 30 September 2022, which will be released upon the completion of the transfer procedures with the property buyers in respect of the legal title of the properties.

The directors do not consider the Group will sustain a loss under these guarantees as the bank has the rights to sell the property and recovers the outstanding loan balance from the sale proceeds if the property buyers have default payment. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be insignificant.

(ii) During the Relevant Periods, the Group provided guarantees to secure the loans borrowed by related companies. The total banking facilities granted to related companies were HK$465,750,000, HK$659,428,000, HK$703,144,000 and HK$605,750,000 (equivalent to RMB423,409,000, RMB558,837,000, RMB571,662,000 and RMB550,682,000) respectively as at 31 March 2020, 2021 and 2022 and 30 September 2022, respectively. The outstanding bank borrowings of the related companies as at 31 March 2020, 2021 and 2022 and 30 September 2022, amounted to HK$232,500,000, HK$262,178,000, HK$430,000,000 and HK$353,750,000 equivalent to RMB211,364,000, RMB222,185,000, RMB349,593,000 and RMB321,591,000) respectively. The directors do not consider it is probable that a claim will be made against the Group under the guarantee.

The directors of the Company confirm that the guarantees provided to the banks to secure the loans borrowed by related companies will be removed upon initial listing of shares of the Company on the Main Board of the Stock Exchange.

27 MATERIAL RELATED PARTY TRANSACTIONS

The Group entered into the following material related party transactions.

(a) Name and relationship with related parties

Name of the party	Relationship with the Group
KIHL	Ultimate controlling party of the Company
Karrie International BVI	A subsidiary of KIHL and the immediate holding company of several subsidiaries of the Group before the completion of the Reorganisation, including Castfast Industrial (Yan Tien) Limited and Kwong Hing Computer Metallic Components Limited
Mr. Ho Cheuk Fai ("**Mr. Ho**")	Ultimate controlling shareholder of KIHL and the Group, and the non-executive director of the Company
Mr. Ho Wai Hon, Brian	Son of Mr. Ho Cheuk Fai, and the executive director of the Company
Mr. Ho Man Chung	The executive director of the Company
Dongguan Feng Gang Castfast Metal & Plastics Company Limited	A fellow subsidiary of the Company

Name of the party	Relationship with the Group
Dongguan Feng Gang Caston Metal & Plastics Company Limited	A fellow subsidiary of the Company
Dongguan Feng Gang Yantian Castfast Metal & Plastics Company Limited	A fellow subsidiary of the Company
Karrie Industrial Company Limited	A fellow subsidiary of the Company
Karrie Technologies Company Limited	A fellow subsidiary of the Company
Kar Yee Creation (B.V.I.) Company Limited	A fellow subsidiary of the Company
Dongguan Jiale	A company established as a result of the Corporate Division prior to the acquisition of Jiaxuntong as disclosed in note 1
Kar Info Property Limited	A wholly-owned subsidiary of Kar Info International and the immediate parent of Jiaxuntong prior to the Acquisitions as disclosed in note 1
廣東翠峰機器人科技股份有限公司	An associate of KIHL, which is a lessee of the Group
東莞嘉輝門窗製品有限公司	A related party of the Company, which is a customer and a lessee of the Group

(b) Transactions with key management personnel

Remuneration for key management personnel of the Group is as follows:

	Years ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Short-term employee benefits . . .	539	1,307	1,867	764	930
Retirement scheme contributions.	25	26	57	28	33
	564	1,333	1,924	792	963

(c) Transactions with related parties

	Years ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales to related parties *(note (i))*	4,650	3,707	—	—	2,740
Construction costs paid to related parties *(note (i))*	30,044	636	—	—	—
Rental expenses paid to related parties *(note (i))*	819	—	—	—	12
Rental income received from related parties *(note (i))*	246	246	246	123	123
Finance costs payable to related parties	9,457	5,963	6,150	3,072	—

Note:

(i) These related party transactions are trade in nature.

(d) Balances with related parties

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due from Dongguan Jiale *(note (i))*	436,942	435,621	1,719	5,739
Amount due from Kar Info Property Limited *(note (ii))*	—	—	28,616	—
Amount due from related parties	436,942	435,621	30,335	5,739
Amounts due from fellow subsidiaries *(note (iii))*	52,560	140,684	5,484	335
Amounts due from related companies	489,502	576,305	35,819	6,074
Amount due to Kar Info Property Limited *(note (ii))*	—	—	—	3,221
Amounts due to fellow subsidiaries *(note (iv))*	466,536	543,328	—	26,934
Amounts due to related companies	466,536	543,328	—	30,155

Notes:

(i) The balances represented amounts previously provided by Jiaxuntong to Dongguan Jiale prior to the Corporate Division to support its daily business operations.

As disclosed in note 17(d)(i), the amount of RMB276,278,000 due from Dongguan Jiale was net settled as part of the consideration pursuant to the acquisition agreement of Jiaxuntong. The amount settled was recognised as merger reserve as set out in note 24(c)(iii).

The amounts are unsecured, interest-free, recoverable on demand and non-trade in nature. The directors of the Company confirm that the amounts will be recovered prior to listing of shares of the Company on the Main Board of the Stock Exchange.

(ii) The balances represented amount due from/(to) Kar Info Property Limited, the vendor for the acquisition of Jiaxuntong that was wholly-owned by Mr. Ho.

The balance as at 31 March 2022 was related to LAT payment by Jiaxuntong that was in excess of the provision amount for LAT when acquisition consideration was determined. Such excess amount of RMB28,616,000 is borne by the vendor and would be refunded to the Group pursuant to the acquisition agreement of Jiaxuntong.

During the six months ended 30 September 2022, Jiaxuntong received EIT refund of RMB42,858,000 that was in excess of the net tax positions when acquisition consideration was determined. Such excess amount is entitled by the vendor pursuant to the acquisition agreement of Jiaxuntong. In addition, provision for LAT and EIT related to corporate division, amounted to RMB11,390,000, are payable by Jiaxutong to tax authority, while such amount is payable by the vendor pursuant to the acquisition agreement of Jiaxuntong, and therefore is recoverable from the vendor as at 30 September 2022.

These amounts are unsecured, interest-free, recoverable/repayable on demand and non-trade in nature. The directors of the Company confirm that the amounts will be settled prior to listing of shares of the Company on the Main Board of the Stock Exchange.

(iii) The amounts due from fellow subsidiaries are unsecured, interest-free, recoverable on demand and non-trade in nature.

The directors of the Company confirm that the amounts due from fellow subsidiaries will be recovered prior to listing of shares of the Company on the Main Board of the Stock Exchange.

(iv) Throughout the Relevant Periods, funding was provided by KIHL and its fellow subsidiaries to the Group to financially support the Group's operations. The amounts due to fellow subsidiaries are unsecured, interest-free and repayable on demand, except for the balance amounted to RMB375,124,000, RMB363,606,000, RMB Nil and RMB Nil as at 31 March 2020, 2021 and 2022 and 30 September 2022 which were deemed to have an effective interest rate of 3.59%, 2.10%, Nil and Nil respectively. The amounts are non-trade in nature.

During the year ended 31 March 2022, the amounts due to related companies of RMB374,400,000 was capitalised as consideration for one share of the Company issued, details of the transaction are more fully explained in the section headed "History, Reorganisation and Corporate Structure" in the Listing Document.

The directors of the Company confirm that the amounts due to related companies will be settled prior to listing of shares of the Company on the Main Board of the Stock Exchange.

28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of the Historical Financial Information, the HKICPA has issued a new standard, and a number of amendments and interpretations which are not yet effective for the Relevant Periods and which have not been adopted in the Historical Financial Information. The amendments, new standards and interpretations comprise of the following.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2023
HKFRS 17, *Insurance contracts*	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of Accounting Policies*	1 January 2023
Amendments to HKAS 8, *Definition of Accounting Estimates*	1 January 2023
Amendments to HKAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to HKFRS 16, *Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to HKFRS 10 and HKAS 28, *Sales or contribution of assets between an investor and its associate or joint venture*	*To be determined*

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Historical Financial Information.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to 30 September 2022.

The information set forth in this appendix does not form part of the Accountants' Report prepared by the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, as set forth in Appendix I, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this listing document and the Accountants' Report set forth in Appendix I to this listing document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the Listing on the consolidated net tangible assets of the Group attributable to equity shareholders of the Company as at 30 September 2022 as if it had taken place on 30 September 2022.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to equity shareholders of the Company had the Listing been completed as at 30 September 2022 or any future dates.

	Consolidated net tangible assets of the Group attributable to equity shareholders of the Company as at 30 September 2022(1)	Estimated [REDACTED](2)	Subscription of Shares paid by Karrie International(3)	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per share(4)(5)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on **[REDACTED]** Shares issued prior to the Listing.	784,697	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The consolidated net tangible assets of the Group attributable to equity shareholders of the Company as of 30 September 2022 is based on the consolidated total equity of the Company of RMB784,697,000 as at that date, as shown in the Accountants' Report, the text of which is set out in Appendix I to this listing document.

(2) The estimated **[REDACTED]** mainly include professional fees payable to the sponsor, legal advisors of the Company and sponsor, the reporting accountants and other listing related expenses to be incurred by the Group subsequent to 30 September 2022. The Company incurred **[REDACTED]** of RMB**[REDACTED]** during the Track Record Period.

(3) To facilitate the distribution in specie by Karrie International and the Listing of the Company, Karrie International will subscribe for such number of new Shares as is equal to **[REDACTED]** of the number of Karrie International Shares in issue as at the Distribution Record Date, which is expected to be **[REDACTED]** shares, for a total subscription price of HK$**[REDACTED]** (equivalent to RMB**[REDACTED]**), which will be paid by Karrie International to the Company in cash.

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of the Company per Share is arrived after the above adjustment and on the basis that a total of **[REDACTED]** shares were issued prior to the Listing, but taking no account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by the Company pursuant to the Issue Mandate and the Repurchase Mandate, or any Karrie International Holdings Limited shares that may be allotted and issued upon the exercise of the Karrie International Share Options.

(5) The unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of the Company per Share is converted from Renminbi into Hong Kong dollar at the exchange rate of RMB1.00 to HK$1.1. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(6) The Group's property interests located in the People's Republic of China (the "**PRC**") as at 30 September 2022 have been valued by Cushman & Wakefield Limited, an independent property valuer. Details of the valuation is set out in Appendix III to this listing document. The above unaudited pro forma statement of adjusted consolidated net tangible assets does not take into account the surplus arising from the revaluation of the Group's property interests as at 30 September 2022. The revaluation surplus for the Group's properties held for development and held for sale as at 30 September 2022 has not been recorded in the historical financial information of the Group as at 30 September 2022 and will not be recorded in the consolidated financial statements of the Group in future periods as the Group's inventories are stated at the lower of cost and net realisable value. The revaluation surplus for the Group's properties held for investment as at 30 September 2022 has been recorded in the historical financial information of the Group as at 30 September 2022 as the Group's investment properties are stated at their fair value. No additional annual depreciation would be charged against the profit in the future periods had the Group's properties been stated at valuation.

(7) No adjustment has been made to the unaudited pro forma consolidated net tangible assets to reflect any trading result or other transactions of the Group entered into subsequent to 30 September 2022.

[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a letter, summary of valuations and valuation reports prepared for the purpose of incorporation in this listing document received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of market values in existing state of the Properties of the Group in the PRC as at 30 September 2022.

CUSHMAN & WAKEFIELD
戴德梁行

27/F, One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

[REDACTED]

The Directors
KRP Development Holdings Limited
Unit 80, 7/F., Woon Lee Commercial Building
7–9 Austin Ave, Tsim Sha Tsui
Hong Kong

Dear Sirs,

Instructions, Purpose & Valuation Date

In accordance with your instructions for us to value the "Properties" of KRP Development Holdings Limited (嘉創房地產控股有限公司) (the "**Company**") and its subsidiaries (together referred to as the "**Group**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the market values in existing state of the Properties as at 30 September 2022 (the "**Valuation Date**").

* *The English names of Chinese entities marked with "*" are translations of their Chinese names and are included for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name will prevail.*

Definition of Market Value

Our valuations of each of the Properties represent its Market Value which in accordance with HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors ("**HKIS**") is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Basis & Assumptions

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuations of the Properties situated in the PRC, with reference to the PRC Legal Opinion of the Company's PRC legal advisor, Fangda Partners (方達律師事務所), dated [•] 2022 the "PRC Legal Opinion", we have prepared our valuation on the basis that transferable land use rights in respect of the Properties for the respective specific term at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Company and the PRC Legal Opinion, regarding the title to the Properties and the interest in the Properties. In valuing the Properties, we have prepared our valuations on the basis that the owner has enforceable title to the Properties and have free and uninterrupted rights to use, occupy or assign the Properties for the whole of the unexpired terms as granted.

No allowance has been made in our valuations for any charges, pledges or amounts owing on the Properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is valued on the basis that the Properties is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Method of Valuation

In valuing the Property in Group I which is held for development by the Group in the PRC, we have valued the Property on the basis that it will be developed and completed in accordance with the latest development proposal provided to us by the Group. We have valued on the basis that all consents, approvals, and licences from relevant government authorities for the development proposals have been obtained without onerous conditions or delays; that the design and construction of the development are in compliance with the local planning and other relevant regulations and have been approved by the relevant authorities. In arriving at our valuation, we have adopted Market Comparison Method by making reference to comparable sales evidences as available in the relevant market.

In valuing the Properties in Group II which are held for sale in the PRC, we have adopted Market Comparison Method assuming sale of the Property in its existing state by making reference to comparable sales evidence as available in the relevant market subject to appropriate adjustments including but not limited to location, accessibility, size and other relevant factors. This method is in line with market practice.

In valuing the Property in Group III which is held for investment in the PRC, in the absence of relevant market data to arrive at the market value of the Property by means of market-based evidence, we have valued the Property by Depreciated Replacement Cost Method. It requires a valuation of the market value of the land in its existing use by Market Comparison Method by making reference to comparable sales evidence as available in the relevant market subject to appropriate adjustments including but not limited to location, accessibility, size and other relevant factors; and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence. The market value by Depreciated Replacement Cost Method only applies to the whole of the Property as a unique interest, and no piecemeal transaction of the Property is assumed.

The sales comparable selected by us are exhaustive.

In arriving at the key assumptions, appropriate adjustments and analysis are considered to the differences in several aspects including but not limited to time, location and physical characteristics between the Property and the comparable properties. The general basis of adjustment is if the Properties are better than the comparable property, an upward adjustment is made. Alternatively, if the Property are inferior or less desirable than the comparable properties, a downward adjustment is made.

In valuing the Properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and HKIS Valuation Standards 2020.

Source of Information

In the course of our valuations, we have relied to a considerable extent on the information given by the Group and have accepted advice on such matters as planning approvals or statutory notices, easements, tenure, identification of the Properties, particulars of occupancy, tenancy details, pre-sold consideration, development scheme, construction costs, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation reports are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal advisor regarding the legality and interpretation of these documents.

Title Investigation

We have been provided by the Group with copies of documents in relation to the current title to the Properties. However, we have not been able to conduct searches to verify the ownership of the Properties; we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the Properties in the PRC and we have therefore relied on the advice given by the PRC Legal advisor and the Group.

Site Inspection

Our Shenzhen Office valuers Sabrina Zhao 趙新 (2 years of valuation experience) have inspected the exterior and, wherever possible, the interior of the Properties in July 2022. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the Properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Moreover, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period.

Unless otherwise stated, we have not carried out on-site measurements to verify the site and floor areas of the Properties and we have assumed that the areas shown on the copies of the documents handed to us are correct.

Currency

Unless otherwise stated, all monetary amounts indicated herein our valuations are in Renminbi (RMB) which is the official currency of the PRC.

Market Uncertainty Volatility

The recent outbreak of the Novel Coronavirus (COVID-19) has brought high volatility to global financial markets and uncertainty to the property market. It is expected that property values will be very sensitive to development of the pandemic and changes in the financial markets. The extents of impact on different sectors of the market are different and the time for marketing and negotiating sale of a property will be longer than normal. There will be less certainty as to how long a valuation may sustain and property prices may fluctuate rapidly and materially over a short period of time. Our valuations of the Properties are valid only at the Valuation Date and any subsequent changes in market conditions as well as the resulting impacts on property values after the Valuation Date cannot be taken into account. If any party intends to make reference to our valuations when entering into any transaction, he must bear in mind the high market volatility during this period of time and that property values may or may not have changed since the Valuation Date.

Other Disclosure

We hereby confirm that Cushman & Wakefield Limited and the valuers conducting the valuations have no pecuniary or other interests that could conflict with the proper valuations of the Properties or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion. We confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We attach herewith the summary of valuations and valuation reports.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Philip C Y Tsang
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc, MHKIS
Director

Note: Mr. Philip C Y Tsang is Registered Professional Surveyor who has over 29 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUATIONS

Group I — Property held for development by the Group in the PRC
Group II — Property held for sale by the Group in the PRC
Group III — Property held for investment by the Group in the PRC

	Property	Group I Market value in existing state as at 30 September 2022	Group II Market value in existing state as at 30 September 2022	Group III Market value in existing state as at 30 September 2022	Total Market value in existing state as at 30 September 2022
		RMB	*RMB*	*RMB*	*RMB*
1.	Castfast Villas Phase 4, No. 47-1, Jiahui Lu, Youganpu Da Long Industry District, Fenggang Town, Dongguan City, Guangdong Province, the PRC (中國廣東省東莞市鳳崗鎮油甘埔大龍工業區嘉輝路47號-1嘉輝豪庭四期)	N/A	814,900,000	N/A	814,900,000
2.	Castfast Villas Phase 5, No. 47-1, Jiahui Lu, Youganpu Da Long Industry District, Fenggang Town, Dongguan City, Guangdong Province, the PRC (中國廣東省東莞市鳳崗鎮油甘埔大龍工業區嘉輝路47號-1嘉輝豪庭五期)	N/A	1,635,200,000	N/A	1,635,200,000
3.	Louvre Mansion, Jin San Jiao Development Zone, Dongping Village, Zhangning Town, Boluo County, Huizhou City, Guangdong Province, the PRC (中國廣東省惠州市博羅縣長寧鎮東平村金三角開發區內地段羅浮公館)	N/A	245,000,000	N/A	245,000,000
4.	Castfast Villas Phase 3, Youganpu Da Long Industry District, Fenggang Town, Dongguan City, Guangdong Province, the PRC (中國廣東省東莞市鳳崗鎮油甘埔大龍工業區嘉輝豪庭三期)	N/A	69,760,000	N/A	69,760,000
5.	Unit 16A, Twilight Court, Unit 25B, Sunlight Court, Unit 25C, Skylight Court, Castfast Villas Phase 1, Longping Highway Guanjingtou Section, Fenggang Town, Dongguan City, Guangdong Province, the PRC (中國廣東省東莞市鳳崗鎮龍平公路官井頭段嘉輝豪庭一期雲輝閣25樓C號、 日輝閣25樓B號、彩輝閣16樓A號)	N/A	8,910,000	N/A	8,910,000
6.	Industrial Complex, Zhentiannan Road, Yantian, Fenggang Town, Dongguan City, Guangdong Province, the PRC (中國廣東省東莞市鳳崗鎮雁田鎮田南路工業園)	N/A	N/A	77,790,000	77,790,000
7.	The parcel of land located at north to Fulong Bridge and west to Hefu Road, Hecheng Neighbourhood, Gaoming District, Foshan City, Guangdong Province, the PRC (中國廣東省佛山市高明區荷城街道富龍大橋以北、荷富路以西之土地)	155,260,000	N/A	N/A	155,260,000
	Total:	**155,260,000**	**2,773,770,000**	**77,790,000**	**3,006,820,000**

VALUATION REPORT

Group II — Property held for sale by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2022
1.	Castfast Villas Phases 4, No. 47-1, Jiahui Road, Youganpu Da Long Industry District, Fenggang Town, Dongguan City, Guangdong Province, the PRC (中國廣東省東莞市鳳崗鎮油甘埔大龍工業區嘉輝路47號-1 嘉輝豪庭四期)	Castfast Villas Phase 4 is a residential development, with 4 residential buildings, 2 commercial buildings and a car park basement erected on 2 parcels of commercial residential land with a total site area of 26,849.80 sq.m. completed in May 2021. According to the development scheme provided by the Group, Castfast Villas Phase 4 are developed as below: **Uses** — **GFA** *(sq.m.)* 4 Residential Buildings — 50,125.25 2 Commercial Buildings — 2,626.95 Above-ground other supporting facilities — 2,044.05 Basement 408 Car Parks and Basement other supporting facilities — 23,741.22 **Total:** — **78,537.47** Castfast Villas Phase 4 is situated at No. 47-1, Jiahui Road, Youganpu Da Long Industry District, which is predominantly a residential area. Developments in the vicinity comprise mainly residential properties such as Castfast Villas Phase 1-3 (嘉輝豪庭1-3期), Longcheng Yajun (龍城雅郡) and Taoran Jun (陶然郡). According to the Company, Castfast Villas Phase 4 is planned for commercial, residential and car parking uses; there is no environmental issues and litigation dispute; there is no plan to change the use of Castfast Villas Phase 4. The land use rights of the Property have been granted for land use term due to expire on 29 December 2055 for commercial use and 29 December 2085 for residential use.	As at the Valuation Date, the Property was vacant.	RMB814,900,000 (RENMINBI EIGHT HUNDRED FOURTEEN MILLION NINE HUNDRED) Please refer to the scope of valuation in Note 1 in next page.

Notes:

(1) According to the information of the Company, part of the residential units have been sold and handed over to the purchasers; our scope of valuation of Castfast Villas Phase 4 is as follow:

Buildings in Castfast Villas Phase 4	Current Status	GFA	Non-saleable GFA	Saleable GFA	(Excluded from valuation) Sold GFA and Handed Over	Pre-sold GFA	Un-sold GFA	(Scope of Valuation) Remaining Saleable GFA
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*
		a=b+c	b	c=d+e+f	d	e	f	g=e+f
4 Residential Buildings	Completed	50,125.25	—	50,125.25	27,394.66	2,822.55	19,908.04	22,730.59
2 Commercial Buildings	Completed	2,626.95	—	2,626.95	—	—	2,626.95	2,626.95
Above-ground other supporting facilities	Completed	2,044.05	2,044.05	—	—	—	—	—
Basement 408 Car Parks and Basement other supporting facilities	Completed	23,741.22	18,639.47	5,101.75 (Basement 408 Car Parks)	—	—	5,101.75 (Basement 408 Car Parks)	5,101.75 (Basement 408 Car Parks)
Total		**78,537.47**	**20,683.52**	**57,853.95**	**27,394.66**	**2,822.55**	**27,636.74**	**30,459.29**

Other supporting facilities refer to ancillary uses such as staircases, lift shafts, corridors, management offices, plant rooms, roof and basement car park circulation road, etc.

(2) According to land use rights certificate No. (2016) 39 & 40 dated 16 March 2016 issued by Dongguan Municipal People's Government, the land use rights of the Property with a total site area of 26,849.80 sq.m. have been vested in Dongguan Karrie Properties Development Co., Ltd* (東莞嘉創房地產開發有限公司) ("**Dongguan Karrie**"), a wholly-owned subsidiary of the Company, for land use term due to expire on 29 December 2055 for commercial use and 29 December 2085 for residential use.

(3) According to land grant contract No. (2015) 17 & 18 dated 29 December 2015 by Dongguan Bureau of Land and Resources, the land use rights of the Property with a total site area of 26,849.80 sq.m. have been granted to Dongguan Karrie at a total land premium of RMB22,553,832 for land use term 40 years for commercial use and 70 years for residential use.

(4) According to various real estate title certificates issued by Dongguan Municipal Natural Resources Bureau, the ownership of 488 residential units of part of the Property with a total GFA of 50,125.25 sq.m. and 40 commercial units of part of the Property with a total GFA of 2,626.95 sq.m. have been vested in Dongguan Karrie.

(5) According to 8 construction works planning permits and 8 construction works commencement permits issued by Dongguan Housing and Urban-Rural Development Bureau, the construction works of Castfast Villas Phase 4 with a total GFA of 79,319.25 sq.m. are in compliance with the requirement of urban planning and have been permitted.

(6) According to 3 pre-sale permit of commodity housing issued by Dongguan Housing and Urban-Rural Development Bureau, part of Castfast Villas Phase 4 with a total GFA of 31,440.17 sq.m. was permitted for pre-sale.

According to 3 permit of established commodity housing issued by Dongguan Housing and Urban-Rural Development Bureau, part of Castfast Villas Phase 4 with a total GFA of 21,359.36 sq.m. was permitted for selling as established status.

(7) According to 8 completion certificates, 8 buildings in Phase 4 of Castfast Villas with a total GFA of 79,319.25 sq.m. were examined completion in 2021 respectively.

(8) According to 8 measurement reports, 6 buildings in Phase 4 of Castfast Villas with a total GFA of 78,537.37 sq.m. and with a total saleable GFA of 57,853.95 sq.m. were examined in 2021 and 2022 respectively.

(9) According to business licence No. 91441900077874275D dated 29 September 2019, Dongguan Karrie has been established as a limited company with a registered capital of USD60,000,000.

(10) According to the PRC Legal Opinion:

(i) Dongguan Karrie is a foreign-invested limited liability company established and validly existed in accordance with Chinese laws and has an independent corporate legal personality;

(ii) Dongguan Karrie is the development company of this project. It is a real estate development enterprise legally established and validly existed in accordance with Chinese laws. It legally possesses the qualifications of real estate development enterprise and has the right to develop and operate this project according to law;

(iii) The content of the land grant contract for this project is legal and valid, and is legally binding to the contracting parties;

(iv) The land grant fee for the land use rights of this project has been paid, Dongguan Karrie has legally obtained the land use rights certificate for this project;

(v) Dongguan Karrie has obtained the necessary permits, approvals and certificates for the development of this project; after verification, no such licenses, approvals, and certificates have been found to be revoked, modified, abolished, or revoked. Dongguan Karrie has legal rights to the development rights of this project; and

(vi) Part of the project is subject to a mortgage to Hang Seng Bank and the mortgage has been registered.

(11) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC legal advisor:

land use rights certificate	Yes
land grant contract	Yes
real estate title certificate	Yes (residential and commercial units)
construction land planning permit	Yes
construction works planning permit	Yes
construction works commencement permit	Yes
completion certificate	Yes
pre-sale permit	Yes (part)
permit of established commodity housing	Yes (part)
measurement report	Yes
business licence	Yes

(12) In valuing the Property which is held in the PRC, we have adopted Market Comparison Method. We have made reference to some sales comparable to the Property and nearby development. The unit price of these comparable properties ranges from about RMB31,000 to RMB35,000 per sq.m. for residential units; RMB37,000 to RMB40,000 per sq.m. for commercial units; RMB110,000 to RMB125,000 per car park.

The sales comparable selected by us are exhaustive.

In arriving at the key assumptions, appropriate adjustments and analysis are considered to the differences in several aspects including but not limited to time, location and physical characteristics between the Property and the comparable properties. The general basis of adjustment is if the Property is better than the comparable property, an upward adjustment is made. Alternatively, if the Property is inferior or less desirable than the comparable properties, a downward adjustment is made.

(13) As advised by the Group, as at the Valuation Date, various residential units of the Property with a total GFA of 2,822.55 sq.m. have been pre-sold at a total consideration of RMB79,058,000. We have included such portions and taken into account the consideration in our valuation.

VALUATION REPORT

Group II — Property held for sale by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2022
2.	Castfast Villas Phase 5, No. 47-1, Jiahui Road, Youganpu Da Long Industry District, Fenggang Town, Dongguan City, Guangdong Province, the PRC (中國廣東省東莞市鳳崗鎮油甘埔大龍工業區嘉輝路47號-1嘉輝豪庭五期)	Castfast Villas Phase 5 is a residential development, with 8 residential buildings and a car park basement erected on a parcel of commercial residential land with a total site area of 35,013.97 sq.m. completed in November 2021. According to the development scheme provided by the Group, Castfast Villas Phase 5 are developed as below:	As at the Valuation Date, the Property was vacant.	RMB1,635,200,000 (RENMINBI ONE BILLION SIX HUNDRED THIRTY FIVE MILLION TWO HUNDRED THOUSAND) Please refer to the scope of valuation in Noted 1 in next page.

Uses	**GFA**
	(sq.m.)
8 Residential Buildings	69,269.82
Above-ground other supporting facilities	2,015.57
Basement 820 Car Parks and Basement other supporting facilities	30,727.22
Total:	**102,012.61**

Castfast Villas Phase 5 is situated at No. 47-1, Jiahui Road, Youganpu Da Long Industry District, which is predominantly a residential area. Developments in the vicinity comprise mainly residential properties such as Castfast Villas Phase 1-3 (嘉輝豪庭1-3期), Longcheng Yajun (龍城雅郡) and Taoran Jun (陶然郡).

According to the Company, Castfast Villas Phase 5 is planned for commercial, residential and car parking uses; there is no environmental issues and litigation dispute; there is no plan to change the use of Castfast Villas Phase 5.

The land use rights of the Property have been granted for land use term due to expire on 29 December 2055 for commercial use and 29 December 2085 for residential use.

Notes:

(1) According to the information of the Company our scope of valuation of Castfast Villas Phase 5 is as follow:

Buildings in Castfast Villas Phase 5	Current Status	GFA	Non-saleable GFA	Saleable GFA	(Excluded from valuation) Sold GFA and Handed Over	Pre-sold GFA	Un-sold GFA	(Scope of Valuation) Remaining Saleable GFA
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*
		a=b+c	b	c=d+e+f	d	e	f	g=e+f
8 Residential Buildings	Completed	69,269.82	—	69,269.82	17,439.26	6,665.26	45,165.30	51,830.56
Above-ground other supporting facilities	Completed	2,015.57	2,015.57	—	—	—	—	—
Basement 820 Car Parks and Basement other supporting facilities	Completed	30,727.22	20,739.89	9,987.33 (Basement 820 Car Parks)	—	—	9,987.33 (Basement 820 Car Parks)	9,987.33 (Basement 820 Car Parks)
Total		**102,012.61**	**22,755.46**	**79,257.15**	**17,439.26**	**6,665.26**	**55,152.63**	**61,817.89**

Other supporting facilities refer to ancillary uses such as staircases, lift shafts, corridors, management offices, plant rooms, roof and basement car park circulation road, etc.

(2) According to land use rights certificate No. (2016)38 dated 16 March 2016 issued by Dongguan Municipal People's Government, the land use rights of the Property with a site area of 35,013.97 sq.m. have been vested in Dongguan Karrie Properties Development Co., Ltd* (東莞嘉創房地產開發有限公司) ("**Dongguan Karrie**"), a wholly-owned subsidiary of the Company, for land use term due to expire on 29 December 2055 for commercial use and 29 December 2085 for residential use.

(3) According to land grant contract No. (2015)16 dated 29 December 2015 by Dongguan Bureau of Land and Resources, the land use rights of the Property with a site area of 35,013.97 sq.m. have been granted to Dongguan Karrie at a land premium of RMB29,411,735 for land use term 40 years for commercial use and 70 years for residential use.

(4) According to 508 real estate title certificates issued by Dongguan Municipal Natural Resources Bureau, the ownership of 508 residential units of part of the Property with a total GFA of 67,385.97 sq.m. have been vested in Dongguan Karrie.

(5) According to 9 construction works planning permits and 9 construction works commencement permits issued by Dongguan Housing and Urban-Rural Development Bureau, the construction works of Castfast Villas Phase 5 with a total GFA of 102,967.77 sq.m. are in compliance with the requirement of urban planning and have been permitted.

(6) According to 8 pre-sale permit of commodity housing issued by Dongguan Housing and Urban-Rural Development Bureau, part of the Castfast Villas Phase 5 with a total GFA of 69,287.61 sq.m. was permitted for pre-sale.

(7) According to 9 completion certificates, 9 buildings in Castfast Villas Phase 5 with a total GFA of 102,967.77 sq.m. were examined completion in 2021 and 2022 respectively.

(8) According to 9 measurement reports, 8 buildings in Phase 5 of Castfast Villas with a total GFA of 102,012.61 sq.m. and with a total saleable GFA of 79,257.15 sq.m. were examined in 2021 and 2022 respectively.

(9) According to business licence No. 91441900077874275D dated 29 September 2019, Dongguan Karrie has been established as a limited company with a registered capital of USD60,000,000.

(10) According to the PRC Legal Opinion:

(i) Dongguan Karrie is a foreign-invested limited liability company established and validly existed in accordance with Chinese laws and has an independent corporate legal personality;

(ii) Dongguan Karrie is the development company of this project. It is a real estate development enterprise legally established and validly existed in accordance with Chinese laws. It legally possesses the qualifications of real estate development enterprise and has the right to develop and operate this project according to law;

(iii) The content of the land grant contract for this project is legal and valid, and is legally binding to the contracting parties;

(iv) The land grant fee for the land use rights of this project has been paid, Dongguan Karrie has legally obtained the land use rights certificate for this project;

(v) Dongguan Karrie has obtained the necessary permits, approvals and certificates for the development of this project; after verification, no such licenses, approvals, and certificates have been found to be revoked, modified, abolished, or revoked. Dongguan Karrie has legal rights to the development rights of this project; and

(vi) Part of the project is subject to a mortgage to Hang Seng Bank and the mortgage has been registered.

(11) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC legal advisor:

land use rights certificate	Yes
land grant contract	Yes
real estate title certificate	Yes (508 residential units)
construction land planning permit	Yes
construction works planning permit	Yes
construction works commencement permit	Yes
completion certificate	Yes
pre-sale permit	Yes (part)
measurement report	Yes
business licence	Yes

(12) In valuing the Property which is held in the PRC, we have adopted Market Comparison Method. We have made reference to some sales comparable to the Property and nearby development. The unit price of these comparable properties ranges from about RMB31,000 to RMB35,000 per sq.m. residential units; RMB100,000 to RMB125,000 per car park.

The sales comparable selected by us are exhaustive.

In arriving at the key assumptions, appropriate adjustments and analysis are considered to the differences in several aspects including but not limited to time, location and physical characteristics between the Property and the comparable properties. The general basis of adjustment is if the Property is better than the comparable property, an upward adjustment is made. Alternatively, if the Property is inferior or less desirable than the comparable properties, a downward adjustment is made.

(13) As advised by the Group, as at the Valuation Date, various residential units of the Property with a total gross floor area of 6,665.26 sq.m. have been pre-sold at a total consideration of RMB195,208,000. We have included such portions and taken into account the consideration in our valuation.

VALUATION REPORT

Group II — Property held for sale by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2022
3.	Louvre Mansion, Jin San Jiao Development Zone, Dongping Village, Zhangning Town, Boluo County, Huizhou City, Guangdong Province, the PRC (中國廣東省惠州市博羅縣長寧鎮東平村金三角開發區內地段羅浮公館)	The Property comprises Louvre Mansion is a residential development, with a residential/commercial building and a car park basement erected on one parcel of residential land with a total site area of 4,798.00 sq.m. completed in August 2022. According to the development scheme provided by the Group, Louvre Mansions is planned as below: **Uses** — **GFA** *(sq.m.)* 1 Residential Building — 30,322.65 L1-L2 Commercial — 3,971.58 Above-ground Ancillary Area — 2,368.61 Basement 74 Car Parks and Basement other supporting facilities — 8,358.45 **Total: — 45,021.29** The Property is located at the south of Guangshan Road, west of Yanfu Road, Boluo County, Huizhou City. Developments in the vicinity comprise mainly government buildings such as Changning County Government (長寧縣政府) and residential buildings. According to the Company, the Property is planned for commercial, residential and car parking uses; there is no environmental issues and litigation dispute; there is no plan to change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 15 March 2057 for commercial use and due to expire on 15 March 2087 for residential use.	As at the Valuation Date, the Property was vacant.	RMB245,000,000 (RENMINBI TWO HUNDRED FORTY FIVE MILLION

Notes:

(1) According to the information of the Company, our scope of valuation of Louvre Mansion is as follow:

Buildings in Louvre Mansion	Current Status	GFA	Non-saleable GFA	Saleable GFA	(Excluded from valuation) Sold GFA and Handed Over	Pre-sold GFA	Un-sold GFA	(Scope of Valuation) Remaining Saleable GFA
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*
		a=b+c	b	c=d+e+f	d	e	f	g=e+f
1 Residential Building	Completed	30,322.65	—	30,322.65	1,544.85	1,155.91	27,621.89	28,777.80
L1-L2 Commercial	Completed	3,971.58	—	3,971.58	—	—	3,971.58	3,971.58
Above-ground other supporting facilities	Completed	2,368.61	2,368.61	—	—	—	—	—
Basement 74 Car Parks and Basement other supporting facilities	Completed	8,358.45	5,298.42	3,060.03 (Basement 74 Car Parks)	—	—	3,060.03 (Basement 74 Car Parks)	3,060.03 (Basement 74 Car Parks)
Total		**45,021.29**	**7,667.03**	**37,354.26**	**1,544.85**	**1,155.91**	**34,653.50**	**35,809.41**

Other supporting facilities refer to ancillary uses such as staircases, lift shafts, corridors, management offices, plant rooms, roof and basement car park circulation road, etc.

(2) According to real estate title certificate No. (2017) 0000417 dated 22 June 2017, the land use rights of the Property with a total site area of 4,798 sq.m. have been vested in Boluo County Jiayingli Real Estate Development Co., Ltd.* (博羅縣嘉盈利房地產開發有限公司) ("**Boluo Jiayingli**") for land use term due to expire on 15 March 2057 for commercial use and 15 March 2087 for residential use.

(3) According to land grant contract No. 441322-2017-000033 dated 3 March 2017, the land use rights of the Property with a site area of 4,798 sq.m. have been granted to Boluo Jiayingli at a land premium of RMB18,550,000 for land use term 40 years for commercial use and 70 years for residential use. Building covenant: Construction should be completed before 3 April 2021.

(4) According to construction works planning permits No. 4413222018-1159 dated 3 September 2018, the construction works of the Property with a total GFA of 45,657.10 sq.m. are in compliance with the requirement of urban planning and have been permitted.

(5) According to construction works commencement permits No. 441322201810120000 dated 12 October 2018, the construction works of Louvre Mansions with a total GFA of 45,657.10 sq.m. are in compliance with the requirement of work commencement and have been permitted.

(6) According to Pre-sale Permit of Commodity Housing No. (2020)050 dated 3 July 2020, the Property with a GFA of 30,338.70 sq.m. was permitted for pre-sale.

(7) As advised by the Group, as at the Valuation Date, various residential units of the Property with a total GFA of 1,155.91 sq.m. have been pre-sold at a total consideration of RMB7,605,000. We have included such portions and taken into account the consideration in our valuation.

(8) According to 2 measurement reports, the property with a total GFA of 45,021.29 sq.m was examined in 2022.

(9) According to business licence No. 91441322MA4W5K7D6 dated 4 January 2019, Boluo Jiayingli has been established as a limited company with a registered capital of RMB100,000,000.

(10) According to the PRC Legal Opinion:

(i) Boluo Jiayingli is a foreign-invested limited liability company established and validly existed in accordance with Chinese laws and has an independent corporate legal personality;

(ii) Boluo Jiayingli is the development company of this project. It is a real estate development enterprise legally established and validly existed in accordance with Chinese laws. It legally possesses the qualifications of real estate development enterprise and has the right to develop and operate this project according to law;

(iii) The content of the land grant contract for this project is legal and valid, and is legally binding to the contracting parties;

(iv) The land grant fee for the land use rights of this project has been paid, Boluo Jiayingli has legally obtained the land use rights certificate for this project;

(v) 博羅縣嘉盈利房地產開發有限公司 has obtained the necessary permits, approvals and certificates for the development of this project; after verification, no such licenses, approvals, and certificates have been found to be revoked, modified, abolished, or revoked. Boluo Jiayingli has legal rights to the development rights of this project;

(vi) The land use right of the project has not been set up mortgage, seal up or other third-party rights that may substantially affect the profitability of Boluo Jiayingli to own or dispose of such land-use rights.

(11) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Group and the opinion of the PRC legal advisor:

real estate title certificate	Yes (land)
land grant contract	Yes
construction land planning permit	Yes
construction works planning permit	Yes
construction works commencement permit	Yes
pre-sale permit	Yes (part)
measurement report	Yes
business licence	Yes

(12) In valuing the Property which is held in the PRC, we have adopted Market Comparison Method. We have made reference to some sales comparable to the Property and nearby development. The unit price of these comparable properties ranges from about RMB16,000 to RMB18,000 per sq.m. for commercial units; RMB7,100 to RMB7,800 per sq.m. for residential units; RMB75,000 to RMB92,000 per car park.

The sales comparable selected by us are exhaustive.

In arriving at the key assumptions, appropriate adjustments and analysis are considered to the differences in several aspects including but not limited to time, location and physical characteristics between the Property and the comparable properties. The general basis of adjustment is if the Property is better than the comparable property, an upward adjustment is made. Alternatively, if the Property is inferior or less desirable than the comparable properties, a downward adjustment is made.

VALUATION REPORT

Group II — Property held for sale by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2022
4.	Castfast Villas Phase 3, Youganpu Da Long Industry District, Fenggang Town, Dongguan City, Guangdong Province, the PRC (中國廣東省東莞市鳳崗鎮油甘埔大龍工業區 嘉輝豪庭三期)	Castfast Villas Phase 3 is a residential development which has developed on a parcel of commercial residential land with a total site area of 32,799.80 sq.m.. The Property Development Project has been completed and there are 18 unsold residential units. The Property comprises 18 residential units of Castfast Villas Phase 3 completed in 2018. **GFA** *(sq.m.)* Pre-sold 7 Residential Units: 756.58 Unsold 11 Residential Units: 1,782.75 **Grand Total of Group I and II:** 2,539.33 The Property is located at the Youganpu Da Long Industrial District, Fenggang Town, Dongguan City. Developments in vicinity comprise mainly residential properties such as Castfast Villas Phase 1-2 (嘉輝豪庭1-2期), Longcheng Yajun (龍城雅郡) and Taoran Jun (陶然郡). According to the Company, the Property is for residential use; there is no environmental issues and litigation dispute; there is no plan to change the use of the Property. The land use rights of the Property have been granted for land use term due to expire on 23 December 2084 for residential use.	As at the Valuation Date, the unsold units of the Property were vacant and the remaining portion of the Property was in the possession of various third parties.	RMB69,760,000 (RENMINBI SIXTY NINE MILLION SEVEN HUNDRED SIXTY THOUSAND)

Notes:

(1) According to the information of the Company, our scope of valuation of Castfast Villas Phase 3 is as follow:

Units in Castfast Villas Phase 3	Current Status	GFA	Non-saleable GFA	Saleable GFA	(Excluded from valuation) Sold GFA and Handed Over	Pre-sold GFA	Un-sold GFA	(Scope of Valuation) Remaining Saleable GFA
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*
		a=b+c	*b*	*c=d+e+f*	*d*	*e*	*f*	*g=e+f*
Units in Castfast Villas Phase 3.	Completed	3,684.54	—	3,684.54	1,145.21	756.58	1,782.75	2,539.33
		(26 Units)		(26 Units)	(8 Units)	(7 Units)	(11 Units)	(18 Units)

The total GFA of 3,684.54 sq.m. represents the total GFA of 26 unsold units of Castfast Villas Phase 3 upon the completion of the acquisition of Dongguan City Jiaxuntong Computer Products Limited* (東莞市嘉訊通電腦產品有限公司) ("**Dongguan City Jiaxuntong**"). 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 were 3,684.54 sq.m. and 26 units respectively. Upon the Corporate Division of Dongguan City Jiaxuntong, the interest in these 26 unsold units were transferred to the Group.

(2) According to land use rights certificate dated 12 November 2015 issued by Dongguan Municipal People's Government, the land use rights of a parcel of land with a site area of 32,799.80 sq.m. have been vested in Dongguan City Jiaxuntong for land use term due to expire on 23 December 2084 for residential use.

(3) According to 18 real estate title certificates dated 25 July 2019 issued by Dongguan Housing and Urban Rural Development Bureau, the ownership of the Property with a total GFA of 2,539.33 sq.m. have been vested in Dongguan City Jiaxuntong for residential use.

(4) As advised by the Company, as at the Valuation Date, 7 residential units of the Property with a total GFA of 756.58 sq.m. have been pre-sold at a total consideration of approximately RMB17,067,000. We have included such portions and taken into account the consideration in our valuation.

(5) According to business licence No. 91441900725081215D dated 3 March 2022, Dongguan City Jiaxuntong has been established as a limited company with a registered capital of RMB50,000,000.

(6) According to the PRC Legal Opinion:

(i) Dongguan City Jiaxuntong has obtained real estate title certificate and legally owns the ownership of the unsold 11 residential units;

(ii) there are no seizure, mortgage or other form of rights restriction on the ownership of the unsold 11 residential units; and

(iii) Dongguan City Jiaxuntong has the right to possess, use, lease, transfer, mortgage, or otherwise dispose of the unsold 11 residential units in accordance with the law.

(7) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC legal advisor:

land use rights certificate	Yes
real estate title certificate (residential units)	Yes
business licence	Yes

(8) In valuing the Property in which is held in the PRC, we have adopted Market Comparison Method. We have made reference to some sales comparable to the Property and nearby development. The unit price of these comparable properties ranges from about RMB25,000 to RMB32,000 per sq.m. for residential units.

The sales comparable selected by us are exhaustive.

In arriving at the key assumptions, appropriate adjustments and analysis are considered to the differences in several aspects including but not limited to time, location and physical characteristics between the Property and the comparable properties. The general basis of adjustment is if the Property is better than the comparable property, an upward adjustment is made. Alternatively, if the Property is inferior or less desirable than the comparable properties, a downward adjustment is made.

VALUATION REPORT

Group II — Properties held for sale by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2022
5.	Unit 16A, Twilight Court, Unit 25B, Sunlight Court, Unit 25C, Skylight Court, Castfast Villas Phase 1, Longping Highway Guanjingtou Section, Fenggang Town, Dongguan City, Guangdong Province, the PRC (中國廣東省東莞市鳳崗鎮龍平公路官井頭段嘉輝豪庭一期雲輝閣25樓C號日輝閣25樓B號彩輝閣16樓A號)	Castfast Villas is a residential development in various phases. The Property comprises 3 residential units of Castfast Villas Phase 1 completed in 2004. The Property have a total GFA of 456.93 sq.m.. The Property is located at Castfast Villas Phase 1, Fenggang Town, Dongguan. Developments in vicinity comprise mainly residential properties such as Castfast Villas Phase I-II (嘉輝豪庭1-2期), Longcheng Yajun (龍城雅郡) and Taoran Jun (陶然郡). According to the Company, the Property is for residential use; there is no environmental issues and litigation dispute; there is no plan to change the use of the Property. The land use rights of the Property have been granted for land use term due to expire on 14 October 2062 for commercial residential use.	As at the Valuation Date, the Property was vacant.	RMB8,910,000 (RENMINBI EIGHT MILLION NINE HUNDRED TEN THOUSAND)

Notes:

(1) According to 3 real estate title certificates dated 31 December 2005 issued by Dongguan Municipal People's Government, the land use rights of the Property have been granted for land use term due to expire on 14 October 2062 for commercial residential use; the building ownership of the Property with a total GFA of 456.93 sq.m. have been vested in Kwong Hing Computer Metallic Components Limited* 廣興電腦金屬配件有限公司 for residential use.

(2) According to business licence No. 07596157-000-12-19-0, Kwong Hing Computer Metallic Components Limited (廣興電腦金屬配件有限公司) has been established in Hong Kong as a limited company.

(3) According to the PRC Legal Opinion:

(i) Kwong Hing Computer Metallic Components Limited* (廣興電腦金屬配件有限公司) has obtained 3 real estate title certificate and legally owns the ownership of the 3 residential units;

(ii) there are no seizure, mortgage or other form of rights restriction on the ownership of the 3 residential units; and

(iii) Kwong Hing Computer Metallic Components Limited* (廣興電腦金屬配件有限公司) has the right to possess, use, lease, transfer, mortgage, or otherwise dispose of the 3 residential units in accordance with the law.

(4) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC legal advisor:

real estate title certificate	Yes
business licence	Yes

(5) In valuing the Property which is held in the PRC, we have adopted Market Comparison Method. We have made reference to some sales comparable to the Property and nearby development. The unit price of these comparable properties ranges from about RMB20,000 to RMB20,600 per sq.m. for residential units.

The sales comparable selected by us are exhaustive.

In arriving at the key assumptions, appropriate adjustments and analysis are considered to the differences in several aspects including but not limited to time, location and physical characteristics between the Property and the comparable properties. The general basis of adjustment is if the Property is better than the comparable property, an upward adjustment is made. Alternatively, if the Property is inferior or less desirable than the comparable properties, a downward adjustment is made.

VALUATION REPORT

Group III — Property held for investment by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2022
6.	Industrial Complex, Zhentiannan Road, Yantian, Fenggang Town, Dongguan City, Guangdong Province, the PRC (中國廣東省東莞市鳳崗鎮雁田鎮田南路工業園)	The Property comprises an industrial complex with 9 Factories, 3 warehouses, 1 training centre, 1 generator room and 1 security post erected on 2 parcels of industrial land with a total site area of 23,862 sq.m.. The buildings were completed during 1987 to 1992 respectively. The Property have a total GFA of 55,262.26 sq.m.. The Property is located at the west of Zhentiannan Road, Fenggang Town, Dongguan. Developments in vicinity comprise mainly residential properties such as Fengtian Garden (豐田花園), Cuihu Xinyuan (翠湖新苑) and Cuihu Haoting (翠湖豪庭). According to the Company, the Property is for industrial uses; there is no environmental issues and litigation dispute; the Company plans to change the use of the Property from industrial to residential use, however, the related government approval for such change of land use is yet to be obtained. The land use rights of the Property have been granted for a land use term from 15 October 1996 to October 2046 for industrial plant and supporting facilities.	As at the Valuation Date, portion of the Property, with a total GFA of 1,867 sq.m., was subject to a connected party tenancy due to expire on 31 March 2023. Portion of the Property, with a total GFA of 3,913 sq.m., is subject to 4 third parties tenancies due to expire on 31 March 2023 respectively. Most of the remaining portion of the Property was vacant.	RMB77,790,000 (RENMINBI SEVENTY SEVEN MILLION SEVEN HUNDRED NINETY THOUSAND)

Notes:

(1) According to 2 land use rights certificate dated 29 October 1996 issued by Dongguan Municipal People's Government, the land use rights of the Property with a total site area of 23,862 sq.m. have been granted to Castfast Industrial (Yan Tien) Limited* (雁田嘉輝塑膠五金廠有限公司) ("**Castfast Industrial**"), a wholly-owned subsidiary of the Company, for a land use term from 15 October 1996 to October 2046 for industrial plant and supporting facilities.

(2) According to 15 real estate title certificates dated 29 October 1996 issued by Dongguan Municipal People's Government, the building ownership of the Property with a total GFA of 55,262.26 sq.m. have been vested in Castfast Industrial.

(3) According to business licence No. 11988978-000-09-19-6, Castfast Industrial has been established in Hong Kong as a limited company.

(4) According to the PRC Legal Opinion:

(i) Castfast Industrial has obtained the corresponding real estate title certificates and legally owns the ownership of the land use rights and the buildings;

(ii) the above-mentioned land use rights and buildings ownership are not subject to seal-up, mortgage or other restrictions on other rights; and

(iii) Castfast Industrial has the right to legally occupy, use, lease, transfer, mortgage or dispose of such land use rights and buildings in other legal ways.

(5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC legal advisor:

land use rights certificate	Yes
real estate title certificate	Yes
business licence	Yes

(6) In valuing the Property which is held in the PRC, in the absence of relevant market data to arrive at the market value of the Property by means of market-based evidence, we have valued the Property by Depreciated Replacement Cost Method. It requires a valuation of the market value of the land in its existing use by Market Comparison Method by making reference to comparable sales evidence as available in the relevant market. We have made reference to some sales comparable in the nearby development.

The sales comparable selected by us are exhaustive.

In arriving at the key assumptions, appropriate adjustments and analysis are considered to the differences in several aspects including but not limited to time, location and physical characteristics between the Property and the comparable properties. The general basis of adjustment is if the Property is better than the comparable property, an upward adjustment is made. Alternatively, if the Property is inferior or less desirable than the comparable properties, a downward adjustment is made.

VALUATION REPORT

Group I — Property held for development by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2022
7.	The parcel of land located at north to Fulong Bridge and west to Hefu Road, Hecheng Neighbourhood, Gaoming District, Foshan City, Guangdong Province, the PRC (中國廣東省佛山市高明區荷城街道富龍大橋以北、荷富路以西之土地)	The Property comprises one parcel of mainly residential land with a total site area of approximately 34,447.69 sq.m. According to the development scheme provided by the Group, the Property is planned as below: **Uses** / **Gross Floor Area** *(sq.m.)* Residential: 90,751.54 Commercial: 2,578.99 Carpark: 32,718.00 Other support facilities: 5,423.00 **Total: 131,471.53** The Property is located at north to Fulong Bridge and west to Hefu Road, Hecheng Neighbourhood, Gaoming District, Foshan City; where the planned Pearl Delta River International Airport is scheduled to be located at along with other large-scale transport infrastructures expected to be developed for the region. Developments in the vicinity comprise mainly industrial parks and land to be developed. According to the Company, the Property is planned for commercial, residential and car parking uses; there is no environmental issues and litigation dispute; there is no plan to change the use of the Property. Foshan Natural Resources Bureau agreed to grant the land use rights of the Property for residential use with a term of 70 years, compatible with retail commercial, wholesale market, catering, hotel and business and financial use with a term of 40 years.	As at the Valuation Date, the Property was a vacant land pending development.	RMB155,260,000 (RENMINBI ONE HUNDRED FIFTY FIVE MILLION TWO HUNDRED SIXTY THOUSAND) (100% interest attributable to the Group: RMB155,260,000)

Notes:

(1) According to the information of the company, our scope of valuation of the Property is as follows:

Buildings	Current Status	GFA	Non-saleable GFA	Saleable GFA	(Scope of Valuation) Saleable GFA
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*
		a=b+c	b	c	d=c
Residential	Vacant land	90,751.54	—	90,751.54	90,751.54
Commercial	Vacant land	2,578.99	—	2,578.99	2,578.99
Basement 861 Car Parks	Vacant land	32,718.00	—	32,718.00	32,718.00
Other support facilities	Vacant land	5,423.00	5,423.00	—	—
Total		131,471.53	5,423.00	126,048.53	126,048.53

(2) 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 Property to Foshan Jiahe Properties Development Co., Ltd.* (佛山嘉荷房地產開發有限公司) ("**Foshan Jiahe**"), a wholly-owned subsidiary of the Company.

Lot No.:	44060800401141
Site Area:	34,447.69 sq.m.
Land Grant Fee:	RMB155,260,000
Payment Term:	50% before 25 April 2022 — RMB77,630,000 50% before 27 March 2023 — RMB77,630,000
Land Use Term:	For residential use with a term of 70 years, compatible with retail commercial, wholesale market, catering, hotel and business and financial use with a term of 40 years
Plot Ratio:	2.8
Total Plot Ratio Gross Floor Area:	96,453.53 sq.m.
Land Handover Date:	Before 25 June 2022
Building Covenant:	To commence the construction before 25 June 2023 To complete the construction before 25 June 2026

(3) According to business licence No. 9140608MA7JT1RN8C dated 11 March 2022, Foshan Jiahe has been established as a limited company with a registered capital of RMB100,000,000.

(4) According to the PRC Legal Opinion:

(i) Foshan Jiahe is a foreign-invested limited liability company established and validly existing in accordance with Chinese laws and has an independent corporate legal personality;

(ii) Foshan Jiahe is the development company of this project. It is a real estate development enterprise legally established and validly existing in accordance with Chinese laws. It legally possesses the qualifications of real estate development enterprise and has the right to develop and operate this project according to law;

(iii) The content of the contract for grant of state-owned land use rights for this project is legal and valid, and is legally binding to the contracting parties;

(iv) 50% of the land grant fee for the land use rights of this project has been paid. According to the contract for grant of state-owned land use rights, Foshan Jiahe can apply for the real estate title certificate only after all the land grant fee has been paid.

(5) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

real estate title certificate	No
contract for grant of state-owned land use rights	Yes
business licence	Yes

(6) In valuing the Property which is held for development in the PRC, we have adopted Market Comparison Method. We have made reference to some land sales comparable in the nearby land. The unit price of these comparable land ranges from about RMB18,000 to RMB27,500 per sq.m. for land accommodation value.

The land sales comparable selected by us are exhaustive.

In arriving at the key assumptions, appropriate adjustments and analysis are considered to the differences in several aspects including but not limited to time, location and physical characteristics between the Property and the comparable land. The general basis of adjustment is if the Property is better than the comparable land, an upward adjustment is made. Alternatively, if the Property is inferior or less desirable than the comparable land, a downward adjustment is made.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 2 September 2020 under the Companies Act (As Revised) of the Cayman Islands (the "**Companies Act**"). The Company's constitutional documents consist of its Memorandum of Association (the "**Memorandum**") and its Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [•] with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year. The period of thirty (30) days may be extended for a further period or periods not exceeding thirty (30) days in respect of any year if approved by members by ordinary resolution.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Act and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

A Director (including a managing or other executive Director) may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) the giving of any security or indemnity either:-

(aaa) to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or

(bbb) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/ themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(bb) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(cc) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:-

(aaa) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or

(bbb) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Directors, his close associate(s) and employee(s) of the Company or any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. Votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine.

Any corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any general meeting of the Company or at any meeting of any class of members. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member and such corporation shall for the purposes of the Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, the right to speak and to vote and, where a show of hands is allowed, the right to vote individually on a show of hands.

All members have the right to speak and vote at a general meeting except where a member is required, by the rules of the Stock Exchange, to abstain from voting to approve the matter under consideration.

Where the Company has any knowledge that any member is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every financial year and such general meeting must be held within six (6) months after the end of the Company's financial year unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per share basis. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business or resolution specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

Notwithstanding any provisions in the Articles, any general meeting or any class meeting may be held by means of such telephone, electronic or other communication facilities as to permit all persons participating in the meeting to communicate with each other, and participation in such a meeting shall constitute presence at such meeting.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall by ordinary resolution appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed and approved by the Company by an ordinary resolution passed at a general meeting or in such manner as the members may by ordinary resolution determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members maintained in Hong Kong shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

Unless otherwise provided by the Companies Act, a resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Act of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 4 September 2020.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) a majority in number representing seventy-five per cent. (75%) in value of creditors, or (ii) seventy-five per cent. (75%) in value of shareholders or class of shareholders, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

The Companies Act also contains statutory provisions which provide that a company may present a petition to the Court for the appointment of a restructuring officer on the grounds that the company (a) is or is likely to become unable to pay its debts within the meaning of section 93 of the Companies Act; and (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring. The petition may be presented by a company acting by its directors, without a resolution of its shareholders or an express power in its articles of association. On hearing such a petition, the Court may, among other things, make an order appointing a restructuring officer or make any other order as the Court thinks fit.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 of the Cayman Islands ("**ES Act**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands.

Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents on display" in Appendix VII to this listing document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 2 September 2020. Our Company has established a principal place of business in Hong Kong at Unit 80, 7/F, Woon Lee Commercial Building, 7-9 Austin Avenue, Tsim Sha Tsui, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 13 April 2022. Our Company has appointed Mr. Ho Wai Hon, Brian and Mr. Wong Ho Kwan as its authorised representatives for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, it is subject to the Companies Act and its constitution documents comprising the Memorandum of Association and the Articles of Association. A summary of various parts of the constitution documents and relevant aspects of the company law of the Cayman Islands is set out in Appendix V to this listing document.

2. Changes in share capital of our Company

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 2 September 2020 with an authorised share capital of HK$380,000 divided into 3,800,000 Shares of HK$0.1 each, of which one Share was allotted and issued fully paid to the initial subscriber at par. On the same date, the one Share held by the initial subscriber was transferred to Karrie International at the consideration of HK$0.1.

On 8 March 2022, Karrie International declared a conditional special interim dividend satisfied by way of a distribution in specie of its entire shareholding in Benefit Master to our Company as per the instruction of Karrie International. In consideration of Karrie International directing Karrie International BVI to distribute in specie of its entire shareholding in Benefit Master to our Company, our Company issued one Share to Karrie International.

On 8 March 2022, in consideration of one consideration Share issued and allotted by our Company to Karrie International, the amount due from our Group to the Remaining Group in the amount of RMB374.4 million was capitalised.

On 22 March 2022, the issued and unissued shares of HK$0.1 each in the share capital of our Company were subdivided into ten Shares of HK$0.01 each, and the authorised share capital of our Company became HK$380,000 divided into 38,000,000 Shares of HK$0.01 each.

Immediately following completion of the Spin-off (assuming none of the outstanding Karrie International Share Options has been exercised from the Latest Practicable Date to the Distribution Record Date and not taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options which have been or may be granted under the Share Option Scheme), the issued share capital of our Company will be HK$[5,053,273] divided into [505,327,300] Shares of HK$0.01 each, all fully paid or credited as fully paid, with [494,672,700] Shares remaining unissued.

Other than pursuant to the general mandate to issue Shares referred to in the section headed "Appendix V — Statutory and General Information — A. Further information about our Company — 4. Written resolutions of the sole Shareholder" in this listing document and the exercise of any options which have been or may be granted under the Share Option Scheme, our Directors do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed above and in the section headed "History, Reorganisation and Corporate Structure" in this listing document, there has been no alteration in the share capital of our Company since the date of its incorporation.

3. Changes in share capital of the subsidiaries of our Company

Our Company's subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I in this listing document.

Save as disclosed in the section headed "History, Reorganisation and Corporate Structure" in this listing document, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this listing document.

4. Written resolutions of the sole Shareholder

Pursuant to the written resolutions of our sole Shareholder passed on [•], among other things:

(a) the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$**[REDACTED]** divided into **[REDACTED]** Shares of HK$0.01 each by the creation of an additional **[REDACTED]** new Shares of HK$0.01 each to rank *pari passu* in all respects with our Shares then existing;

(b) the Memorandum of Association and the Articles were adopted in substitution for and to the exclusion of the existing memorandum of association and articles of association of our Company with effect from the Listing Date; and

(c) subject to the Stock Exchange granting approval of the listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this listing document (including any Shares which may be allotted and issued upon exercise of the options that may be granted under the Share Option Scheme in respect of up to 10% of our Shares in issue as at the Listing Date):

(i) the Spin-off and separate Listing was approved;

(ii) our Board or any committee established by our Board was authorised and directed to allot and issue such number of new Shares as will enable Karrie International to effect the Distribution on the basis of one Share for every **[REDACTED]** Karrie International Shares held as at the Distribution Record Date. Pursuant to the Distribution, subject to the terms and conditions thereof as set out in this listing document and such modifications, amendments, variations or otherwise as may be made by any Director (or any committee established by our Board) in their absolute discretion, and our Board or any committee established by our Board or any Director be and is hereby authorised and directed to effect such modifications, amendments, variations or otherwise as appropriate;

(iii) our Board or any such committee of our Board or any Director was authorised and directed to sign and execute such documents and do all such acts and things incidental to the Spin-off and separate Listing or as he/she/it considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Spin-off and separate Listing;

(iv) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangement providing for the allotment and issue of our Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, or the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares or an issue of Shares pursuant to the exercise of options which may be granted under the Share Option Scheme, Shares of an aggregate number not exceeding 20% of the aggregate number of Shares in issue immediately upon completion of the Spin-off (taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme). Such mandate will expire at the conclusion of the next annual general meeting of our Company; or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law of the Cayman Islands to be held; or when revoked, varied or renewed by an ordinary resolution of our Shareholders in a general meeting, whichever occurs first;

(v) a general unconditional mandate was given to our Directors authorising the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the Listing Rules (or of such other stock exchange), of such number of Shares not exceeding 10% of the number of the Shares of our Company in issue and to be issued immediately upon completion of the Spin-off (taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme). Such mandate will expire at the conclusion of the next annual general meeting of our Company; or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law of the Cayman Islands to be held; or when revoked, varied or renewed by an ordinary resolution of our Shareholders in a general meeting, whichever occurs first;

(vi) the general unconditional mandate as mentioned in sub-paragraph (iv) above was extended by the addition to the aggregate number of Shares of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (v) above, provided that such extended amount shall not exceed 10% of the aggregate number of Shares of our Company in issue immediately following completion of the Spin-off but taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme.

5. Corporate reorganisation

In preparation for the Spin-off, the companies comprising our Group underwent the Reorganisation as disclosed in the section headed "History, Reorganisation and Corporate Structure" in this listing document.

6. Repurchase by our Company of our own securities

This paragraph contains information required by the Stock Exchange to be included in this listing document concerning the repurchase by our Company of our own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of the sole shareholder passed on [•], the Repurchase Mandate was given to our Directors authorising our Directors to exercise all powers of our Company to purchase our Shares as described above in the section headed "Appendix V — Statutory and General Information — 4. Written resolutions of the sole Shareholder" in this listing document.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. Our Company may not repurchase our own Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or share premium or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased. Subject to the Companies Act, a repurchase may also be made out of capital.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a "core connected person", which includes a Director, chief executive or substantial Shareholder of our Company or any of the subsidiaries or an associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of **[REDACTED]** Shares in issue after completion of the Spin-off (assuming that none of the outstanding Karrie International Share Options has been exercised from the Latest Practicable Date to the Distribution Record Date and taking into no account of any Shares which may be allotted and issued pursuant to the exercise of any options which have been or may be granted under the Share Option Scheme), could accordingly result in up to **[REDACTED]** Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) Funding of repurchase

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands. Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person (as defined in the Listing Rules) of our Company has notified us that he has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of our Group within the two years immediately preceding the date of this listing document and are or may be material in relation to the business of our Company taken as a whole:

(a) a conditional sale and purchase agreement dated 28 January 2022 entered into between Benefit Master Limited (as purchaser) and Mr. Ho Cheuk Fai (as vendor) in relation to the Kar Info International Limited at a nominal consideration of US$100;

(b) a conditional sale and purchase agreement dated 28 January 2022 entered into between KRP Development Company Limited (as purchaser) and Kar Info Property Limited (as vendor) in relation to the acquisition of the entire equity interest in Dongguan City Jiaxuntong Computer Products Limited* (東莞市嘉訊通電腦產品有限公司) at the consideration of RMB38 million;

(c) the Deed of Indemnity; and

(d) the Deed of Non-competition.

C. INTELLECTUAL PROPERTY RIGHTS OF OUR GROUP

1. Trademark

As at the Latest Practicable Date, our Group has one trademark in Hong Kong which we believe are material to our business.

Trademark	Registration number	Class	Name of registered owner	Expiry date
	305329305	36	Karrie Properties Management Limited	9 July 2030

2. Domain names

As at the Latest Practicable Date, our Group has registered the following domain names which we believe are material to our business:

Domain name	Name of owner	Commencement date	Expiry Date
www.krpd.com.hk	KRP Development	25 February 2022	25 February 2027

D. DISCLOSURE OF INTERESTS

1. Interests and short positions of our Directors and chief executive in our Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following completion of the Spin-off, taking no account of (i) any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme; and (ii) any Karrie International Shares that may be allotted and issued upon the exercise of the Karrie International Share Options which may affect the number of Shares under the Distribution, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or will be required, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

(a) Long position in Shares

Name of Director	Capacity/nature of interest	Number of Shares *(Note 3)*	Approximate percentage of shareholding interest of our Company
Mr. Ho Cheuk Fai	Beneficial interest	**[REDACTED]** (L)	**[REDACTED]**
(Note 1)	Interest of spouse	**[REDACTED]** (L)	
(Note 2)	Interest of a controlled corporation/Other interests	**[REDACTED]** (L)	
Ms. Yiu Yuet Fung	Beneficial interest	**[REDACTED]** (L)	**[REDACTED]**
Mr. Ho Man Chung	Beneficial interest	**[REDACTED]** (L)	**[REDACTED]**
Mr. Ho Wai Hon, Brian	Beneficial interest	**[REDACTED]** (L)	**[REDACTED]**
Mr. Choi Wai Hin	Beneficial interest	**[REDACTED]** (L)	**[REDACTED]**

(1) Immediately following completion of the Spin-off and assuming that its shareholding in Karrie International remains unchanged from the Latest Practicable Date to the Distribution Record Date, Mr. Ho Cheuk Fai's personal interest will consist of **[REDACTED]** Shares. By virtue of the SFO, he is deemed to be interested in **[REDACTED]** Shares held by his spouse, Ms. Ho Po Chu, as beneficial owner.

(2) Immediately following completion of the Spin-off and assuming that its shareholding in Karrie International remains unchanged from the Latest Practicable Date to the Distribution Record Date, the **[REDACTED]** Shares will comprise (i) **[REDACTED]** Shares held by New Sense Enterprises Limited ("**New Sense**"); and (ii) **[REDACTED]** Shares held by Castfast Properties Development Co., Limited ("**Castfast Properties**"), **[REDACTED]** of the issued share capital of which is beneficially owned by Honford Investments Limited ("**Honford Investments**"). New Sense and Honford Investments are each wholly-owned by TMF (BVI) Limited ("**TMF**") as trustee for a discretionary trust, The Ho Family Trust, and (iii) **[REDACTED]** Shares held by The Wedding City Co., Limited ("**The Wedding City**"), **[REDACTED]** and **[REDACTED]** of the issued share capital of which is beneficially owned by Mr. Ho Cheuk Fai and Ms. Ho Po Chu, respectively. By virtue of the SFO, Mr. Ho Cheuk Fai is deemed to be interested in the **[REDACTED]** Shares in (i) and (ii) as founder of The Ho Family Trust and in **[REDACTED]** Shares in (iii) through The Wedding City. Ms. Ho Po Chu and Mr. Ho Cheuk Ming are the discretionary objects of The Ho Family Trust and are thus deemed to be interested in the **[REDACTED]** Shares held under The Ho Family Trust. Therefore, the interests of Mr. Ho Cheuk Fai and Ms. Ho Po Chu in the **[REDACTED]** Shares duplicate with each other.

(3) Fractional entitlements of our Shares under the Distribution may be taken into account in calculating the interests shown above, and accordingly the number of Shares in which they are, or are deemed to be interested, as well as the shareholding percentages, are approximate only. The letter "L" denotes the person's long position in our Shares.

2. Interests and short positions of Substantial Shareholders in our Shares, and underlying Shares

So far as it is known to our Directors and save as disclosed in the section headed "Relationship with Controlling Shareholders" in this listing document, immediately following completion of the Spin-off (taking no account of (i) any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme; and (ii) any Karrie International Shares that may be allotted and issued upon the exercise of the Karrie International Share Options which may affect the number of Shares under the Distribution), the following persons (not being a Director or chief executive of our Company) will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position in Shares

Name	Name Capacity/nature of interest	Number of Shares held or Interested *(Note 8)*	Approximate shareholding percentage
Ms. Ho Po Chu	Beneficial interest	**[REDACTED]** (L)	**[REDACTED]**
(Note 1)	Interest of spouse	**[REDACTED]** (L)	
(Note 2)	Interest of a controlled corporation/Other interests	**[REDACTED]** (L)	
Mr. Ho Cheuk Ming	Beneficial interest	**[REDACTED]** (L)	**[REDACTED]**
(Note 1) *(Note 3)*	Interest of a controlled corporation/Other interests	**[REDACTED]** (L)	
TMF *(Note 4)*	Interest of a controlled corporation/Other interests	**[REDACTED]** (L)	**[REDACTED]**
New Sense *(Note 5)*	Beneficial interest	**[REDACTED]** (L)	**[REDACTED]**
Castfast Properties *(Note 6)*	Beneficial interest	**[REDACTED]** (L)	**[REDACTED]**
Honford Investment *(Note 6)*	Interest of a controlled corporation/Other interests	**[REDACTED]** (L)	**[REDACTED]**
The Wedding City *(Note 7)*	Beneficial interest	**[REDACTED]** (L)	**[REDACTED]**

Notes:

(1) Immediately following completion of the Spin-off and assuming that its shareholding in Karrie International remains unchanged from the Latest Practicable Date to the Distribution Record Date, the **[REDACTED]** Shares will comprise (i) **[REDACTED]** Shares held by New Sense; and (ii) **[REDACTED]** Shares held by Castfast Properties, **[REDACTED]** of the issued share capital of which is beneficially owned by Honford Investments. New Sense and Honford Investments are each wholly-owned by TMF as trustee for a discretionary trust, The Ho Family Trust, and (iii) **[REDACTED]** Shares held by The Wedding City, **[REDACTED]** and **[REDACTED]** of the issued share capital of which is beneficially owned by Mr. Ho Cheuk Fai and Ms. Ho Po Chu, respectively. By virtue of the SFO, Mr. Ho Cheuk Fai is deemed to be interested in the **[REDACTED]** Shares in (i) and (ii) as founder of The Ho Family Trust and in [65,000,000] Shares in (iii) through The Wedding City. Ms. Ho Po Chu and Mr. Ho Cheuk Ming are the discretionary objects of The Ho Family Trust and are thus deemed to be interested in the **[REDACTED]** Shares held under The Ho Family Trust. Therefore, the interests of Mr. Ho Cheuk Fai, Ms. Ho Po Chu and Mr. Ho Cheuk Ming in the **[REDACTED]** Shares duplicate with each other.

(2) Immediately following completion of the Spin-off and assuming that its shareholding in Karrie International remains unchanged from the Latest Practicable Date to the Distribution Record Date, the personal interests of Ms. Ho Po Chu will comprise **[REDACTED]** Shares. By virtue of the SFO, Ms. Ho Po Chu is also deemed to be interested in (a) **[REDACTED]** Shares held by her spouse, Mr. Ho Cheuk Fai as beneficial owner, and (b) **[REDACTED]** Shares deemed to be held by Mr. Ho Cheuk Fai referred to in Note 1 above.

(3) Immediately following completion of the Spin-off and assuming that its shareholding in Karrie International remains unchanged from the Latest Practicable Date to the Distribution Record Date, the personal interests of Mr. Ho Cheuk Ming will comprise **[REDACTED]** Shares.

(4) By virtue of the SFO, TMF is deemed to be interested in these Shares held by New Sense, Castfast Properties and Honford Investments by virtue of acting as the trustee for The Ho Family Trust.

(5) Immediately following completion of the Spin-off and assuming that its shareholding in Karrie International remains unchanged from the Latest Practicable Date to the Distribution Record Date, the entire issued share capital of New Sense will be owned by TMF as trustee for The Ho Family Trust.

(6) Immediately following completion of the Spin-off and assuming that its shareholding in Karrie International remains unchanged from the Latest Practicable Date to the Distribution Record Date, **[REDACTED]** of the issued share capital of Castfast Properties will be beneficially owned by Honford Investments. The entire issued share capital of Honford Investments will be owned by TMF as trustee for a discretionary trust, The Ho Family Trust. The interests of Honford Investments duplicate with those of the Castfast Properties.

(7) Immediately following completion of the Spin-off and assuming that its shareholding in Karrie International remains unchanged from the Latest Practicable Date to the Distribution Record Date, **[REDACTED]** Shares will be beneficially held by The Wedding City. **[REDACTED]** and **[REDACTED]** of the issued share capital of which is beneficially owned by Mr. Ho Cheuk Fai and Ms. Ho Po Chu, respectively.

(8) Fractional entitlements of our Shares under the Distribution may be taken into account in calculating the interests shown above, and accordingly the number of Shares in which they are, or are deemed to be interested, as well as the shareholding percentages, are approximate only. The letter "L" denotes the person's long position in our Shares.

3. Particulars of our Directors' service agreements

(a) Executive Directors

Each of our executive Directors [has] entered into a service contract with our Company for an initial fixed term of three years commencing from the Listing Date, which can be terminated before the expiration of the term by not less than three months' notice in writing served by either party on the other, and which are subject to the provisions of the Articles of Association with regard to vacation of office of Directors, removal and retirement by rotation of Directors.

(b) Non-executive Director and independent non-executive Directors

Each of our non-executive Director and independent non-executive Directors [has] signed an appointment letter with our Company for an initial fixed term of three years commencing from the Listing Date, which can be terminated before the expiration of the term by not less than three months' notice in writing served by either party on the other, and which are subject to the provisions of the Articles of Association with regard to vacation of office of Directors, removal and retirement by rotation of Directors.

Save as disclosed in the paragraph above, none of our Directors has entered into a service contract or letter of appointment with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. Remuneration of our Directors

Please refer to the section headed "Directors, Senior Management and Employees — Directors' Remuneration" in this listing document for further information on our Directors' remuneration.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the Track Record Period.

5. Disclaimers

Save as disclosed in the sections headed "Directors, Senior Management and Employees", "Substantial Shareholders" and this section headed "Appendix V — Statutory and General Information" of this listing document:

(a) so far as our Directors are aware, none of our Directors or chief executive has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) immediately following the completion of the Spin-off and the options which may be granted under the Share Option Scheme are not exercised, which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she will be taken or deemed to have under the SFO) once our Shares are listed, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein once our Shares are listed, or which will be required, pursuant to the Listing Rules relating to securities transactions by our Directors to be notified to our Company and the Stock Exchange, once our Shares are listed;

(b) so far as our Directors are aware, none of our Directors and experts referred to under the heading "G. Other information — 6. Qualifications of experts" of this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this listing document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors and experts referred to under the heading "G. Other information — 6. Qualifications of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this listing document which is significant in relation to the business of our Group taken as a whole;

(d) none of our Directors has any existing or proposed service agreements with any member of our Group, excluding agreements which are determinable by the employer within one year without payment of compensation other than statutory compensation;

(e) taking no account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, our Directors are not aware of any person, not being a Director of our Company, who will, immediately following completion of the Spin-off, be interested in or has short positions in our Shares or underlying shares of our Company which have to be notified to our Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO once our Shares are listed, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(f) none of the experts referred to under the heading "G. Other information — 6. Qualifications of experts" of this Appendix has any shareholding in any member of our Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(g) none of our Directors, their associates or any shareholder of our Company (which to the knowledge of our Directors owns more than 5% of our Company's issued share capital) has any interest in our Group's five largest suppliers and five largest customers.

6. Agency fees or commissions received

Save as disclosed in the section headed "Financial Information — **[REDACTED]**" in this listing document, none of our Directors, or the experts named in the section headed "Appendix V — Statutory and General Information — G. Other information — 6. Qualifications of experts" in this listing document had received any agency fee, commissions, discounts, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group from our Group within the two years immediately preceding the date of this listing document.

7. Related party transactions

For details of the related party transactions of our Group entered into within two years immediately preceding the date of this listing document, please refer to Note 27 to the Accountants' Report in Appendix I.

E. SHARE OPTION SCHEME

The principal terms of the Share Option Scheme conditionally adopted under the written resolutions of the sole Shareholder of our Company passed on [•] are set out below. For the avoidance of doubt, holders of Karrie International Share Options will not, by virtue only of their holding of any Karrie International Share Options, be entitled to options under the Share Option Scheme,

1. Purpose of the Share Option Scheme

The Share Option Scheme is an incentive scheme established to recognise and motivate the contributions that Eligible Participants (as defined below) have made or may make to our Group.

The Share Option Scheme will provide the Eligible Participants with an opportunity to acquire proprietary interests in our Company with the view to achieve the following principal objectives:

(a) motivate the Eligible Participants to optimise their performance and efficiency for the benefit of our Group; and

(b) attract and retain or otherwise maintain ongoing business relationship with the Eligible Participants whose contributions are, will or expected to be beneficial to our Group.

For the purpose of the Share Option Scheme, "Eligible Participants" means any person who satisfies the eligibility criteria in paragraph 2 below.

2. Who may join and basis of eligibility

Our Board may at its discretion grant options to:

(i) any Eligible Employees. "**Eligible Employees**" means any employee (whether full time or part time, including any executive director but excluding any non-executive director) of our Company, any subsidiary or any entity in which our Group holds at least 20% of its issued share capital ("**Invested Entity**");

(ii) any non-executive director (including independent non-executive directors) of our Company, any subsidiary or any Invested Entity;

(iii) any supplier of goods or services of any member of our Group or any Invested Entity;

(iv) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;

(v) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;

(vi) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and

(vii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group, and, for the purposes of the Share Option Scheme, options may be granted to any company wholly-owned by one or more Eligible Participants.

The basis of eligibility of any participant to be granted any option shall be determined by our Directors (or as the case may be, our independent non-executive Directors) from time to time on the basis of his/her contribution or potential contribution to the development and growth of our Group.

3. Subscription Price of Shares

The subscription price for any Share under the Share Option Scheme shall subject to any adjustments made pursuant to paragraph 14 below, be a price determined by our Directors and shall not be less than the highest of: (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet for trade on the offer date of the relevant option, which must be a day on which the Stock Exchange is open for the business of dealing in securities (a "**Trading Day**"); (ii) the average closing price of our Shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the offer date of the relevant option; and (iii) the nominal value of a Share on the offer date. For the purpose of calculating the exercise price where our Company has been listed for less than five Trading Days, the closing price of our Shares for the Listing Date.

4. Grant of options and acceptance of offers

An offer for the grant of options shall be deemed to have been accepted when our Company receives the letter containing the offer duly signed by the grantee together with a remittance of HK$1.00 (or such other nominal sum in any currency as our Directors may determine) in favour of our Company as consideration for the grant thereof within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable. Once accepted, the option is granted as from the date on which it was offered to the relevant Eligible Participant.

5. Maximum number of Shares

(i) Subject to sub-paragraphs (ii) to (iv) below and assuming that the total number of Karrie International Shares in issue remains unchanged from the Latest Practicable Date to the Distribution Record Date, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme shall not, in aggregate, exceed 10% of our Shares in issue as at the Listing Date, being **[REDACTED]** Shares (the "**Scheme Mandate Limit**") unless approved by our Shareholders pursuant to sub-paragraph (iii) below. Options lapsed in accordance with the terms of the scheme(s) will not be counted for the purpose of calculating the Scheme Mandate Limit.

(ii) Subject to sub-paragraphs (iii) and (iv) below, the Scheme Mandate Limit may be renewed by our Shareholders in general meeting from time to time provided always that the Scheme Mandate Limit so renewed must not exceed 10% of our Shares in issue as at the date of approval of such renewal by our Shareholders. Upon such renewal, all options granted under the Share Option Scheme and any other share option schemes of our Company (including those exercised, outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) prior to the approval of such renewal shall not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. A circular must be sent to our Shareholders containing such relevant information from time to time as required by the Listing Rules in connection with the general meeting at which their approval is sought.

(iii) Subject to sub-paragraphs (iv) below, our Directors may seek separate shareholders' approval in general meeting to grant options beyond the Scheme Mandate Limit provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by our Company before such approval is sought and our Company must issue a circular to our Shareholders containing such relevant information from time to time as required by the Listing Rules in relation to any such proposed grant to such Eligible Participants.

(iv) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by our Group must not, in aggregate, exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes adopted by our Group if such grant will result in the said 30% limit being exceeded.

6. Maximum entitlement of each participant

No option shall be granted to any Eligible Participant which, if exercised in full would result in the total number of our Shares issued and to be issued upon exercise of the options already granted or to be granted to such Eligible Participant under the Share Option Scheme (including exercised, cancelled and outstanding share options) in any 12-month period up to and including the date of such grant exceeding 1% in aggregate of our Shares in issue as at the date of such grant. Any grant of further options above this limit shall be subject to the following requirements:

(i) approval of our Shareholders at general meeting, with such Eligible Participant and his/her close associates (or his/her associates if the Eligible Participant is a core connected person) abstaining from voting;

(ii) a circular in relation to the proposal for such further grant must be sent by our Company to our Shareholders with such information from time to time as required by the Listing Rules;

(iii) the number and terms of the options to be granted to such proposed grantee shall be fixed before our Shareholders' approval mentioned in (i) above; and

(iv) for the purpose of calculating the minimum exercise price for our Shares in respect of the further options proposed to be so granted, the date of board meeting for proposing such grant of further options shall be taken as the date of offer of such options.

7. Requirements on granting options to certain core connected persons

Any grant of options to any Director, chief executive or substantial shareholder of our Company, or any of their respective associates, must be approved by the independent non-executive Directors (excluding an Independent Non-executive director who or whose associate is a proposed grantee of an option).

Where any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates would result in the total number of our Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the total number of Shares in issue; and

(ii) having an aggregate value, based on the closing price of our Shares at the date of such grant, in excess of HK$5 million,

such further grant of options must be approved by our Shareholders by poll in a general meeting where the grantee, his/her associates and core connected persons of our Company must abstain from voting in favour at such general meeting. Our Company will send a circular to our Shareholders containing the information required under the Listing Rules.

8. Restrictions on the time of grant of options

No option shall be granted after inside information has come to the knowledge of our Company until our Company has announced the information. In particular, it may not grant any option during the period commencing one month immediately before the earlier of (i) the date of our Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving our Company's results for any year, half-year or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to announce its results for any year or half-year under the Listing Rules, or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement. No option may be granted during any period of delay in publishing a results announcement. "**Inside information**" has the meaning defined in the SFO.

Our Directors may not make any offer to an Eligible Participant who is a Director during the periods or times in which our Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

9. Time of exercise of option

An option may (and may only) be exercised in accordance with the terms of the Share Option Scheme at any time during a period as our Directors may determine which shall not exceed 10 years from the offer date subject to the provisions of early termination thereof, and provided that our Directors may determine the minimum period for which an option has to be held or other restrictions before its exercise.

The grantee shall not exercise an option to the extent that the public float of our Company will be less than 25% (or such higher percentage as required by the Stock Exchange or the Listing Rules) of the issued share capital of our Company immediately after the allotment and issue of our Shares upon such exercise of the option.

10. Performance targets

Save as determined by our Directors and provided in the offer of grant of the options, there is no performance target that must be achieved before the options can be exercised.

11. Ranking of Shares

Our Shares to be allotted and issued upon exercise of an option shall be subject to all the provisions of the Articles for the time being in force and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue on the allotment date and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the allotment date. Any Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered into the register of members of our Company as the holder thereof.

12. Rights are personal to grantee

An option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement so to do. Any breach of the foregoing by a grantee shall entitle our Company to cancel any option granted to such grantee to the extent not already exercised.

13. Rights on cessation of employment

(i) In the event of death of the grantee (being an individual) before exercising the option in full, his/her personal representative(s) may exercise the option up to the grantee's entitlement (to the extent exercisable as at the date of his/her death and not already exercised) within a period of 12 months following his/her death or such longer period as our Directors may determine.

(ii) In the event of the grantee who is an Eligible Employee ceasing to be an Eligible Employee for any reason other than his/her death, or the termination of his/her employment pursuant to paragraph 18(v), the grantee may exercise the option (to the extent exercisable as at the date of such cessation and not already exercised) within 30 days following such cessation or such longer period as our Directors may determine. The date of cessation as aforesaid shall be the last day on which the grantee was actually at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not, or such longer period as our Directors may determine.

14. Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company while an option remains exercisable or the Share Option Scheme remains in effect whether by way of capitalisation of profits or reserves, bonus issue, rights issue, consolidation, subdivision or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relate so far as unexercised; and/or the subscription price; and/or the method of exercise of the options; and/or the maximum number of Shares subject to the Share Option Scheme.

Any adjustments required under this paragraph must be made in compliance with the Listing Rules and give a grantee the same proportion of the equity capital as that to which that grantee was previously entitled and shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but no such adjustments may be made to the extent that Shares would be issued at less than nominal value, provided that in such circumstance, the subscription price shall be reduced to the nominal value. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, the independent financial adviser of our Company or the auditor(s) of our Company must confirm to our Board in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules.

15. Rights on a general offer

If a general or partial offer (whether by way of takeover offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror), our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, our Shareholders. If such offer becomes or is declared unconditional, the grantee shall be entitled to exercise the option (to the extent exercisable as at the date on which the offer becomes or is declared unconditional and not already exercised) in full or in part at any time within 14 days after the date on which the offer becomes or is declared unconditional.

16. Rights on winding-up

In the event notice is given by our Company to our Shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up our Company, our Company shall forthwith give notice thereof to the grantee and the grantee shall be entitled to exercise all or any of his/her options (to the extent exercisable as at the date of the notice of meeting and not already exercised) at any time not later than two Trading Days (excluding any period(s) of closure of our Company's share registers) prior to the proposed meeting of our Company to consider the winding-up and our Company shall, as soon as possible and in any event no later than the Trading Day (excluding any period(s) of closure of our Company's share registers) immediately prior to the date of the proposed shareholders' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

17. Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and its members or creditors being proposed in connection with a scheme for the restructuring, reconstruction or amalgamation of our Company, our Company shall give notice thereof to all grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme, and thereupon the grantee shall be entitled to exercise all or any of his/her option(s) (to the extent which has become exercisable as at the date of the notice and not already exercised) at any time not later than two Trading Days (excluding any period(s) of closure of our Company's share registers) prior to the proposed meeting and our Company shall, as soon as possible and in any event no later than the Trading Day (excluding any period(s) of closure of our Company's share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

18. Lapse of options

An option (to the extent not already exercised) shall automatically lapse and not be exercisable on the earliest of:

(i) the expiry of the option period;

(ii) the expiry of any of the periods referred to in paragraph 13 above;

(iii) subject to paragraph 16 above, the date of the commencement of the winding-up of our Company;

(iv) the expiry of the period referred to in paragraph 17 above;

(v) the date on which the grantee who is an Eligible Employee ceases to be an Eligible Employee by reason of summary dismissal or being dismissed for misconduct or other breach of the terms of his/her employment contract or other contract constituting him/her an Eligible Employee, or the date on which he/she begins to appear to be unable to pay or has no reasonable prospect of being able to pay his/her debts or has become insolvent or has made any arrangements or composition with his or her creditors generally or on which he/she has been convicted of any criminal offence involving his or her integrity or honesty, unless otherwise resolved to the contrary by our Board;

(vi) in respect of a grantee other than an Eligible Employee, the date on which our Directors shall at their absolute discretion determine that (i)(a) such grantee has committed any breach of any contract entered into between such grantee on one part and our Group or any Invested Entity on the other part; or (b) such grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (c) such grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by any other reason whatsoever; and (ii) the option shall lapse as a result of any event specified in subparagraph (i)(a), (b) or (c) above, unless otherwise resolved to the contrary by our Board;

(vii) the expiry of the period referred to in paragraph 15 above; and

(viii) the date on which the grantee commits a breach of paragraph 12 or any terms or conditions attached to the grant of the option or an event, in respect to a grantee, referred to in (2) below occurs, unless otherwise resolved to the contrary by our Board.

If the grantee is a company wholly-owned by one or more Eligible Participants:

(1) the provisions of paragraphs 13(i) and (ii), 18(v) and (vi) shall apply to the grantee and to the options granted to such grantee, mutatis mutandis, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs 13(i) and (ii), 18(v) and (vi) shall occur with respect to the relevant Eligible Participant; and

(2) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly-owned by the relevant Eligible Participant, provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

19. Cancellation of options granted but not yet exercised

(a) Any options granted but not exercised may be cancelled by the Board and such cancellation is recommended by the remuneration committee of the Company. Any options granted but subsequently renounced by the Grantee may be cancelled by the Board.

(b) If an option is cancelled under paragraph 19(a), the Grantee shall not be entitled to any compensation from the Company.

(c) Where the Company cancels options and issue new options to the same Grantee, the issue of such new options may only be made with available unissued options (excluding the cancelled options) within the Scheme Mandate Limit.

20. Period of the Share Option Scheme

Subject to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years after the adoption date, after which no further options may be issued. Subject to the above, in all other respects, in particular, in respect of Options remaining outstanding, the provisions of the Share Option Scheme shall remain in full force and effect.

Our Board may impose such terms and conditions of the offer of grant either on a case-by-case basis or generally as are not inconsistent with the Share Option Scheme including but not limited to the minimum period for which an option must be held before it can be exercised.

21. Alteration to the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of our Board except that the terms and conditions of the Share Option Scheme relating to matters set out in Rule 17.03 of the Listing Rules (or any other relevant provisions of the Listing Rules from time to time applicable) cannot be altered to the advantage of grantees or prospective grantees except with the prior approval of our Shareholders in general meeting. No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alterations except with the consent or sanction of such majority of the grantee as would be required of our Shareholders under the Articles for the time being of our Company for a variation of the rights attached to Shares.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by our Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Any change to the authority of our Directors or administrators of the Share Option Scheme in relation to any alterations to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.

The amended terms of the Share Option Scheme and/or the options must continue to comply with the requirements set out in the note to rule 17.03(13) of the Listing Rules and the supplementary guidance being the attachment to FAQ No. 072/2020 released by the Stock Exchange on 6 November 2020 and/or any future guidance or interpretation of the Listing Rules issued by the Stock Exchange from time to time.

Subject to the above paragraphs, our Board may at any time alter, amend or modify the terms and conditions of the Share Option Scheme such that the provisions of the Share Option Scheme would comply with all relevant legal and regulatory requirements in all relevant jurisdictions to the extent as considered necessary by our Directors to implement the terms of the Share Option Scheme.

22. Termination to the Share Option Scheme

Our Company by ordinary resolution in general meeting or our Directors may at any time terminate the operation of the Share Option Scheme and in such event, no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects.

Options complying with the provisions of the Listing Rules which are granted during the life of the Share Option Scheme and remain unexpired immediately prior to the termination of the operation of the Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

23. Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon (i) the Stock Exchange granting the approval of the listing of and permission to deal in our Shares in issue and our Shares to be issued pursuant to the Spin-off and any Shares which may fall to be issued pursuant to the exercise of any options under the Share Option Scheme; (ii) the commencement of dealings in our Shares on the Stock Exchange; (iii) the passing by our Board and our sole Shareholder of resolution approving and adopting the Share Option Scheme; and (iv) the passing by the Karrie International Shareholders in accordance with the Listing Rules and all applicable laws at the extraordinary general meetings of Karrie International Shareholders of resolution approving the Share Option Scheme.

As at the Latest Practicable Date, no option had been granted by our Company under the Share Option Scheme. An application has been made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in our Shares to be issued and allotted by our Company pursuant to the exercise of options that may be granted under the Share Option Scheme in respect of up to 10% of our Shares in issue as at the Listing Date.

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

G. OTHER INFORMATION

1. Tax and other indemnities

Pursuant to the Deed of Indemnity given by our Controlling Shareholders in favour of our Company (on its own behalf and as trustee for each member of our Group) and conditional on the Listing, our Controlling Shareholders have agreed and undertaken to jointly and severally will indemnify each member of our Group against taxation falling on any member of our Group resulting from any income, profits or gains, transactions, events, acts, omissions, matters or things earned, accrued or received, entered into (or deemed to be so earned, accrued, received or entered into) or occurring on or before the date of the Listing.

Further, pursuant to the Deed of Indemnity, our Controlling Shareholders have agreed and undertaken to jointly and severally indemnify each member of our Group against (i) all demands, payments, suits, settlement payments, liabilities, claims, damages, losses, costs, expenses, fines, actions and proceedings and any associated costs and expenses of whatever nature which any of the Group Members may incur, suffer or accrue, or (ii) any depletion in, or reduction in, the value of the respective assets of members of our Group, or increase in the respective liabilities of members of our Group, or any loss or depreciation of any relief by any members of our Group, directly or indirectly as a result of or in connection with:

(a) any and all expenses, payments, sums, outgoings, fees, demands, claims (including counterclaims), complaints, actions, proceedings, suits, litigations, judgements, damages, losses, costs (including but not limited to, legal and other professional costs), charges, contributions, liabilities, fines, penalties which any member of our Group may incur, suffer or accrue, directly or indirectly from or on the basis of or in connection with any failure, delay or defects of corporate or regulatory compliance under, or any breach of any provision of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) or any other applicable laws, rules and regulations by members of our Group on or before the Listing Date;

(b) any alleged or actual violation or any breach or non-compliance incidents by any members of our Group with any laws and regulations in the PRC, Hong Kong or other jurisdictions on or before the Listing Date in connection with any claim, counterclaim, assessment, notice, demand or other documents issued or action taken in any of Hong Kong, the PRC, the Cayman Islands, the British Virgin Islands or in any part of the world whereby it appears that our Company and any of members of our Group are liable or are sought to be made liable for the legal consequences and potential liabilities;

(c) the restructuring and reorganisation undergone by members of our Group; and

(d) any irregularities in relation to any corporate documents of any member of our Group.

However, the indemnities given by our Controlling Shareholders under the Deed of Indemnity do not cover, and our Controlling Shareholders shall be under no liability in respect of, any liability on taxation and taxation claim:

(a) to the extent that provision has been made in the audited consolidated financial statements of our Group or the audited financial statements of any of the members of our Group for an accounting period ended on or before 30 September 2022;

(b) falling on any members of our Group in respect of any accounting period commencing on or after 30 September 2022 unless such liability would not have arisen but for some act or omission of, or transaction entered into by, our Controlling Shareholders or any members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring), otherwise than in the ordinary course of business, or in the ordinary course of acquiring or disposing of capital assets, on or before the Listing Date;

(c) to the extent that such liability arises or is increased as a consequence of any change in the law, rules or regulations, or the interpretation or practise thereof by any statutory or governmental authority (in Hong Kong, the PRC or elsewhere), including without limitation the Inland Revenue Department and the tax bureau of the PRC, having retrospective effect coming into force after the Listing Date or to the extent that such liability arises or is increased by an increase in rates of taxation or other penalties after the Listing Date with retrospective effect; or

(d) to the extent of any provision or reserve made for such liability in the audited financial statements referred to in paragraph (a) above which is finally established to be an overprovision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce our Controlling Shareholders' liability in respect of such liability shall not be available in respect of any such liability arising thereafter.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

As at the Latest Practicable Date, to the best of our Directors' knowledge, there is no current litigation or any pending or threatened litigation or arbitration proceedings against any member of our Group that could have a material adverse effect on our Group's financial condition or results of operation.

3. The Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein and any Shares which may fall to be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme on the Stock Exchange.

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

The fees of the Sole Sponsor are HK$4.7 million and are payable by our Company.

4. Preliminary expenses

The preliminary expenses incurred by our Company in respect of our incorporation were approximately US$7,800 and were paid by our Group.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this listing document:

Dongxing Securities (Hong Kong) Company Limited	A licensed corporation under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities

KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Cushman & Wakefield Limited	Industry Consultant
Fangda Partners	Legal advisor to our Company as to PRC laws
Cushman & Wakefield Limited	Property Valuer

7. Consents of experts

Each of the parties listed in the section headed "Appendix V — Statutory and General Information — G. Other information — 6. Qualifications of experts" in this listing document has given and has not withdrawn its written consent to the issue of this listing document with the inclusion of its letter, report, valuation certificate, opinion and/or references to its name (as the case may be), all of which are dated the date of this listing document, in the form and context in which they respectively appear in this listing document.

None of the experts named above has any shareholding interest in any members of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of our Group.

8. Share Registrars

The register of members of our Company will be maintained in the Cayman Islands by **[REDACTED]** and a branch register of members of our Company will be maintained in Hong Kong by its Hong Kong branch share registrar, **[REDACTED]**. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

9. No material adverse change

Our Directors confirm that there has been no material adverse change in our financial prospects of our Company or its subsidiaries since 30 September 2022 (being the date to which the latest audited financial statements of our Company were made up).

10. Miscellaneous

(a) Within the two years immediately preceding the date of this listing document:

(i) save as disclosed in the section headed "History, Reorganisation and Corporate Structure", no share or loan capital of our Company or any of its subsidiaries has been issued, agree to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;

(iii) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares; and

(iv) no founder, management or deferred shares of our Company have been issued or agreed to be issued.

(b) No share, warrant or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) All necessary arrangements have been made enabling our Shares to be admitted into CCASS;

(d) Our Directors confirm that none of them shall be required to hold any shares by way of qualification and none of them has any interest in the promotion of our Company;

(e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this listing document;

(f) There is no arrangement under which future dividends are waived or agreed to be waived;

(g) None of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and

(h) In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

1. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.krpd.com.hk up to and including the date which is 14 days from the date of this listing document:

(a) the Memorandum of Association and the Articles of Association;

(b) the Accountants' Report of KPMG, the text of which is set out in Appendix I in this listing document;

(c) the report from KPMG relating to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II in this listing document;

(d) the audited consolidated financial statements of our Group for the three years ended 31 March 2022 and the six months ended 30 September 2022;

(e) the letter of advice prepared by Conyers Dill & Pearman, our legal advisors as to Cayman Islands law, summarising certain aspects of Cayman Islands company law as referred to in Appendix IV in this listing document;

(f) the legal opinion issued by Fangda Partners, our legal advisors as to PRC laws, relating to certain aspects of our Group in the PRC;

(g) the written consents referred to in the section headed "Appendix V — Statutory and General Information — G. Other information — 7. Consents of experts" in this listing document;

(h) the rules of the Share Option Scheme;

(i) the industry report issued by Cushman and Wakefield Limited referred to in the section headed "Industry Overview" in this listing document;

(j) the valuation report issued by Cushman and Wakefield Limited;

(k) the material contracts referred to in the section headed "Appendix V — Statutory and General Information — B. Further information about the business of our Group — 1. Summary of material contracts" in this listing document;

(l) the Companies Act;

(m) the service agreements or letters of appointment of our Directors referred to in the section headed "Appendix V — Statutory and General Information — D. Disclosure of interests — 3. Particulars of our Directors' service agreements" in this listing document.