THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Yuzhou Group Holdings Company Limited, you should at once hand this circular to the purchaser or the transferee or to the bank manager, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

禹洲集團控股有限公司

YUZHOU GROUP HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01628)

MAJOR TRANSACTIONS IN RELATION TO (1) ACQUISITION OF EQUITY INTEREST IN THE TARGET COMPANY (2) DISPOSAL OF THE ENTIRE EQUITY INTEREST IN THE DISPOSED COMPANIES

Unless the context otherwise requires, all capitalized terms used on this cover page and in this circular have the meanings set out in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 5 to 17 of this circular.

The Acquisition and the Disposal have been approved by written Shareholders' approval pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company. This circular is being despatched to the Shareholders for information only.

30 March 2023

CONTENTS

In this circular, unless the context states otherwise, the following expressions have the following meaning:

"Acquired Interest"	the 66.67% of the equity interest in the Target Company
"Acquisition"	the acquisition of the Acquired Interest pursuant to the terms and conditions of the Supplemental Agreement
"Affluent Ocean"	Affluent Ocean International Limited (裕海國際有限公司), a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"Coastal Greenland"	Coastal Greenland Limited (沿海綠色家園有限公司), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1124)
"Coastal Greenland Group"	Coastal Greenland and its subsidiaries
"Company"	Yuzhou Group Holdings Company Limited (禹洲集團控股有限公司), an exempted company incorporated in the Cayman Islands on 23 April 2008 with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Acquisition and the Disposal in accordance with the terms and conditions of the Supplemental Agreement
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the Disposed Interest pursuant to the terms and conditions of the Supplemental Agreement
"Disposed Companies"	collectively, Shanghai Coastal and Shenyang Zhongguang
"Disposed Interest"	the entire equity interest held by the Company in Shanghai Coastal and Shenyang Zhongguang

"Enlarged Group"	the Group enlarged by the consolidation of the Target Company
"Greater Bay Area"	Guangdong – Hong Kong – Macao Greater Bay Area
"Group"	the Company and its subsidiaries
"Jianguomenwai Project"	the commercial use project located at the north of 1A Jianguomenwai Avenue, Chaoyang District, Beijing, the PRC, the 65% equity interest of which is held by Shanghai Coastal
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	the Hong Kong Financial Reporting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (or any successor body) or any committee of it or body recognised by it
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"independent third party(ies)"	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
"Latest Practicable Date"	24 March 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China, and for the purpose of this circular only, excluding Hong Kong, Macao Special Administrative Region of the People's Republic of China and Taiwan
"Previous Acquisition"	the acquisition under the Sale and Purchase Agreement

"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the sale and purchase agreement dated 13 January 2018 entered into between Coastal Greenland as the vendor and Affluent Ocean as the purchaser in relation to the acquisition of an aggregate of 100% issued shares in Century East Group Limited
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Shangchong Project"	the residential use project located at Shangchong Village, Xiangzhou District, Zhuhai City, the PRC, the 100% equity interest of which is held by Zhuhai Coastal
"Shanghai Coastal"	Shanghai Coastal Commercial Investment Management Company Limited*（上海沿商投資管理有限公司）, a company established in the PRC with limited liability and a direct wholly owned subsidiary of Affluent Ocean immediately prior to the Completion
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholder's Loan"	money owed by Zhuhai Coastal to Coastal Greenland in the sum of RMB807,734,000 as at 31 March 2022
"Shenyang Zhongguang"	Shenyang Zhongguang North Film and Television City Company Limited*（瀋陽中廣北方影視城有限公司）, a company established in the PRC with limited liability and a 91% owned subsidiary of Affluent Ocean immediately prior to the Completion
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Sujiatun Project"	the mixed use project located at Beisanwei Road, Chenxiang, Sujiatun District, Shenyang, Liaoning Province, the PRC, the 100% equity interest of which is held by Shenyang Zhongguang

"Supplemental Agreement"	the supplemental agreement to the Sale and Purchase Agreement dated 2 December 2022 entered into among Coastal Greenland, Affluent Ocean and Zhuhai Coastal in relation to, among other things, the Acquisition and the Disposal
"Target Company" or "Zhuhai Coastal"	Zhuhai Coastal Greenland Real Estate Company Limited* (珠海市沿海綠色家園房地產開發有限公司), a company established in the PRC with limited liability and as at the Latest Practicable Date directly owned as to 66.67% by Coastal Greenland and 33.33% by an independent third party
"%"	per cent

* *For identification purpose only. The English translation of Chinese names or words in this circular, where indicated, are included for information purpose only and should not be regarded as the official English translation of such Chinese names or words. In the event of any inconsistency, the Chinese name prevails.*

禹洲集團控股有限公司
YUZHOU GROUP HOLDINGS COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01628)

Executive Directors:
Kwok Ying Lan *(Chairman)*
Lin Conghui

Non-executive Directors:
Lam Lung On *(J.P.)*
Xie Mei

Independent Non-executive Directors:
Lam Kwong Siu
Wee Henny Soon Chiang
Yu Shangyou

Registered Address:
Cricket Square, Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111, Cayman Islands

Principal place of business in Hong Kong:
Units 5801-02, 58/F
The Center,
99 Queen's Road Central, Central
Hong Kong

30 March 2023

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTIONS IN RELATION TO (1) ACQUISITION OF EQUITY INTEREST IN THE TARGET COMPANY (2) DISPOSAL OF THE ENTIRE EQUITY INTEREST IN THE DISPOSED COMPANIES

INTRODUCTION

References are made to the announcements of the Company dated 15 January 2018, 20 February 2018, 19 April 2018, 30 April 2018, 3 May 2018, 11 May 2018, 29 June 2018 and 23 August 2018, respectively and the circular of the Company dated 25 May 2018 in relation to, among others, the acquisition by a wholly-owned subsidiary of the Company, Affluent Ocean, for the entire equity interest in Century East Group Limited from the vendor, Coastal Greenland, pursuant to the Sale and Purchase Agreement dated 13 January 2018. References are also made to the announcements of the Company dated 6 December 2022 and 29 December 2022 in relation to the entering into of the Supplemental Agreement regarding the Acquisition and the Disposal subject to the terms and conditions therein.

The purpose of this circular is to provide you with, among other things, (i) details of the Supplemental Agreement and the transactions contemplated thereunder; (ii) the financial information of the Group; (iii) the accountants' report of the Target Company; (iv) unaudited pro forma financial information of the Enlarged Group; (v) management discussion and analysis on the Target Company; (vi) property valuation report on the property interests held by the Target Company and the Disposed Companies; and (vii) other information as required under the Listing Rules.

THE SUPPLEMENTAL AGREEMENT

The principal terms of the Supplemental Agreement are set out below:

Date:	2 December 2022 (after trading hours)
Parties *Note 1*:	(i) Coastal Greenland;
	(ii) Affluent Ocean; and
	(iii) Zhuhai Coastal (i.e. the Target Company).

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Coastal Greenland and Zhuhai Coastal and their respective ultimate beneficial owners are independent third parties.

Assets to be acquired of

Pursuant to the Supplemental Agreement, Coastal Greenland has conditionally agreed to sell, and Affluent Ocean has conditionally agreed to acquire, the Acquired Interest, being 66.67% of the equity interest in the Target Company, at a consideration of RMB120,000,000 and to procure the settlement of the Shareholder's Loan at a consideration of RMB760,000,000.

Asset to be disposed of

The aggregate consideration of RMB880,000,000 for the Acquired Interest and the Shareholder's Loan shall be satisfied by Affluent Ocean by way of (1) transferring the entire equity interest in Shanghai Coastal to Coastal Greenland at a consideration of RMB350,000,000; (2) transferring the entire equity interest held by the Company in Shenyang Zhongguang to Coastal Greenland at a consideration of RMB360,000,000; and (3) a payment in cash to Coastal Greenland in the amount of RMB170,000,000. The Target Company will also be jointly liable for payment of RMB170,000,000 to Coastal Greenland in cash.

Note 1: Pursuant to the confirmatory nomination agreement entered into between Coastal Greenland, Affluent Ocean and Coastal Greenland Development (Wuhan) Limited ("**Coastal Wuhan**") dated 30 May 2018, Coastal Greenland has nominated Coastal Wuhan to be the nominee shareholder of the Acquired Interest. Coastal Wuhan is the nominee shareholder of Coastal Greenland holding the Acquired Interest on trust for the benefit of Coastal Greenland and Coastal Greenland is the ultimate beneficial owner of the Acquired Interest.

Valuation

The value of the Shangchong Project in the books of Zhuhai Coastal, the Target Company, as at 30 November 2022 was RMB2,339,977,000.

The value of the Jianguomenwai Project in the books of Shanghai Coastal as at 31 December 2021 was RMB121,700,000.

The value of the Sujiatun Project in the books of Shenyang Zhongguang as at 31 December 2021 was RMB279,173,000.

The consideration for the Acquisition

The aggregate consideration for the purchase of the Acquired Interest and the settlement of the Shareholder's Loan is RMB880,000,000, out of which RMB120,000,000 is attributable to the purchase of the Acquired Interest and RMB760,000,000 is attributable to the settlement of the Shareholder's Loan.

The consideration for the Acquisition was determined after arm's length negotiations between Coastal Greenland and Affluent Ocean, taking into account (a) the unaudited net assets value of the Target Company; (b) the fair value of approximately RMB2,679 million of the Shanchong Project as of 31 October 2022 (the fair value of the Shangchong Project as of 31 December 2022 was approximately RMB2,592 million); and (c) the future prospects of the Target Company as set out in the paragraphs headed "REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL AGREEMENT" in this circular.

As set out in the paragraph headed "INFORMATION ON THE PARTIES – Zhuhai Coastal" in this circular, the net asset value of the Target Company as at 30 November 2022 was RMB84,306,000. Pursuant to management accounts of the Target Company, the major assets of the Target Company are inventories amounted to approximately RMB2,340 million while one of main liabilities are trade payables and other payable amounted to approximately RMB887 million which include the Shareholder's Loan. After deducting RMB760 million of the Shareholder's Loan, the inventories of the Target Company remain the same.

The Target Company only holds one single project, i.e. the Shangchong Project. The fair value of the Shangchong Project as of 31 October 2022 is approximately RMB2,679 million (the fair value of the Shangchong Project as of 31 December 2022 was approximately RMB2,592 million). As RMB120 million of the consideration is attributable to acquire 66.67% of the equity interest in the Target Company, when the above fair value of the Shangchong Project is applied, after including the trade receivables, other receivables and prepayments (approximately RMB941 million) and deducting all the trade payables and other payable (approximately RMB2,354 million), and bank and other loans (approximately RMB975 million) of the Target Company as presented in the Target Company's management accounts, the Acquired Interest (representing 66.67% of the equity interest in the Target Company) would be approximately RMB194 million surplus, which is higher than the consideration of RMB120 million to acquire 66.67% of the equity interest in the Target Company.

The consideration for the Disposal

The aggregate consideration for the sale of the Disposed Interest is RMB880,000,000, out of which RMB350,000,000 is attributable to the sale of the entire equity interest in Shanghai Coastal to Coastal Greenland, RMB360,000,000 is attributable to the sale of the entire equity interest held by the Company in Shenyang Zhongguang to Coastal Greenland and RMB170,000,000 shall be payable to Coastal Greenland by cash.

According to the Supplemental Agreement, Affluent Ocean and the Target Company shall be jointly payable for payment of RMB170,000,000 to Coastal Greenland and the payment shall be satisfied in the following manner:

(i) as to RMB50,000,000 in cash to be released by the bank to Coastal Greenland upon the change of the legal representative of the Target Company to a person designated by Affluent Ocean; and

(ii) as to the remaining RMB120,000,000 by 12 post-dated cheques drawn in favour of Coastal Greenland in the amount of RMB10,000,000 each. The expected settlement dates for the 12 post-dated cheques are listed as follows: 15 January 2023, 15 February 2023, 15 March 2023, 15 April 2023, 15 May 2023, 15 June 2023, 15 July 2023, 15 August 2023, 15 September 2023, 15 October 2023, 15 November 2023 and 15 December 2023.

The consideration for the Disposal was determine after arm's length negotiation between Coastal Greenland and Affluent Ocean, taking into account (a) the book value of the Jianguomenwai Project; (b) the book value of the Sujiatun Project; (c) the fair value of the Jianguomenwai Project and the Sujiatun Project as of 31 October 2022 of approximately RMB1,202 million and RMB1,239 million, respectively (the fair value of the Jianguomenwai Project and the Sujiatun Project as of 31 December 2022 was RMB1,205 million and RMB1,237 million, respectively); and (d) the parties' perception on the future prospects of the Jianguomenwai Project and the Sujiatun Project as set out in the paragraphs headed "REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL AGREEMENT" in this circular. In particular, the cash settlement of RMB170 million to Coastal Greenland is determined by the total consideration for the Acquisition of RMB880 million deducting the total consideration of transferring the equity interests of the Disposed Companies (Shanghai Coastal and Shenyang Zhongguang of RMB710 million in total).

Condition precedent

The Supplemental Agreement shall be conditional upon having obtained the requisite approval from the Shareholders of the Company and Coastal Greenland in relation to the transactions contemplated under the Supplemental Agreement.

Completion

Upon Completion, the Target Company will be an indirect non-wholly owned subsidiary of the Company with the Company holding 66.67% of the equity interest in the Target Company. The financial information of the Target Company will be consolidated into the Group's consolidated financial statements.

Upon Completion, the Company will cease to hold any equity interest in the Disposed Companies and each of the Disposed Companies will cease to be a subsidiary of the Company. The financial information of the Disposed Companies will no longer be consolidated into the financial statements of the Company.

INFORMATION ON THE PARTIES

The Group

The Group is principally engaged in property development, property investment and hotel operations in the PRC and Hong Kong.

Affluent Ocean

Affluent Ocean is a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company. Affluent Ocean is principally engaged in investment holding.

Coastal Greenland

Coastal Greenland is principally engaged in investment holding and Coastal Greenland Group is engaged in the principal activities of property development, property investment, project management services and project investment services.

Zhuhai Coastal

Zhuhai Coastal, the Target Company, is a company established in the PRC and is principally engaged in property development. The sole material asset of Zhuhai Coastal is the Shangchong Project. As at the Latest Practicable Date and immediately prior to Completion, Zhuhai Coastal is owned directly as to 66.67% by Coastal Greenland and the remaining 33.33% by Hengqin Coastal Creative Exhibition Technology Co., Ltd.*（橫琴沿海創展科技有限公司）("**Hengqin Coastal**"), an independent third party. The ultimate beneficial owner of Hengqin Coastal is Mr. Guoyi, ZHANG ("**Mr. Zhang**"). Mr. Zhang is mainly engaged in investment, consulting and advising business in Hong Kong and is an independent third party.

The net loss (both before and after taxation and extraordinary items) attributable to Zhuhai Coastal for the two financial years immediately preceding the date of the Supplemental Agreement were as follows:–

	For the eleven months ended 30 November 2022 *RMB'000*	For the year ended 31 December 2021 *RMB'000*	2020 *RMB'000*
Net loss (before taxation)	(5,151)	(7,724)	(491)
Net loss (after taxation)	(5,151)	(7,724)	(491)

The net asset value of Zhuhai Coastal as at 30 November 2022 was RMB84,306,000.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Coastal Greenland and Zhuhai Coastal and their respective ultimate beneficial owners are independent third parties.

INFORMATION OF THE DISPOSED INTEREST

Shanghai Coastal

Shanghai Coastal is a company established in the PRC with limited liability and a direct wholly owned subsidiary of Affluent Ocean as at the Latest Practicable Date. It is principally engaged in property development and investment holding. The material assets of Shanghai Coastal are the Jianguomenwai Project and 65% equity interest in Beijing Tianlun Huanyu Investment Management Company Limited*(北京天倫寰宇投資管理有限公司)(''**Beijing Tianlun Huanyu**''), a dormant company established in the PRC with limited liability and the project company of the Jianguomenwai Project. The remaining 35% equity interest in Beijing Tianlun Huanyu was held by Beijing Enterprises Development Corporation*(北京實業開發總公司), an independent third party.

The unaudited net loss (both before and after taxation and extraordinary items) attributable to Shanghai Coastal for the two financial years immediately preceding the date of the Supplemental Agreement were as follows:–

	For the year ended 31 December 2021 *RMB'000* (unaudited)	2020 *RMB'000* (unaudited)
Net loss (before taxation)	–	–
Net loss (after taxation)	–	–

The unaudited net asset value of Shanghai Coastal as at 31 December 2021 was RMB10,053,000.

Shanghai Coastal and Shenyang Zhongguang, both being subsidiaries of the Target Company in the Previous Acquisition, Century East Group Limited, were included in the Previous Acquisition, whereas Zhuhai Coastal was not included in the Previous Acquisition. For details of the relationship between Shanghai Coastal and Shenyang Zhongguang, please refer to the circular of the Company regarding the Previous Acquisition dated 25 May 2018.

Shenyang Zhongguang

Shenyang Zhongguang is a company established in the PRC with limited liability and a 91% owned subsidiary of Affluent Ocean as at the Latest Practicable Date. It is principally engaged in property development. The sole material asset of Shenyang Zhongguang is the Sujiatun Project.

The unaudited net loss (both before and after taxation and extraordinary items) attributable to the Shenyang Zhongguang for the two financial years immediately preceding the date of the Supplemental Agreement were as follows:–

	For the year ended 31 December	
	2021	**2020**
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net loss (before taxation)	(25,327)	(5,778)
Net loss (after taxation)	(25,327)	(5,778)

The unaudited net asset value of Shenyang Zhongguang as at 31 December 2021 was RMB301,036,000.

FINANCIAL EFFECTS OF THE ACQUISITION AND THE DISPOSAL

As a result of the Acquisition and the Disposal, and based on updated information available as of the Latest Practicable Date, the Company expects to record a loss on the Disposal of approximately RMB245,996,000 and goodwill on the Acquisition of approximately RMB35,492,000. The goodwill in connection with the Acquisition and the actual loss in connection with the Disposal are determined based on, among other things, the financial position of the Target Company at Completion, fair value of the Disposed Interest at Completion and are subject to the review and final audit by the independent auditors of the Company. The loss on disposal of Jianguomenwai Project and Sujiatun Project is RMB245,996,000. In particular, the net liabilities value of Shanghai Coastal is RMB36,558,000 and the net asset value of 91% interest of Shenyang Zhongguang is RMB177,157,000 as at 30 November 2022. Taking into account the transfer of the entire equity interest held by the Company in Shanghai Coastal and Shenyang Zhongguang at a consideration of RMB350,000,000 and RMB360,000,000, respectively, and the fair value increase of net asset of Shenyang Zhongguang since the Previous Acquisition of RMB815,397,000: (i) the gain on disposal of Shanghai Coastal is RMB386,558,000 (which is reached by aggregating the consideration of RMB350,000,000 plus RMB36,558,000 representing the exclusion of net liabilities value of Shanghai Coastal from the Group's consolidated accounts), and (ii) the loss on disposal of Shenyang Zhongguang is RMB632,554,000 (which is reached by aggregating the consideration of RMB360,000,000 minus RMB992,554,000 representing the exclusion of net asset value of Shenyang Zhongguang from the Group's consolidated accounts). The goodwill on the Acquisition is RMB35,492,000, which included the gain of waiver of outstanding balance of consideration under the Sale and Purchase Agreement of RMB908,080,000. In particular, the net asset value of the Acquired Interest is reached by 66.67% of the net asset value of Zhuhai Coastal of RMB84,306,000 as at 30 November 2022, which amounts to RMB56,207,000. The goodwill on the Acquisition is therefore calculated as follows: the waiver of outstanding balance of consideration under the Sale and Purchase Agreement (i.e., RMB908,080,000) deducting total consideration for the Acquisition (i.e., RMB880,000,000), plus the net asset value of the Acquired Interest (i.e., RMB56,207,000) and the fair value increase on the Acquired Interest of RMB168,290,000, and deducting the deferred tax liabilities at 25% of RMB42,073,000 related to the fair value increase and the loss on disposal of Jianguomenwai Project and Sujiatun Project (i.e.,RMB245,996,000), the result of which amounts to RMB35,492,000. The loss of the Disposal of RMB245,996,000 and goodwill on the Acquisition of RMB35,492,000 above is mainly because of the significant slow-down in residential property sales in Mainland China, with substantial price reduction.

When the Company acquired the Jianguomenwai Project and the Sujiatun Project in 2018, the residential property market in Mainland China was growing fast, so the fair value of Jianguomenwai Project and Sujiatun Project was high. However, there was substantial price reduction in residential property sales and rental income of commercial building in Mainland China in these few years. Therefore, the Company would like to dispose Jianguomenwai Project and Sujiatun Project in exchange for the Shangchong Project and for waiver of the outstanding balance of the consideration under the Sale and Purchase Agreement payable by Affluent Ocean.

After completion of the Acquisition and the Disposal, all the assets and liabilities of the Target Company will be consolidated into the Group, while all the assets and liabilities of the Disposed Companies will no longer be consolidated into the Group. As at 30 June 2022, the net assets of the Group amounted to approximately RMB40,642 million, and the loss on the Acquisition and the Disposal has no significant financial effects on the Group. Regarding the unaudited pro forma consolidated statement of financial position of the Enlarged Group, please refer to page III-2 of this circular.

REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL AGREEMENT

The purpose of entering into the Supplemental Agreement is to settle the outstanding obligations and liabilities of Coastal Greenland and Affluent Ocean under the Sale and Purchase Agreement. Coastal Greenland and Affluent Ocean entered into the Sale and Purchase Agreement on 13 January 2018 in relation to the acquisition of the entire equity interest in Century East Group Limited at a consideration of approximately RMB3,800,000,000. As at the Latest Practicable Date, Affluent Ocean has paid RMB2,891,920,000 to Coastal Greenland. By entering into the Supplemental Agreement, Affluent Ocean and Coastal Greenland sought to resolve all the outstanding obligations of the parties under the Sale and Purchase Agreement. Upon Completion, Affluent Ocean and Coastal Greenland shall have completed all their obligations under the Sale and Purchase Agreement and the Supplemental Agreement and the outstanding balance of the consideration under the Sale and Purchase Agreement payable by Affluent Ocean in the sum of RMB908,080,000 will be waived by Coastal Greenland.

The Shangchong Project, which is the only project held by the Target Company, involves a redevelopment land parcel located in Shangchong Village, Xiangzhou District, Zhuhai City, the PRC. It is 13 minutes (10 kilometers) traffic distance from Gongbei Port entering Macao, 52 kilometers away from Hong Kong International Airport and one hour traffic distance from Guangzhou South Railway Station, within the so-called "Guangdong – Hong Kong – Macao one-hour living circle". The whole project is divided into Phase I, Phase II and Phase III. In particular, the development plan for Phase I includes the construction of resettlement area of individual villagers (村民個人回遷區), kindergarten, bus stops, commercial and residential area; the development plan for Phase II represents the construction of resettlement area of collective village (村集體回遷區), and the development plan for Phase III includes the construction of commercial and residential area, kindergarten, primary school etc. The residential part in Phase I with 52,145 sq.m. of site area and 174,758 sq.m. of gross floor area has kicked off the demolition and relocation since the resettlement housing plan was approved by local community on 26 December 2021. With the current average selling price at around RMB30,000 per sq.m., and by multiplying 174,758 sq.m. of gross floor area of the residential part in Phase I of the Shangchong Project, the total saleable resources would be over RMB5,242 million. Therefore, the Directors are of the view that the consideration for the Acquisition is fair and reasonable and in the interests of the Company taking into account such prospects.

In reaching the current average selling price at around RMB30,000 per sq.m., the Company has considered the average price of five new properties for sale and pre-sale in the vicinity of the Shangchong Project from Anjuke, a leading property information service platform in China. The location of all the above properties is close to Shangchong Project and their current launching prices are from RMB30,000 to RMB35,000 per sq.m. for residential units.

In addition, as advised by the PRC legal adviser of the Company, pursuant to the laws and regulations applicable to the Shangchong Project, (a) the land supply under the Shangchong Project could be authorized by different phases from the competent authority to the Target Company in accordance with contracts signing status and land usage condition. Therefore, there is no material legal impediment for the Target Company to sign the State-owned Construction Land Use Rights Grant Contract of the relevant property with the competent authority; and (b) the Target Company can apply for Real Estate Title Certificates in accordance with construction procedure. Hence, there is no material legal impediment for the Target Company to obtain the relevant Real Estate Title Certificates. Please also refer to Appendix V to this circular for more details.

Since 13 January 2018 when the Sale and Purchase Agreement was signed, the Group has fully utilised different experts both internally and externally for the Jianguomenwai Project and the Sujiatun Project. Due to the lack of specific experts for demolition, forest reconstruction and governmental planning in the two sites of the Jianguomenwai Project and the Sujiatun Project, the proposals of development have not been approved by related authorities, which is unforeseeable before the Previous Acquisition despite relevant due diligence conducted, the two land parcels held by the Jianguomenwai Project and the Sujiatun Project currently remain undeveloped despite efforts by the Group to kick off the relevant projects and the human resources and capital invested in by the Group. The Group is not able to foresee any positive returns from those two projects mainly because of (i) the significant drop of residential property sales with more than 50% year-on-year decrease in new commodity house sales and low rental rate of commercial property in Shenyang market where the Sujiatun Project is located since August 2021; (ii) the commercial nature of Jianguomenwai Project and the re-focus by the Group on residential market; (iii) the tight liquidity of the Group, and (iv) the continued lack of specific experts in those two sites.

Since the Company experienced the above obstacles in developing the Jianguomenwai Project and the Sujiatun Project, the Company had been identifying potential buyers until Coastal Greenland discussed how to settle the outstanding balance of the consideration under the Sale and Purchase Agreement. The Disposed Companies became part of the consideration for the Acquisition after arm’s length negotiations between the Group and Coastal Greenland.

Considering that the tight liquidity faced by the whole sector, the Group shall settle the remaining RMB120 million cash payment by 12 post-dated cheques to avoid relatively big amount of cash outflow. As at 30 June 2022, the Group has cash and cash equivalents of approximately RMB7,778 million. Although most of them sits in the bank accounts of the relevant development projects, the Group is still able to transfer cash from project level when the projects are delivered. Therefore the remaining amount of RMB120 million is considered as reasonable and affordable cash outflow for the Group. Given the fact that this is the only one land acquisition since mid 2021, the Group shall be able to execute and implement the development plan by different phases depends on the disposable cash on hand. In addition, several onshore banks have granted a facility line with total quota of RMB4,800 million in a form of syndicated loan to the Shangchong Project which will be used specifically to the redevelopment of the project.

The Group has adopted the strategy of "Leading with Locality Development" since 2018. Instead of spreading its footprint everywhere in the Mainland China, the Group strives to be one of the top developers in selected regions. Adhering to this strategic deployment and following the principle of "In-depth Cultivation", the Group extensively develops the six metropolitan areas in the Yangtze River Delta Region, West Strait Economic Zone, Bohai Rim Region, the Greater Bay Area, Central China Region and Southwest Region (the "**Key Regions**") through bidding and auction, merger and acquisition, urban redevelopment, land acquisition by application list system and project cooperation, so as to ensure stable and sustainable development. For instance, Yangtze River Delta Region, Central China Region, West Strait Economic Zone, Bohai Rim Region and the Greater Bay Area contributed 59.13%, 17.24%, 16.31%, 6.38% and 0.94% of the recognized revenue of the Group, respectively, in the first half of 2022. Going forward, the Group will stick to its strategy of "Leading with Locality Development", facilitate synergetic development of Key Regions and inject more diversity into the revenue streams of the Group.

Upon completion of the Acquisition and the Disposal, the Group will enter Zhuhai residential property market and exit from both Beijing commercial property market and Shenyang residential property market. In terms of geographic distribution, the Group only focuses on the Key Regions. Since the dual headquarters of the Group, Shanghai and Shenzhen, were established in the first half of 2020, the Group has actively responded to the Outline of the Yangtze River Delta Regional Integrated Development Plan（長三角區域一體化發展規劃綱要）and Outline of the Greater Bay Area Development Plan（粵港澳大灣區發展規劃綱要）and made contribution to the new national urbanization. When the Group enters Zhuhai residential property market, it can easily centralize and allocate its human resources and capital in the Greater Bay Area into Shangchong Project. On the other hand, the Group can reduce its relevant resources in Beijing and Shenyang respectively after the Disposal, especially under the situation that both the Jianguomenwai Project and the Sujiatun Project have not produced any return since the Sale and Purchase Agreement was signed on 13 January 2018. In terms of residential and commercial property distribution, the Group is a developer who mainly focuses on residential property sales given that more than 90% of land bank in the PRC is residential as of 30 June 2022. Facing the current significant liquidity pressure and almost shutdown of refinancing channel in the whole sector, the Group is reluctant to invest additional resources in commercial property market which requires significant capital investment and long cash collection period.

The above Acquisition and the Disposal, can centralise the Group's resources to increase the saleable resources, which will further implement the Group's strategy of "Leading with Locality Development". By optimising the development of the Key Regions, it can bring higher investment returns to the Group.

The Group will not realise net proceeds from the transactions contemplated under the Supplemental Agreement since the Disposed Interest was part of the consideration for the Acquisition.

Taking into account the reasons for entering into the Supplemental Agreement as set out above, the Directors believe that the terms of the Supplemental Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the percentage ratios applicable to the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company and the Acquisition is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As one or more of the percentage ratios applicable to the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction for the Company and the Disposal is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

WRITTEN SHAREHOLDERS' APPROVAL

Pursuant to Rule 14.44 of the Listing Rules, in lieu of resolutions to be passed at a general meeting of the Company, written Shareholders' approval for the Acquisition and the Disposal has been obtained from the controlling Shareholders, Mr. Lam Lung On and Ms. Kwok Ying Lan who are the Directors and spouse to each other and are directly holding 3,866,886,700 Shares of the Company in aggregate, representing approximately 59.09% of the issued share capital of the Company as at the Latest Practicable Date. To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, none of the Shareholders has any material interest in the Acquisition and the Disposal and therefore no Shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the Acquisition and the Disposal.

If the Company were to convene an extraordinary general meeting for the approval of the Acquisition and the Disposal and voting was required, the Directors would have recommended the Shareholders to vote in favour of such resolutions based on the reasons set out in this letter as the Directors, including the independent non-executive Directors, are of the view that the entering into of the Supplemental Agreement is fair and reasonable and in the interests of the Shareholders as a whole.

WAIVER GRANTED BY THE STOCK EXCHANGE

As additional time is required to prepare and finalise certain information included in this circular, the Company has applied for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules to extend the deadline for despatch of this circular to a date more than 15 business days after publication of the relevant announcement. As disclosed in the announcement of the Company dated 29 December 2022, the Stock Exchange has granted such waivers to extend the deadline for despatch of this circular to 31 March 2023.

GENERAL INFORMATION

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

By Order of the Board of
Yuzhou Group Holdings Company Limited
Kwok Ying Lan
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the six months ended 30 June 2022 and each of the three financial years ended 31 December 2019, 2020 and 2021 were set out in the relevant interim report and annual reports of the Company posted on the Stock Exchange's website (http://www.hkexnews.hk) and the Company's website (http://www.yuzhou-group.com). Please also see below quick links to the relevant interim report and annual reports:

- Interim report of the Company for the six months ended 30 June 2022 (pages 48 to 110)
(https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0919/2022091900618.pdf)

- Annual report of the Company for the year ended 31 December 2021 (pages 99 to 296)
(https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0421/2022042100011.pdf)

- Annual report of the Company for the year ended 31 December 2020 (pages 164 to 354)
(https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0423/2021042300005.pdf)

- Annual report of the Company for the year ended 31 December 2019 (pages 156 to 330)
(https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0424/2020042402872.pdf)

2. STATEMENT OF INDEBTEDNESS

As at 28 February 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding indebtedness of RMB55,111 million, consisting of bank and other borrowings of RMB12,314 million, corporate bonds of RMB4,850 million and senior notes of RMB37,947 million. The bank and other borrowings were secured by (i) certain properties under development, investment properties, properties held for sales of the Group; (ii) corporate guarantees executed by certain subsidiaries of the Group; and (iii) guarantee bank deposits.

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. The guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchaser and then passed to the bank. As at 28 February 2023, the guarantees in respect of the mortgage facilities provided to certain purchasers of the Group's properties amounted to RMB27,064 million.

As at 28 February 2023, the guarantees to banks and other lenders by the Group in respect of facilities granted to joint ventures and an associate were RMB748 million and RMB1,254 million, respectively. The guarantee to banks and other lenders by the Group in respect of facilities granted to certain contractors for construction cost were RMB9,323 million. The guarantees to banks and other lenders in respects of facilities granted to independent third parties, net of the principal and interest of RMB2,936 million included in the Group's indebtedness, were RMB1,701 million. The Group provided guarantees to banks and other lenders in respects of facilities granted to independent third parties amounting to RMB4,637 million.

Save as otherwise disclosed above, and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have, at the close of business on 28 February 2023, any other debt securities issued and outstanding, or authorised or otherwise created but unissued, any other term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, any other mortgages and charges or any guarantees or any finance lease commitments or material contingent liabilities.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, taking into account the internal financial resources and credit facilities available to the Group and the effect of the Acquisition and the Disposal, the Group will have sufficient working capital for its present requirements for a period of at least 12 months from the date of this circular. The Company has also obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules from Prism Hong Kong and Shanghai Limited.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Group has failed to pay interest of the issued senior notes in total of US$534,214,000 (approximately to RMB3,713,805,000). The non-payment has caused an event of default pursuant to the terms and conditions of the senior note agreement and would have triggered cross-defaults on all other senior notes. As a result, the holders of the senior notes have right to demand for the immediate repayment on the outstanding principal amount. As at 31 December 2021, the Group had senior notes of approximately RMB34,812,383,000 and cash and cash equivalent of RMB14,377,647,000, the Group also reported a net decrease in cash and cash equivalent of RMB8,924,792,000 for the year ended 31 December 2021. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Apart from the above condition, as at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

5. FINANCIAL AND TRADING PROSPECTS

Going forward, the Group will stick to its strategy of "Leading with Locality Development" and focusing the six core regions, i.e. Yangtze River Delta Region, West Strait Economic Zone, Bohai Rim Region, the Greater Bay Area, Central China Region and Southwest Region, so as to ensure stable and sustainable development. Under the policy of "houses are for living instead of speculation", the Group will keep meeting its goals with efficient work resumption, project completion and delivery. Furthermore, the Group will stay true to its commitment and ensure housing delivery, people's well-being, debt repayment and stability. It will also maintain stable strategies, cohesion and resilience, continue to achieve breakthroughs amidst difficulties, and pursue fresh development opportunities.

The following is the text of a report set out on pages II-1 to II-34, received from the Company's reporting accountants, Prism Hong Kong and Shanghai Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF ZHUHAI COASTAL GREENLAND REAL ESTATE COMPANY LIMITED TO THE DIRECTORS OF YUZHOU GROUP HOLDINGS COMPANY LIMITED

Introduction

We report on the historical financial information of Zhuhai Coastal Greenland Real Estate Company Limited (the "**Target Company**") set out on pages II-4 to II-34, which comprises the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Company for the years ended 31 December 2019, 2020 and 2021 and the eleven months ended 30 November 2022 (the "**Relevant Periods**"), and the statements of financial position of the Target Company as at 31 December 2019, 2020 and 2021 and 30 November 2022, and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-8 forms an integral part of this report, which has been prepared for inclusion in the circular of Yuzhou Group Holdings Company Limited (the "**Company**") dated 30 March 2023 (the "**Circular**") in connection with the proposed acquisition of the 66.67% of the equity interest in the Target Company by a subsidiary of the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

The Underlying Financial Statements of the Target Company as defined on page II-4, on which the Historical Financial Information is based, were prepared by the directors of the Target Company. The directors of the Target Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Underlying Financial Statements 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 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 give a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Company as at 31 December 2019, 2020 and 2021 and 30 November 2022 and of the financial performance and cash flows of the Target Company for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Target Company which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flow for the eleven months ended 30 November 2022 and other explanatory information (the "**Stub Period Corresponding Financial Information**"). The directors of the Company are responsible for the presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation set out in Note 2 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 set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

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

Prism Hong Kong and Shanghai Limited
Certified Public Accountants
Lee Kwok Lun
Practising Certificate Number: P06294
Hong Kong
30 March 2023

I HISTORICAL FINANCIAL INFORMATION

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

The financial statements of the Target Company for the Relevant Periods, on which the Historical Financial Information is based, were audited by Prism Hong Kong and Shanghai Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Eleven months ended 30 November	
		2019	2020	2021	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Other gains and losses	*(6)*	158	7,287	2,416	1,870	200
Administrative expenses		(27,272)	(7,778)	(10,140)	(7,993)	(5,351)
Finance costs	*(7)*	–	–	–	–	–
LOSS BEFORE TAX	*(8)*	(27,114)	(491)	(7,724)	(6,123)	(5,151)
Income tax expense	*(9)*	–	–	–	–	–
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD		(27,114)	(491)	(7,724)	(6,123)	(5,151)

STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 November
		2019	2020	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSET					
Property and equipment	*(11)*	2,546	1,668	1,174	720
Total non-current asset		2,546	1,668	1,174	720
CURRENT ASSETS					
Properties under development	*(12)*	1,329,671	1,434,261	2,148,102	2,339,977
Prepayments and other receivables	*(13)*	591,337	595,786	984,635	946,809
Cash and cash equivalents	*(14)*	510,122	9,324	176,505	116,955
Total current assets		2,431,130	2,039,371	3,309,242	3,403,741
CURRENT LIABILITIES					
Other payables	*(15)*	2,336,004	1,943,858	2,255,161	2,353,681
Total current liabilities		2,336,004	1,943,858	2,255,161	2,353,681
NET CURRENT ASSETS		95,126	95,513	1,054,081	1,050,060
TOTAL ASSETS LESS CURRENT LIABILITIES		97,672	97,181	1,055,255	1,050,780
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	*(16)*	–	–	965,798	966,474
Total non-current liabilities		–	–	965,798	966,474
Net assets		97,672	97,181	89,457	84,306
EQUITY					
Equity attributable to owners of the parent					
Issued capital	*(17)*	150,000	150,000	150,000	150,000
Accumulated losses		(52,328)	(52,819)	(60,543)	(65,694)
Total equity		97,672	97,181	89,457	84,306

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Accumulated loss	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2019	150,000	(25,214)	124,786
Loss and total comprehensive loss for the year	–	(27,114)	(27,114)
At 31 December 2019 and 1 January 2020	150,000	(52,328)	97,672
Loss and total comprehensive loss for the year	–	(491)	(491)
At 31 December 2020 and 1 January 2021	150,000	(52,819)	97,181
Loss and total comprehensive loss for the year	–	(7,724)	(7,724)
At 31 December 2021 and 1 January 2022	150,000	(60,543)	89,457
Loss and total comprehensive loss for the period	–	(5,151)	(5,151)
At 30 November 2022	150,000	(65,694)	84,306

STATEMENTS OF CASH FLOWS

		Year ended 31 December			Eleven months ended 30 November	
		2019	2020	2021	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Loss before tax		(27,114)	(491)	(7,724)	(6,123)	(5,151)
Adjustments for:						
Loss on disposal of office equipment	*(6)*	–	–	–	–	39
Bank interest income	*(6)*	(658)	(7,151)	(2,311)	(1,842)	(284)
Depreciation	*(8)*	476	878	1,016	648	591
		(27,296)	**(6,764)**	**(9,019)**	**(7,317)**	**(4,805)**
Increase in properties under development		(861,297)	(104,590)	(713,842)	(703,796)	(191,875)
(Increase)/decrease in prepayments and other receivables		(97,090)	(3,856)	(388,591)	(390,907)	38,081
Increase/(decrease) in other payables		1,493,010	(392,739)	363,148	349,130	154,201
		507,327	**(507,949)**	**(748,304)**	**(752,890)**	**(4,398)**
Interest received		658	7,151	2,311	1,842	284
Net cash flows from/(used in) operating activities		**507,985**	**(500,798)**	**(745,993)**	**(751,048)**	**(4,114)**
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property and office equipment		(2,602)	–	(522)	(490)	(180)
Proceeds from disposal of office equipment		–	–	–	–	4
Net cash flows used in investing activities		**(2,602)**	**–**	**(522)**	**(490)**	**(176)**
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank borrowings		–	–	965,210	965,210	–
Interest paid		–	–	(51,514)	(46,544)	(55,260)
Net cash flows from/(used in) financing activities		**–**	**–**	**913,696**	**918,666**	**(55,260)**

		Year ended 31 December			Eleven months ended 30 November	
		2019	**2020**	**2021**	**2021**	**2022**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		505,383	(500,798)	167,181	167,128	(59,550)
Cash and cash equivalents at beginning of year/period		4,739	510,122	9,324	9,324	176,505
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		**510,122**	**9,324**	**176,505**	**176,452**	**116,955**
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and cash equivalents as stated in the statements of financial position and statements of cash flows	*(14)*	**510,122**	**9,324**	**176,505**	**176,452**	**116,955**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. Corporate Information

The Target Company is a limited liability company incorporated in the People's Republic of China (the "**PRC**") under the Companies Law of PRC. Its registered office is located at 3/F, No. 50, Shangchong Huancun Avenue, Xiangzhou District, Zhuhai.

In the opinion of the directors, the immediate holding company of the Target Company is Coastal Greenland Development (Wuhan) Company Limited, a company incorporated in PRC, and the ultimate holding company of the Target Company is Coastal Greenland Limited ("**Coastal Greenland**"), a limited liability company registered in Bermuda and listed on The Stock Exchange of Hong Kong Limited.

During the Relevant Periods, the principal activity of the Target Company is property development.

2. Basis of Preparation

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

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

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

3.1 Issued but not yet effective HKFRSs

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

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

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

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

3 No mandatory effective date yet determined but available for adoption

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties, financial assets at fair value through other comprehensive income, properties under development, properties held for sale, land held for property development for sale, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion if the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis. Otherwise, to the smallest group of cash-generating units.

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

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

Related parties

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

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Company are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to the parent of the Target Company.

Property, plant and equipment and depreciation

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

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

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

Leasehold improvements	Over the shorter of lease terms and 5 years
Office equipment	2 to 5 years
Motor vehicles	2 to 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to properties held for sale.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Company's business model for managing them.

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

The Target Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Subsequent measurement

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

Financial assets at amortised cost (debt instruments).

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired, or

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

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

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

Impairment of financial assets

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

General approach

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

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

The Target Company considers a financial asset in default when internal or external information indicates that the Target Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Target Company's financial liabilities include other payables and interest-bearing bank borrowings.

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

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

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

Cash and cash equivalents

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

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

Income tax

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

4. Significant accounting judgements and estimates

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

Estimation uncertainty

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

Impairment of non-financial assets

The Target Company assesses whether there are any indicators of impairment for all non-financial assets at the end of each of the Relevant Periods. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Expected credit loss of financial assets

The Target Company follows the guidance of HKFRS 9 to determine the expected credit loss of other receivables. The determination requires significant judgment and estimation. In making the judgment and estimation, the Target Company evaluates, among other factors, the duration of receivables and the financial health collection history of individual debtors and expected future changes of credit risks, including the consideration of factors such as general economy measure, changes in macro economic indicators etc.

5. OPERATING SEGMENT INFORMATION

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

Information about major customer

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

Operating segment information

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

Information about geographical areas

The major operating entity of the Target Company is domiciled in the PRC. As at 31 December 2019, 2020 and 2021 and 30 November 2022, all of the non-current assets are located in the PRC.

6. Other gains and losses

	Year ended 31 December			Eleven months ended 30 November	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Bank interest income	658	7,151	2,311	1,842	284
Loss on disposal of office equipment	–	–	–	–	(39)
Others	(500)	136	105	28	(45)
Total	158	7,287	2,416	1,870	200

7. Finance costs

An analysis of finance costs is as follows:

	Year ended 31 December			Eleven months ended 30 November	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest on bank borrowings	–	–	51,514	46,544	55,260
Less: amounts capitalised	–	–	(51,514)	(46,544)	(55,260)
Total	–	–	–	–	–

8. Loss before tax

The Target Company's loss before tax is arrived at after charging:

		Year ended 31 December			Eleven months ended 30 November	
		2019	2020	2021	2021	2022
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Depreciation	*(11)*	476	878	1,016	648	591
Employee benefit expenses:						
Wages and salaries		5,371	4,976	2,580	2,402	2,276
Pension scheme contributions		679	200	365	340	147

9. Income tax expense

Under the relevant income tax law, the Target Company is subject to corporate income tax ("**CIT**") at the statutory rate of 25% on their respective taxable income during the Relevant Periods. No provision for CIT has been made as the Target Company did not generate any assessable profit arising in PRC during the year/period.

10. Dividend

No dividend have been paid or declared by the Target Company during the year/ period.

11. Property and equipment

	Office equipments *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
1 January 2019:				
Cost	678	–	–	678
Accumulated depreciation	(258)	–	–	(258)
Net carrying amount	420	–	–	420
At 1 January 2019, net of accumulated depreciation	420	–	–	420
Additions	499	324	1,779	2,602
Depreciation provided during the year	(137)	(5)	(334)	(476)
At 31 December 2019, net of accumulated depreciation	782	319	1,445	2,546
At 31 December 2019 and 1 January 2020:				
Cost	1,177	324	1,779	3,280
Accumulated depreciation	(395)	(5)	(334)	(734)
Net carrying amount	782	319	1,445	2,546
At 1 January 2020, net of accumulated depreciation	782	319	1,445	2,546
Depreciation provided during the year	(224)	(62)	(592)	(878)
At 31 December 2020, net of accumulated depreciation	558	257	853	1,668
At 31 December 2020 and 1 January 2021:				
Cost	1,177	324	1,779	3,280
Accumulated depreciation	(619)	(67)	(926)	(1,612)
Net carrying amount	558	257	853	1,668

	Office equipments *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
At 1 January 2021, net of accumulated depreciation	558	257	853	1,668
Additions	32	–	490	522
Depreciation provided during the year	(206)	(62)	(748)	(1,016)
At 31 December 2021, net of accumulated depreciation	384	195	595	1,174
At 31 December 2021 and 1 January 2022:				
Cost	1,209	324	2,269	3,802
Accumulated depreciation	(825)	(129)	(1,674)	(2,628)
Net carrying amount	384	195	595	1,174
At 1 January 2022, net of accumulated depreciation	384	195	595	1,174
Additions	3	–	177	180
Disposals	(43)	–	–	(43)
Depreciation provided during the period	(104)	(53)	(434)	(591)
At 30 November 2022, net of accumulated depreciation	240	142	338	720
At 30 November 2022				
Cost	1,169	324	2,446	3,939
Accumulated depreciation	(929)	(182)	(2,108)	(3,219)
Net carrying amount	240	142	338	720

12. Properties under development

	At 31 December			At 30 November
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development expected to be completed within normal operating cycle:				
Within one year	–	–	–	–
After one year	1,329,671	1,434,261	2,148,102	2,339,977
Total	1,329,671	1,434,261	2,148,102	2,339,977

As 31 December 2021 and 30 November 2022, certain of Target Company's properties under development with an aggregate carrying amount of RMB2,148,102 and RMB2,339,977 respectively, were pledged to banks to secure certain of the bank borrowings granted to the Group (note 16).

13. Prepayments and other receivables

		At 31 December		At 30 November
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion:				
Prepayments	11	2,667	241,613	240,039
Deposits and other receivables	591,326	593,119	743,022	706,770
Total	591,337	595,786	984,635	946,809

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default. As at 31 December 2019, 2020 and 2021 and 30 November 2022, the loss allowance was assessed to be minimal.

14. Cash and cash equivalents

		At 31 December		At 30 November
	2019	**2020**	**2011**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	510,122	9,324	176,505	116,955

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

15. Other payables

	At 31 December			At 30 November
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion:				
Amounts due to shareholders	1,089,717	661,267	–	23,810
Amount due to fellow subsidiaries	896,372	908,172	896,372	881,877
Other payables	349,915	374,419	1,358,789	1,447,994
Total	2,336,004	1,943,858	2,255,161	2,353,681

16. Interest-bearing bank borrowings

	At 31 December 2019			At 31 December 2020			At 31 December 2021			At 30 November 2022		
	Effective interest rate (%)	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*
Non-current												
Bank loans–secured	–	–	–	–	–	–	8	2031	965,798	8	2031	966,474

	At 31 December			At 30 November
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Bank loans repayable:				
Within one year	–	–	–	–
In the second year	–	–	–	–
In the third to fifth years, inclusive	–	–	–	–
Beyond five years	–	–	965,798	966,474

Certain of the Target Company's bank borrowings are secured by pledges over the Target Company's properties under development with an aggregate carrying amount at 31 December 2021 and 30 November 2022 of approximately RMB2,148,102 and RMB2,339,977 (note 12), respectively.

All the Target Company's bank borrowings are denominated in RMB.

17. Share capital

	At 31 December			At 30 November
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered and paid-in capital	150,000	150,000	150,000	150,000

18. Note to the statements of cash flows

There were no major non-cash transactions during the current financial year/period.

Changes in financial liabilities arising from financing activities

	Interest-bearing bank borrowings
	RMB'000
At 1 January 2021	–
Changes from financing cash flows	965,210
Amortisation expenses for the year	588
At 31 December 2021	965,798
Amortisation expenses for the period	676
At 30 November 2022	966,474

19. Commitments

The Target Company had the following capital and other commitments as at the end of reporting period:

	At 31 December			At 30 November
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for:				
Properties under development	–	390,000	2,221,930	2,221,930

20. Related party transactions

(1) Name and relationship

The directors of the Target Company are of the view that the following companies are related parties that had transactions or balances with the Target Company during the Relevant Periods.

Name of related party	Relationship with the Target Company
沿海綠色家園發展(武漢)有限公司	One of the shareholders of the Target Company
橫琴沿海創展科技有限公司	One of the shareholders of the Target Company
深圳沿海國投置業有限公司	A fellow subsidiary of Coastal Greenland
沿海地產投資(中國)有限公司	A fellow subsidiary of Coastal Greenland
深圳創智信投資管理有限公司	A fellow subsidiary of Coastal Greenland
沿海綠色創展(深圳)管理諮詢有限公司	A fellow subsidiary of Coastal Greenland
沿海綠色創建(深圳)管理諮詢有限公司	A fellow subsidiary of Coastal Greenland
沿海物業顧問有限公司	A fellow subsidiary of Coastal Greenland

(2) Outstanding balances with related parties

	At 31 December			At 30 November
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non trade-related				
Due to fellow subsidiaries				
– 深圳沿海國投置業有限公司	167,365	167,365	167,365	152,365
– 沿海地產投資(中國)有限公司	635,305	635,305	635,305	635,305
– 深圳創智信投資管理有限公司	40,000	40,000	40,000	40,000
– 沿海綠色創展(深圳)管理諮詢有限公司	53,563	53,563	53,563	54,068
– 沿海綠色創建(深圳)管理諮詢有限公司	–	11,800	–	–
– 沿海物業顧問有限公司	139	139	139	139
Due to shareholders				
– 沿海綠色家園發展(武漢)有限公司	1,089,717	661,267	–	–
– 橫琴沿海創展科技有限公司	–	–	–	23,810

The balance with the shareholders and fellow subsidiaries were unsecured, interest-free and repayable on demand.

21. Financial instruments by category

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

At 31 December 2019

Financial assets	**Financial assets at amortised cost**
	RMB'000
Prepayments and other receivables	591,337
Cash and cash equivalents	510,122
Total	1,101,459

Financial liability	**Financial liability at amortised cost**
	RMB'000
Other payables	2,336,004

At 31 December 2020

Financial assets	**Financial assets at amortised cost**
	RMB'000
Prepayments and other receivables	595,786
Cash and cash equivalents	9,324
Total	605,110

Financial liability	Financial liability at amortised cost *RMB'000*
Other payables	1,943,858

At 31 December 2021

Financial assets	Financial assets at amortised cost *RMB'000*
Prepayments and other receivables	984,635
Cash and cash equivalents	176,505
Total	1,161,140

Financial liabilities	Financial liabilities at amortised cost *RMB'000*
Other payables	2,255,161
Interest-bearing bank and other borrowings	965,798
Total	3,220,959

At 30 November 2022

Financial assets	Financial assets at amortised cost *RMB'000*
Prepayments and other receivables	946,809
Cash and cash equivalents	116,955
Total	1,063,764

Financial liabilities	Financial liabilities at amortised cost
	RMB'000
Other payables	2,353,681
Interest-bearing bank borrowings	966,474
Total	3,320,155

22. Fair value and fair value hierarchy of financial instruments

The carrying amounts and fair values of the Target Company's financial instruments as at the end of each of the Relevant Periods, other than those with carrying amounts that reasonably approximate to fair values.

Management has assessed that the fair values of financial assets included in prepayments and other receivables, cash and cash equivalents and other payables reasonably approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Target Company's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The Target Company did not have any financial assets and financial liabilities measured at fair value as at 31 December 2019, 2020 and 2021 and 30 November 2022.

For the Target Company's assets and liabilities not measured at fair value in the statement of financial position but for which the fair value is disclosed, the carrying amounts of the non-current portion of interest-bearing bank borrowings approximated to their fair values and were determined as Level 3.

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Target Company's own non-performance risk for interest-bearing bank borrowings as at 31 December 2021 and 30 November 2022 were assessed to be insignificant.

23. Financial risk management objectives and policies

The Target Company's principal financial instruments mainly include financial assets included in prepayments and other receivables and other payables which arise directly from its operations. The Target Company has other financial assets and liabilities such as interest-bearing bank borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Target Company's operations.

The main risks arising from the Target Company's financial instruments are interest rate risk, credit risk and liquidity risk. Generally, the Target Company introduces conservative strategies on its risk management. To keep the Target Company's exposure to these risks to a minimum, the Target Company has not used any derivatives and other instruments for hedging purposes. The Target Company does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

Interest rate risk

The Target Company's exposure to risk for changes in market interest rates relates primarily to the Target Company's interest-bearing bank borrowings set out in note 16. The Target Company does not use derivative financial instruments to hedge interest rate risk. The interest rate of all bank borrowings of the Target Company are fixed.

Credit risk

Maximum exposure and year-end staging as at 31 December 2019, 2020 and 2021, and 30 November 2022

The table below shows the credit quality and the maximum exposure to credit risk based on the Target Company's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2019, 2020 and 2021, and 30 November 2022. The amounts presented are gross carrying amounts for financial assets.

	12-months ECLs	**Lifetime ECLs**		**Simplified**	
	Stage 1	**Stage 2**	**Stage 3**	**approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019					
Prepayments and other receivables	591,337	–	–	–	591,337
Cash and cash equivalents	510,122	–	–	–	510,122
Total	1,101,459	–	–	–	1,101,459
At 31 December 2020					
Prepayments and other receivables	595,786	–	–	–	595,786
Cash and cash equivalents	9,324	–	–	–	9,324
Total	605,110	–	–	–	605,110
At 31 December 2021					
Prepayments and other receivables	984,635	–	–	–	984,635
Cash and cash equivalents	176,505	–	–	–	176,505
Total	1,161,140	–	–	–	1,161,140
At 30 November 2022					
Prepayments and other receivables	946,809	–	–	–	946,809
Cash and cash equivalents	116,955	–	–	–	116,955
Total	1,063,764	–	–	–	1,063,764

Liquidity risk

Liquidity risk refers to the risk that an enterprise may encounter difficulties to obtain adequate finance to repay the debt related to financial instruments. Liquidity risk may arise from the inability to dispose of financial assets promptly, counterparties being unable to repay their contracted debt obligations, the repayment of debts before the maturity dates of debt obligations, or the inability to generate the expected cash flows.

In the management of the liquidity risk, the Target Company monitors and maintains a level of cash deemed adequate by the management to finance the Target Company's operations and mitigate the effects of fluctuations in cash flows.

The Target Company's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings. In the opinion of the directors of the Target Company, the Target Company expects to have adequate sources of funding to finance the Target Company and manage the liquidity position.

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

	On demand or within 1 year	**1 to 2 years**	**3 to 5 years**	**Beyond 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019					
Other payables	2,336,004	–	–	–	2,336,004
At 31 December 2020					
Other payables	1,943,858	–	–	–	1,943,858
At 31 December 2021					
Other payables	2,255,161	–	–	–	2,255,161
Interest-bearing bank borrowings	74,552	74,552	223,656	1,347,720	1,720,480
Total	2,329,713	74,552	223,656	1,347,720	3,975,641
At 30 November 2022					
Other payables	2,353,681	–	–	–	2,353,681
Interest-bearing bank borrowings	74,552	74,552	223,656	1,273,168	1,645,928
Total	2,428,233	74,552	223,656	1,273,168	3,999,609

Capital management

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

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

The Target Company monitors capital using a net debt to equity ratio, which is calculated as total interest-bearing bank borrowings net of cash and bank balances, and divided by total equity and multiplied by 100%. Net debt includes interest-bearing bank borrowings (as shown in the statements of financial position) less cash and bank balances. Total equity includes all components of equity attributable to owners of the Target Company. The Target Company aims to maintain the net debt to equity ratio at a reasonable level. The net debt to equity ratios as at the end of each of the Relevant Periods were as follows:

	At 31 December			At 30 November
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank borrowings	–	–	965,798	966,474
Less: Cash and bank balances	510,122	9,324	176,505	116,955
Net debt	(510,122)	(9,324)	789,293	849,519
Total equity attributable to owners of the parent	97,672	97,181	89,457	84,306
Net debt to equity ratio	N/A	N/A	882.32%	1007.66%

24. Subsequent financial statements

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

(A) THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

In connection with the proposed acquisition of the 66.67% of the equity interest in Zhuhai Coastal Greenland Real Estate Company Limited (the "**Target Company**") and proposed disposal of the entire equity interest of Shanghai Coastal Commercial Investment Management Company Limited and the 91% of the equity interest in Shenyang Zhongguang North Film and Television City Company Limited (the "**Disposed Companies**") (the "**Transaction**"), the unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of the Transaction on the Group's financial position as at 30 June 2022 as if the Transaction had been completed at 30 June 2022.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022, which has been extracted from the published interim report of the Company for the six months ended 30 June 2022.

The unaudited pro forma financial information of the Enlarged Group has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules and solely for the purpose to illustrate the financial position of the Enlarged Group as if the Transaction had been completed on 30 June 2022.

The unaudited pro forma financial information of the Enlarged Group is prepared based on the aforesaid historical data after giving effect to the Pro forma adjustments described in the accompanying notes. Narrative description of the Pro forma adjustments of the Transaction that are (i) directly attributable to the transaction; and (ii) factually supportable, is summarised in the accompanying notes.

The unaudited pro forma financial information of the Enlarged Group has been prepared by the Directors based on certain assumptions, estimates and uncertainties for illustrative purposes only and because of its hypothetical nature, the unaudited pro forma financial information of the Enlarged Group may not purport to predict what the financial position of the Enlarged Group would have been if the Transaction had been completed at 30 June 2022 or at any future dates.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the historical financial information of the Group as set out in Appendix I to this circular, the financial information of the Target Company as set out in Appendix II to this circular, and other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP AS AT 30 JUNE 2022

		Pro forma adjustments					
	The Group	**The Disposal Companies**	**The Target Company**				**The Enlarged Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
NON-CURRENT ASSETS							
Property, plant and equipment	2,516,954	(36)	720				2,517,638
Investment properties	16,185,960						16,185,960
Land held for property development for sale	1,401,811	(207,090)			(1,194,721)		–
Goodwill	686,635					35,492	722,127
Investments in joint ventures	3,286,521						3,286,521
Investments in associates	7,014,508						7,014,508
Financial assets at fair value through profit or loss	6,051						6,051
Financial assets at fair value through other comprehensive income	243,708						243,708
Deferred tax assets	1,402,937	(6,317)					1,396,620
Total non-current assets	32,745,085	(213,443)	720		(1,194,721)	35,492	31,373,133
CURRENT ASSETS							
Land held for property development for sale	1,624,455						1,624,455
Properties under development	48,513,366		2,339,977			252,423	51,105,766
Properties held for sale	25,891,505						25,891,505
Prepayments, other receivables and other assets	49,560,847	(420,199)	946,809	448,377			50,535,834
Prepaid corporate income tax	1,119,945						1,119,945
Prepaid land appreciation tax	1,442,053						1,442,053
Restricted cash	606,614						606,614
Non-pledged time deposits with original maturity of over three months	1,102,778						1,102,778
Cash and cash equivalents	7,777,701	(49)	116,955			(170,000)	7,724,607
Total current assets	137,639,264	(420,248)	3,403,741	448,377		82,423	141,153,557
CURRENT LIABILITIES							
Contract liabilities	(39,366,365)						(39,366,365)
Trade payables	(8,704,242)						(8,704,242)
Other payables and accruals	(18,733,609)	475,571	(2,353,681)	(228,604)		908,080	(19,932,243)
Interest-bearing bank and other borrowings	(7,620,920)						(7,620,920)
Corporate bonds	(5,000,000)						(5,000,000)
Senior notes	(36,449,948)						(36,449,948)
Corporate income tax payables	(2,465,675)						(2,465,675)
Provision for land appreciation tax	(2,012,215)						(2,012,215)
Total current liabilities	(120,352,974)	475,571	(2,353,681)	(228,604)		908,080	(121,551,608)
NET CURRENT ASSETS	17,286,290	55,323	1,050,060	219,773		990,503	19,601,949
TOTAL ASSETS LESS CURRENT LIABILITIES	50,031,375	(158,120)	1,050,780	219,773	(1,194,721)	1,025,995	50,975,082
NON-CURRENT LIABILITIES							
Interest-bearing bank and other borrowings	(5,508,983)		(966,474)				(6,475,457)
Deferred tax liabilities	(3,880,701)				298,680	(63,106)	(3,645,127)
Total non-current liabilities	(9,389,684)		(966,474)		298,680	(63,106)	(10,120,584)
Net assets	40,641,691	(158,120)	84,306	219,773	(896,041)	962,889	40,854,498

Notes:

(1) The unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022 is extracted from the interim report of the Company for the six months ended 30 June 2022.

(2) The adjustment represents the deconsolidation of the assets and liabilities of the Disposal Companies as at 30 November 2022 as if the Transaction had been completed on 30 June 2022.

(3) The adjustment represents the consolidation of the assets and liabilities of the Target Company as at 30 November 2022 as if the Acquisition had been completed on 30 June 2022. The balance is extracted from the unaudited financial information of the Target Company as at 30 November 2022.

(4) The adjustment represents the reversal consolidated adjustment relating to elimination of inter-group balances between the Group's subsidiaries and Disposal Companies.

(5) The adjustment represents the reversal consolidated adjustment relating to the fair value change of disposal companies through the acquisition (Refer to note 6(iv)).

(6) Upon completion of the Acquisition, the 66.67% of the equity interest in the Target Company will be owned by a subsidiary of the Company and the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at the fair values under acquisition accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) Business Combinations ("**HKFRS 3**") issued by the Hong Kong Institute of Certified Public Accountants, with the difference between the consideration and estimated fair value of the identifiable assets and liabilities of the Target Company to be recognised as goodwill.

The adjustments represent the fair value adjustments of identifiable assets and liabilities and the goodwill arising from the Acquisition as if it had been completed as at 30 June 2022 as follows:

		RMB'000
Cash consideration	*(i)*	170,000
Consideration of disposal of Group's subsidiaries	*(i)*	710,000
		880,000
Less: Waiver of outstanding balance of the consideration under the Sale and Purchase Agreement on 13 January 2018	*(i)*	(908,080)
Less: Fair value of identified assets acquired and liabilities assumed		
– net assets of the 66.67% of the equity interest in the Target Company as at 30 November 2022	*(ii)*	(56,207)
– fair value adjustments on property apportion to the Target Company acquired through the acquisition	*(iii)*	(168,290)
– deferred tax liabilities at 25% related to fair value adjustment		42,073
Add: Loss on disposal of Group's subsidiaries	*(iv)*	245,996
Goodwill on acquisition	*(v)*	35,492

(i) Coastal Greenland Limited ("**Coastal Greenland**") and Affluent Ocean International Limited ("**Affluent Ocean**") entered into the Sale and Purchase Agreement on 13 January 2018 in relation to the acquisition of the entire equity interest in Century East Group Limited at a consideration of approximately RMB3,800,000,000. As at the date of this announcement, Affluent Ocean has paid RMB2,891,920,000 to Coastal Greenland. By entering into the Supplemental Agreement, Affluent Ocean and Coastal Greenland sought to resolve all the outstanding obligations of the parties under the Sale and Purchase Agreement. Upon Completion, Affluent Ocean and Coastal Greenland shall have completed all their obligations under the Sale and Purchase Agreement and the Supplemental Agreement and the outstanding balance of the consideration under the Sale and Purchase Agreement payable by Affluent Ocean in the sum of RMB908,080,000 will be waived by Coastal Greenland.

Pursuant to the Supplemental Agreement entered into by Affluent Ocean (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company with respect to the Acquisition (the "**Provisional Agreement**"), the consideration for the Acquisition of RMB880,000,000 will be satisfied by way of (1) transferring the entire equity interest in Shanghai Coastal Commercial Investment Management Company Limited ("**Shanghai Coastal**") to Coastal Greenland at a consideration of RMB350,000,000; (2) transferring the 91% of the equity interest in the Shenyang Zhongguang North Film and Television City Company Limited ("**Shenyang Zhongguang**") to Coastal Greenland at a consideration of RMB360,000,000; and (3) a payment in cash to Coastal Greenland in the amount of RMB170,000,000. The Target Company will also be jointly liable for payment of RMB170,000,000 to Coastal Greenland in cash.

(ii) The amount represents the net assets of the Target Company as at 30 November 2022 as extracted from the unaudited consolidated statement of financial position of the Target Company as at 30 November 2022 set out in Appendix II to this circular.

(iii) For the purpose of the Unaudited Pro Forma Financial Information, the Directors have estimated the fair values of the property owned by the Target Company with reference to the valuation report dated 31 December 2022 prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer. The property of which fair value change amounting to RMB252,423,000 classified as land held for property development for sale. Through the Acquisition, the Company acquired the 66.67% of the equity interest in the Target Company from Coastal Greenland. The fair value change on property apportion to the Target Company acquired through the acquisition was approximately RMB168,290,000.

	RMB'000
Calculation of fair value change on property apportion to the Target Company from Coastal Greenland	
Fair value of property held by the Target company as at 31 December 2022 (As per Appendix V-8)	2,592,400
Less: Net book value of property held by the Target company as at 30 November 2022	(2,339,977)
Fair value change of property held by the Target company	252,423
Impact of fair value change attribute to Coastal Greenland which held the 66.67% of the equity interest in the Target company	168,290

(iv)

	RMB'000	*RMB'000*
Calculation of disposal of subsidiaries		
Consideration of disposal of subsidiaries		710,000
Less: Adjusted net assets of the disposal companies as at 30 November 2022		
Net assets of the Shanghai Coastal as at 30 November 2022	(36,558)	
Net assets of the 91% of the equity interest in Shenyang Zhongguang as at 30 November 2022	177,157	
Add: Fair value change of net asset of Shenyang Zhongguang through the acquisition *(Note a)*	815,397	(955,996)
Loss on disposal of subsidiaries		(245,996)

Note (a)

	RMB'000
Calculation of fair value change of net asset of Shenyang Zhongguang through the acquisition	
Fair value of property held by Shenyang Zhongguang as at the acquisition date of Shenyang Zhongguang	1,401,811
Less: Net book value of property held by Shenyang Zhongguang as at the acquisition date of Shenyang Zhongguang	(207,090)
Fair value change of property held by Shenyang Zhongguang	1,194,721
Less: Deferred tax liabilities at 25% related to fair value adjustment	(298,680)
	896,041
Impact of fair value change attribute to the Group which held 91% interest of Shangyang Zhongguang	815,397

(v) For the purpose of preparing the Pro Forma Financial Information, the Directors made preliminary assessment, with reference to Hong Kong Accounting Standard 36, Impairment of Assets, issued by the HKICPA, as to whether or not, based on the above information, there is any indicator of impairment on goodwill arising from the Acquisition. Based on such assessment, the Directors did not identify any impairment indicator in respect of the goodwill arising from the Acquisition.

The Directors will follow the Group's accounting policy in respect of assets impairment assessment, including the assessment of the impairment of goodwill arising from the Acquisition when preparing the Company's consolidated financial statements covering the period in which the Acquisition is completed. The Company's consolidated financial statements will be subject to the annual audit by the Company's auditors in accordance with Hong Kong Standards of Auditing.

The amounts of goodwill and fair values of the identifiable assets and liabilities of the Target Company are subject to change upon the completion of the valuation of the fair values of the identifiable assets and liabilities of the Target Company on the date of completion of the Acquisition. Consequently, the resulting goodwill, the actual allocation of the purchase price at the date of completion will likely result in different amounts than those stated in the Unaudited Pro Forma Financial Information.

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

The following is the text of a report received from the reporting accountants of the Company, Prism Hong Kong and Shanghai Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular, in respect of the unaudited pro forma financial information of the Enlarged Group.

The Directors

Yuzhou Group Holdings Company Limited
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Yuzhou Group Holdings Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2022, and related notes as set out on pages III-1 to III-5 of the investment circular in connection with acquisition of entire equity interests in Zhuhai Coastal Greenland Real Estate Company Limited and disposed of the entire equity interest in Shanghai Coastal Commercial Investment Management Company Limited and Shenyang Zhongguang North Film and Television City Company Limited. The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in Note 1 to 6.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the acquisition of the 66.67% of the equity interests in Zhuhai Coastal Greenland Real Estate Company Limited (the "**Acquisition**") and disposed of the entire equity interest in Shanghai Coastal Commercial Investment Management Company Limited and the 91% of the equity interest in Shenyang Zhongguang North Film and Television City Company Limited (the "**Disposal**") (the "**Transaction**") on the Group's financial position as at 30 June 2022 as if the Acquisition and Disposal had taken place at 30 June 2022. As part of this process, information about the Group's financial position as at 30 June 2022 has been extracted by the directors of the Company from the Group's financial statement, on which interim report has been published.

Directors' Responsibility for the Unaudited pro forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity professional competence and due care, confidentiality and professional behavior. The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of the Transaction on unadjusted financial information of the Group as if the Transaction had occurred at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 30 June 2022 would have been as presented.

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

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

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

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

PRISM HONG KONG AND SHANGHAI LIMITED
Certified Public Accountants
Lee Kwok Lun
Practising Certificate Number: P06294

Hong Kong
30 March 2023

*Set out below is the management discussion and analysis of the Target Company for the three financial years ended 31 December 2019, 2020 and 2021 and the eleven months ended 30 November 2022 (the "**Relevant Periods**").*

BUSINESS REVIEW

The Target Company is a limited liability company established under the laws of the PRC and is principally engaged in property development. The sole principal asset of the Target company is the Shangchong Project. As at the Latest Practicable Date and immediately prior to Completion, development of the Land has not yet commenced.

FINANCIAL REVIEW

Revenue

As the development on the Land has not yet commenced, the Target Company did not have any revenue generated from property sale.

Other gains and losses

Other gains and losses during the Relevant Periods mainly represented bank interest income. Other gains and losses of the Target Company for each of the financial years ended 31 December 2019, 2020 and 2021 and the eleven months ended 30 November 2022 was approximately RMB0.2 million, RMB7.3 million, RMB2.4 million and RMB0.2 million, respectively. The decrease in other gains and losses for the year ended 31 December 2021, as compared to year ended 31 December 2020, was mainly due to the decreased bank deposits of the Target Company, which resulted from the decrease in bank interest income. The increase in other gains and losses for the year ended 31 December 2020, as compared to year ended 31 December 2019, was mainly due to the increased bank deposits of the Target Company, which resulted from the increase in bank interest income.

Administrative expenses

Administrative expenses during the Relevant Periods represented mainly depreciation, salary expenses and professional fees incurred.

Finance costs

Finance costs during the Relevant Periods mainly represented interest on bank borrowings, which was fully capitalised.

The currencies of all assets and liabilities of the Target Company are in RMB. The Target Company has not used any derivatives and other instruments for hedging purposes. The Target Company does not hold or issue derivative financial instruments for trading purposes. The interest rate of all bank borrowings of the Target Company are fixed.

Liquidity, financial resources and capital structure

During the Relevant Periods, the Target Company's major financial instruments include prepayments and other receivables, cash and cash equivalents, other payables and accruals and interest-bearing bank borrowings. As at 30 November 2022, the Target Company had prepayments and other receivables of approximately RMB947 million, cash and cash equivalents of approximately RMB117 million, other payables and accruals of approximately RMB2,354 million and interest-bearing bank borrowings of approximately RMB966 million. Such interest-bearing bank borrowings carry an interest rate of 8% per annum and are repayable by 2031. As at 30 November 2022, the Target Company had net assets and net current assets of approximately RMB84 million and RMB1,050 million, respectively. Generally, the Target Company employs a conservative strategy regarding its risk management and the Target Company's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing other borrowing. Furthermore, the Target Company managed its capital structure and made adjustments to it in light of changes in economic conditions. The Group is committed to provide continual financial support and adequate funds for the Target Company to meet its liabilities when they fall due. Consequently, the Target Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

Significant investment and material acquisition and disposal

During the Relevant Periods, the Target Company did not have other significant investment except the Land nor did it have any acquisition or disposal of subsidiaries and associated companies.

Employees and Remuneration Policy

The Target Company had one employee as at 30 November 2022. Remuneration and other benefits of employees are reviewed in response to both market condition and trends, and are based on qualifications, experience, responsibilities and performance. The employee of the Target Company is required to participate in a central pension operated by the local municipal government in the PRC, and the Target Company is required to contribute a percentage of its payroll costs to the central pension scheme. No share option scheme or other share award scheme had been adopted by the Target Company during the Relevant Periods.

Gearing ratio

As at 30 November 2022, the Target Company's gearing ratio, which is net debt (interest-bearing bank borrowings, less cash and cash equivalents) divided by total equity, was approximately 1,008%.

Contingent liabilities

As at 30 November 2022, the Target Company had no significant contingent liabilities and provided the capital and other commitments of RMB2,222 million.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this Circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 December 2022 of the property interests held by the Group and Target Company.

仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7th Floor, One Taikoo Place
979 King's Road, Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

30 March 2023

The Board of Directors
Yuzhou Group Holdings Company Limited
Units 5801-02, 58/F
The Center
99 Queen's Road Central
Central
Hong Kong

Dear Sirs,

Pursuant to the Supplemental Agreement to the Sale and Purchase Agreement dated 2 December 2022 entered into among Affluent Ocean International Limited ("**Affluent Ocean**"), a wholly-owned subsidiary of Yuzhou Group Holdings Company Limited (the "**Company**", hereinafter together with Affluent Ocean and other Company's subsidiaries referred to as the "**Group**"), Coastal Greenland Limited ("**Coastal Greenland**") and Zhuhai Coastal Greenland Real Estate Company Limited ("**Target Company**", a direct 66.67%-owned subsidiary of Coastal Greenland), Coastal Greenland has conditionally agreed to sell and Affluent Ocean has conditionally agreed to acquire the 66.67% equity interests in the Target Company, and Affluent Ocean would transfer the entire equity interests in both Shanghai Coastal Commercial Investment Management Company Limited ("**Shanghai Coastal**", a wholly-owned subsidiary of the Company) and Shenyang Zhongguang North Film and Television City Company Limited ("**Shenyang Zhongguang**", a 91% owned subsidiary of the Company) plus a payment in cash to Coastal Greenland.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**" or "**we**") is instructed to provide valuation service on properties in which Shanghai Coastal, Shenyang Zhongguang and the Target Company have interests in the People's Republic of China (the "**PRC**") for disclosure purpose. We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at 31 December 2022 (the "**valuation date**").

Our valuation is carried out on a market value basis. Market value 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".

We have valued the property interests by the comparison approach by making reference to comparable market transactions to arrive at the market value of the land portion in existing state. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors and the actual rental subsidy and associated cost of housing demolition, relocation and resettlement.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and the Target Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of title documents including Construction Land Planning Permit, State-owned Land Use Rights Certificates and other official plans relating to the property interests in the PRC and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the properties in the PRC and any material encumbrance that might be attached to the properties or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC Legal Adviser – Fujian Hengxing Mingye Law Firm, concerning the validity of the properties in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in January and March of 2023 by Mr. Elvin Zhang who graduated with property development courses and has 9 years' experience in property valuation in the PRC and Ms. Ryanna Xiao who has 1 year's experience in property valuation in the PRC.

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

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB) in respect of all the properties.

Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Senior Director

Notes: Eddie T. W. Yiu is a Chartered Surveyor who has 29 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Abbreviation:

Group I – Property interests held for future development by the Group in the PRC

Group II – Property interest held for future development by the Target Company in the PRC

No.	Property	Market value in existing state as at the valuation date *RMB* Group I:	Market value in existing state as at the valuation date *RMB* Group II:	The total market value in existing state as at the valuation date *RMB*
1.	A parcel of land located at the northern side of No. 1A Jianguomenwai Main Avenue Chaoyang District Beijing The PRC	No commercial value	–	No commercial value
2.	2 parcels of land located at Chenxiang Town Sujiatun District Shenyang City Liaoning Province The PRC	1,217,000,000	–	1,217,000,000
3.	Shangchong Urban Renewal Unit located in Qianshan Town Xiangzhou District Zhuhai City Guangdong Province The PRC	–	No commercial value	No commercial value
	Total:	**1,217,000,000**	**Nil**	**1,217,000,000**

VALUATION CERTIFICATE

Group I – Property interests held for future development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2022 *RMB*
1.	A parcel of land located at the northern side of No. 1A Jianguomenwai Main Avenue Chaoyang District Beijing The PRC	The property is located in the core area of Beijing and the locality is well served by public transportation and supporting facilities. The property comprises a parcel of land with a site area of approximately 5,683.50 sq.m. The property is planned to be developed into a development complex with office and ancillary facilities having a total gross floor area ("**GFA**") of approximately 58,200 sq.m. Details of planned GFA of the property are set out in note 2. The land use rights of the property have been allocated for office use.	As at the valuation date, the property was a vacant bare land for future development.	No commercial value (See note 5)

Notes:

1. Pursuant to a Construction Land Planning Permit – 2007 Gui Di Zi No. 0008, permission towards the planning of the property with a site area of 5,683.50 sq.m. has been granted to Beijing Industry Development Corporation.

2. Pursuant to a Design Examination Opinion Letter – 2013 Gui Fu Han Zi No. 0035, construction works of the property with a planned GFA of approximately 58,200 sq.m. (inclusive of 39,200 sq.m. aboveground and 19,000 sq.m. underground) have been approved.

3. Pursuant to a Co-operation Agreement and its Supplemental Agreement dated 3 January 2008 entered into between Beijing Industry Development Corporation ("**Party A**") and Shanghai Coastal, Shanghai Coastal agreed to invest approximately RMB340,000,000 to develop the property and Shanghai Coastal will obtain the use rights of 65% of the total GFA for a term of 35 years after completion. Both Party A and Shanghai Coastal agreed to reallocate the GFA if the land use rights would change from allocated nature to granted nature.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, *inter alia*, the following:

   a. the land use rights of the property have been allocated to Beijing Industry Development Corporation;

   b. Beijing Industry Development Corporation has not obtained relevant title documents; and

   c. the property is not subject to mortgage and has not been seized.

5. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property as the Group has not obtained any proper title certificates for this property. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB1,205,200,000 assuming that all proper title certificates of granted land use rights nature have been obtained and the property could be freely transferred.

6. According to a valuation advisory report provided by the Group, under general situation Beijing Industry Development Corporation may need to pay additional land premium within the range of 50%-70% of the market value of the land when the land use rights certificate is applied to change the land use rights from allocated nature to granted nature.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2022 *RMB*
2.	2 parcels of land located at Chenxiang Town Sujiatun District Shenyang City Liaoning Province The PRC	The property is located at Chenxiang Beisanwei Road, Sujiatun District of Shenyang City and the locality is a developing suburb residential area with public transportation network and amenities under further improvement. The property has a site area of approximately 1,272,050 sq.m. The land use rights of the property have been granted for a term expiring on 23 September 2052 for composite and gas station uses.	As at the valuation date, there were still certain old and dilapidated buildings and structures erected thereon to be demolished.	1,217,000,000 (See note 5)

Notes:

1. Pursuant to 2 State-owned Land Use Rights Certificates – Su Jia Tun Guo Yong (2000) Di No. 0000220 and Su Jia Tun Guo Yong (2000) Zi Di No. 0221, the land use rights of 2 parcels of land with a total site area of approximately 1,272,050 sq.m. have been granted to Shenyang Zhongguang for a term expiring on 23 September 2052 for composite and gas station uses.

2. We have not been provided with any design and development plan of the property.

3. In valuing the property, we have made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The prices of these comparable land sites are about RMB1,050 to RMB1,180 per sq.m. for composite use on site area basis. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the assumed unit rate. However, we have not considered the removal expense of existing old and dilapidated buildings and structures in our valuation.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, *inter alia*, the following:

   a. the State-owned Land Use Rights Certificate – Su Jia Tun Guo Yong (2000) Di No. 0000220 is legal and Shenyang Zhongguang is the legal land user of this parcel of land;

   b. the original hard copy of the State-owned Land Use Rights Certificate – Su Jia Tun Guo Yong (2000) Zi Di No. 0221 has not been seen, the original hard copy cannot be searched and obtained due to the reason of Land Bureau, and any document relating to cancellation of the land certificate has not been seen; and

   c. pursuant to the information provided by Shenyang Zhongguang, the property is not subject to mortgage and has not been seized.

5. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to one of the land parcels with a site area of approximately 17,635 sq.m. under Su Jia Tun Guo Yong (2000) Zi Di No. 0221 as the original hard copy of the respective land use rights certificate cannot be searched and seen. However, for reference purpose, we are of the opinion that the market value of this parcel of land as at the valuation date would be RMB20,100,000 assuming valid hard copy of proper title certificate has been obtained and it can be searched and this parcel of land could be freely transferred.

VALUATION CERTIFICATE

Group II – Property interest held for future development by the Target Company in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2022 *RMB*
3.	Shangchong Urban Renewal Unit located in Qianshan Town Xiangzhou District Zhuhai City Guangdong Province The PRC	Shangchong Urban Renewal Unit is located at Shangchong West Road, Qianshan Town, Xiangzhou District, Zhuhai City. It is well-served by public transportation and the locality is well-developed with various residential and commercial developments. The property comprises 15 parcels of land with a total site area of approximately 333,882.01 sq.m., which will be redeveloped into a development complex with residential, commercial and resettlement properties in two phases subject to an approved urban renewal unit plan. The usage and GFA details of the property are set out in note 2. As advised by the Group and the Target Company, the unpaid rental subsidy and associated cost of housing demolition, relocation and resettlement was approximately RMB33,636,834 as at the valuation date. The Target Company has not obtained the land use rights of the property.	As at the valuation date, there were some existing old and dilapidated buildings and structures erected thereon to be demolished.	No commercial value (See note 6)

Notes:

1. According to a Notice of Approval of Regulatory Detailed Planning Modification Plan and Land Supply Plan of Management Unit A106a04 (Shangchong Urban Renewal Unit) of Phoenix Mountain Tourist Town in Xiangzhou District of Zhuhai City (關於批覆珠海市香洲區鳳凰山旅遊小鎮A106a04管理單元(上沖城中舊村城市更新項目)控制性詳細規劃修改規劃方案及供地方案的通知, the "**Planning Approval**") dated 8 December 2020, the planning of Shangchong Urban Renewal Unit has been approved.

2. According to the Planning Approval and the information provided by the Group and the Target Company, the approximate planned plot ratio accountable GFA of the property is set out as below:

Usage	Planned Plot Ratio Accountable GFA *(sq.m.)*
Residential	532,263
Retail	7,700
Resettlement residential	273,522
Resettlement commercial	185,494
Other ancillary facilities	30,921
Total:	1,029,900

3. As at the valuation date, there were some existing old and dilapidated buildings and structures erected on the property to be demolished and the Target Company could be qualified as operating entity of the property. According to the information provided by the Target Company, as at the valuation date, the signing rate of the relocation compensation agreements of the property is approximately 83% and the signing of all the relocation compensation agreements of the property is expected to be completed in December 2024.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Adviser, which contains, *inter alia*, the following:

   a. there is no material legal impediment for the Target Company to sign the State-owned Construction Land Use Rights Grant Contract of the property with the competent authority;

   b. there is no material legal impediment for the Target Company to obtain the relevant Real Estate Title Certificate; and

   c. pursuant to the information provided by the Target Company, the Real Estate Title Certificates (for land) has not been obtained, the property is not subject to mortgage and has not been seized.

5. In the valuation of this property for reference purpose as stated in note 6, we have made the following assumptions:

   a. the Target Company has obtained the title certificates of the land use rights of the property after paying the land premium according to relevant policies and regulations and the property can be freely transferred with no outstanding payable fees or monies;

   b. as advised by the Group and the Target Company, the land use rights of the property would be granted for 70 years for residential use and 40 years for commercial use from the valuation date; and

   c. as confirmed by the Group and Target Company, the resettlement residential and the resettlement commercial units would be constructed by the Target Company and handed over after completion for free for resettlement . We have considered such issues in our valuation.

6. In the valuation of this property, we have attributed no commercial value to the property of which relevant title certificates have not been obtained by the Target Company. However, for reference purpose, we are of the opinion that the market value under the aforesaid assumptions mentioned in note 5 as at the valuation date would be RMB5,564,000,000. According to the information provided by the Group and the Target Company, the expected land premium to be paid is approximately RMB2,971,600,000. As instructed by the Company and based on this, the calculated amount after deducting the expected land premium to be paid from the market value under the aforesaid assumptions of the property is RMB2,592,400,000.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

a) Long positions in the ordinary shares of the Company

Name of Director	Directly owned	Interest of Controlled Corporation	Through spouse	Total	Percentage of the Company's issued share capital
Mr. Lam Lung On *(Note 1)*	27,729,929	1,919,109,051 *(Note 2)*	1,920,047,720	3,866,886,700	59.09%
Ms. Kwok Ying Lan *(Note 1)*	1,384,239	1,918,663,481 *(Note 3)*	1,946,838,980	3,866,886,700	59.09%
Mr. Lin Conghui	10,265,697	–	–	10,265,697	0.16%

Note:

(1) Ms. Kwok Ying Lan and Mr. Lam Lung On are married to each other.

(2) These 1,919,109,051 Shares were registered in the name of Studious Profits Limited ("**Studious Profits**"). Mr. Lam Lung On held 100% of the entire issued share capital of Studious Profits and was deemed to be interested in the 1,919,109,051 Shares held by Studious Profits pursuant to the SFO.

(3) These 1,918,663,481 Shares were registered in the name of Plentiful Wise Developments Limited ("**Plentiful Wise**"). Ms. Kwok Ying Lan held 100% of the entire issued share capital of Plentiful Wise and was deemed to be interested in the 1,918,663,481 Shares held by Plentiful Wise pursuant to the SFO.

b) Long positions in the underlying shares – options under share option schemes

On May 24, 2010, a share option scheme (the "**2010 Scheme**") was adopted and approved by the then Shareholders for a period of 10 years commencing on the adoption date. The 2010 Scheme expired on May 23, 2020, but the share options already granted under the 2010 Scheme before its expiration remain valid. On June 9, 2020, a new share option scheme (the "**2020 Scheme**", together with the 2010 Scheme, the "**Schemes**") was adopted and approved by the Shareholders for a period of 10 years commencing from the adoption date. Pursuant to the Schemes, the Board may, at its discretion, invite any directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member of the Group and any advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group to participate in the respective Schemes.

As at the Latest Practicable Date, details of the interests of the Directors in the share options granted under the Schemes are set out below:

Director	Nature of interest	Share options outstanding as at the Latest Practicable Date	Approximate percentage of issued Shares as at the Latest Practicable Date
Executive Director			
Mr. Lam Lung On *(Note 1)*	Beneficial owner	12,200,000	0.19%
	Interest of spouse	12,476,000	0.19%
Ms. Kwok Ying Lan *(Note 1)*	Beneficial owner	12,476,000	0.19%
	Interest of spouse	12,200,000	0.19%
Mr. Lin Conghui	Beneficial owner	7,474,000	0.11%

Note:

(1) Ms. Kwok Ying Lan and Mr. Lam Lung On are married to each other, so they are deemed to be interested in the share options the other person holds.

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) of the Company which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any of the Directors, the following persons (other than a person who is a Director or chief executive of the Company) had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, 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 the Group, or which was recorded in the register required to be kept by the Company (the "**Register**") under section 336 of the SFO:

Name of substantial shareholder	Capacity/Nature of interest	Number of shares	Percentage of the Company's issued share capital
Overseas Chinese Town (Asia) Holdings Limited *(Note 1)*	Interest of controlled corporation	650,729,098	9.94%
City Legend International Limited *(Note 1)*	Beneficial owner	650,729,098	9.94%

Note:

(1) City Legend International Limited (華昌國際有限公司) is a wholly-owned subsidiary of Overseas Chinese Town (Asia) Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 03366.HK).

Save as disclosed above, as at the Latest Practicable Date, so far as it was known by or otherwise notified to any Directors or the chief executive of the Company, other than a Director or the chief executive of the Company, none of the Shareholders had any interests or short positions in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

4. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

a) the framework sale and purchase agreement (the "**Framework Agreement**") dated 5 January 2022 entered into between Tianjin Yujia Life Service Co., Ltd.*（天津禹佳生活服務有限公司）(the "**Vendor**") and Runying Property Technology Service Co., Ltd.*（潤楹物業科技服務有限公司）(the "**Purchaser**"), in relation to the disposal (the "**Disposal**") of the entire issued share capital of Yuzhou Property Services Co., Ltd.*（禹洲物業服務有限公司）(the "**Disposal Company**") at a consideration of not exceeding RMB1,060,000,000 from the Purchaser, and which has been superseded upon the entering into of the formal sale and purchase agreement below;

b) the formal sale and purchase agreement (the "**Formal Agreement**") dated 8 March 2022 entered into between the Vendor, the Purchaser and the Disposal Company in relation to the Disposal on substantially the same terms as the Framework Agreement (please also refer to the circular of the Company dated 28 April 2022 for the background and details of the Framework Agreement and the Formal Agreement); and

c) the Supplemental Agreement.

5. MATERIAL LITIGATION

As at the Latest Practicable Date, saved as disclosed in this circular, there was no litigation or claim of material importance that is known to the Directors to be pending or threatened against the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service agreement with any member of the Group which is not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

7. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rule 8.10 of the Listing Rules.

8. DIRECTORS' INTEREST IN ASSETS, CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors had: (i) any direct or indirect interests in any asset which have been since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or lease to any member of the Group; or (ii) any subsisting material interest in any contract or arrangement at the date of this circular which is significant in relation to the business of the Group.

9. EXPERTS AND CONSENTS

a) The following are the qualifications of the experts who have provided advice referred to or contained in this circular:

Name	Qualification
Prism Hong Kong and Shanghai Limited	Certified Public Accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Professional valuers

b) As at the Latest Practicable Date, each of the experts named above had no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

c) Each of the experts named above has given and has not withdrawn their written consent to the issue of this circular with the inclusion of its letter of advice and references to its name in the form and context in which they respectively appear.

d) As at the Latest Practicable Date, each of the experts named above did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021 (being the date to which the latest published audited financial statements of the Company were made up).

10. GENERAL

a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

b) The Company's head office is located at Yuzhou Plaza, 299 Jingang Road, Pudong New District, Shanghai, the People's Republic of China.

c) The principal place of business of the Company in Hong Kong is located at Units 5801-02, 58/F, The Center, 99 Queen's Road Central, Central, Hong Kong.

d) The principal share registrar and transfer office of the Company is Royal Bank of Canada Trust Company (Cayman) Limited at 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY1-1110, Cayman Islands.

e) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

f) The company secretary of the Company is Mr. Chiu Yu Kang ("**Mr. Chiu**"). Mr. Chiu holds a Bachelor Degree in Business Administration in Accounting and Finance from the University of Hong Kong and a Master of Economics from the University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants.

g) This circular is in both English and Chinese. In the event of inconsistency, the English text shall prevail.

11. DOCUMENTS ON DISPLAY

Electronic copies of the following documents are published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (http://www.yuzhou-group.com) for a period of 14 days from the date of this circular (both days inclusive):

a) the Supplemental Agreement;

b) the letter from the Board, the text of which is set out in pages 5 to 17 of this circular;

c) the accountants' report of the Target Company from the reporting accountants, Prism Hong Kong and Shanghai Limited, the text of which is set out in Appendix II to this circular;

d) the report from the reporting accountants, Prism Hong Kong and Shanghai Limited, on unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

e) the property valuation report of the Target Company and the Disposed Companies as set out in Appendix V to this circular;

f) the written consents from each of the experts referred to in the paragraph headed "9. Experts and Consents" in this Appendix;

g) the annual reports of the Company for each of the three financial years ended 31 December 2019, 2020 and 2021 and the interim report of the Company for the six months ended 30 June 2022; and

h) this circular.