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 to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **Datang Group Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

大唐地产
DYNASTY PROPERTY

Datang Group Holdings Limited
大唐集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2117)

MAJOR TRANSACTIONS IN RELATION TO (I) THE ACQUISITION OF FURTHER EQUITY INTERESTS IN CHONGQING ZHIYUAN; AND (II) THE DISPOSAL OF 20% EQUITY INTERESTS IN TIANYU JURONG

Capitalised terms used on this cover page shall have the same meanings as defined in the section headed under “Definitions” of this circular, unless the context otherwise requires.

Pursuant to Rule 14.44 of the Listing Rules, in lieu of relevant resolutions to be passed at a general meeting, the Acquisition and the Disposal have been approved by written approvals from the Shareholders. This circular will be dispatched to the Shareholders for information purpose only.

30 May 2023

CONTENTS

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

"Acquisition"	the acquisition of an aggregate of 80% of the equity interests in the Acquisition Target Company pursuant to the Acquisition Agreement
"Acquisition Agreement"	the share transfer agreement dated 30 December 2022 entered into by Chongqing Tangcheng, Chongqing Hesheng, Tianyu Jurong and Chongqing Zhiyuan in relation to the Acquisition
"Acquisition Completion"	the completion of the Acquisition
"Acquisition Completion Date"	the date of Acquisition Completion
"Acquisition Transfer Benchmark Date"	30 June 2022, pursuant to the Acquisition Agreement
"Acquisition Vendors"	Chongqing Hesheng and Tianyu Jurong
"Announcements"	the announcements of the Company both dated 30 December 2022 in relation to the Acquisition and the Disposal
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Chongqing Hesheng"	Chongqing Hesheng Property Development Co., Ltd.* (重慶核盛房地產開發有限公司), a company established in the PRC with limited liability
"Chongqing Tangcheng" or "Acquisition Purchaser"	Chongqing Tangcheng Property Development Co., Ltd.* (重慶唐承房地產開發有限公司), a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company
"Chongqing Zhiyuan" or "Acquisition Target Company"	Chongqing Zhiyuan Property Co., Ltd.* (重慶之遠地產有限公司), a company established in the PRC with limited liability

"Company"	Datang Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2117)
"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 20% of the equity interests in the Disposal Target Company pursuant to the Disposal Agreement
"Disposal Agreement"	the share transfer agreement dated 30 December 2022 entered into by Zhangzhou Tanglin, Jiaxi Trading and Tianyu Jurong in relation to the Disposal
"Disposal Completion"	the completion of the Disposal
"Disposal Completion date"	the date of Disposal Completion
"Disposal Transfer Benchmark Date"	30 June 2022, pursuant to the Disposal Agreement
"Enlarged Group"	the Group after the Acquisition Completion
"Good First Group"	Good First Group Co., Ltd.* (福信集團有限公司), a company established in the PRC with limited liability
"Good Fountain"	Good Fountain Holdings Limited, a company incorporated in the British Virgin Islands and is ultimately owned by Ms. Wong
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Code on Takeovers and Mergers"	the Code on Takeovers and Mergers and Share Buy-backs
"Jiaxi Trading" or "Disposal Purchaser"	Shenzhen Jiaxi Trading Company Limited* (深圳市嘉西商貿有限公司), a company established in the PRC with limited liability, mainly engaged in multi-industrial investment

"Latest Practicable Date"	25 May 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
"MeiDi Investment"	MeiDi Investment Holding Limited.* (美地投資控股有限公司), a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Wu
"Mr. Wu"	Mr. Wu Di (吳迪), an executive Director of the Company
"Ms. Bai"	Ms. Bai Yu (白鈺), one of the ultimate beneficial owners of Jiaxi Trading
"Ms. Guo"	Ms. Guo Fu Ai (郭福愛), one of the ultimate beneficial owners of Jiaxi Trading
"Ms. Wong"	Ms. Wong Hei (黃晞), one of the controlling shareholders of the Company, and the ultimate beneficial owner of Good Fountain
"PRC"	the People's Republic of China
"Previous Acquisition"	the Company's acquisition of 20% equity interests in the Acquisition Target Company as disclosed in the announcement of the Company dated 30 September 2021
"Property"	the property project, Chongqing Skyfame Linxifu Project, located at Xinsheng Village, Bicheng Street, Bishan District, Chongqing City, the PRC
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) with a nominal value of US$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)

"Skyfame Realty"	Skyfame Realty (Holdings) Limited (天譽置業(控股)有限公司), a company incorporated in Bermuda with limited liability and listed on the Stock Exchange (Stock code: 00059)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tianyu Jurong" or "Disposal Target Company"	Nanning Tianyu Jurong Realty Co., Ltd.* (南寧天譽巨榮置業有限公司), a company established in the PRC with limited liability and is a direct 80%-owned subsidiary of Tianyu Yujun, mainly engaged in property development business
"Tianyu Yujun"	Nanning Tianyu Yujun Investment Co., Ltd.* (南寧天譽譽浚投資有限公司), a company established in the PRC with limited liability and is a subsidiary of Skyfame Realty, mainly engaged in property development business
"Xiamen Hongfu"	Xiamen Hongfu Trading Co., Ltd.* (廈門鴻孚貿易有限公司), a company established in the PRC with limited liability, which is a connected person of the Company by virtue of being a subsidiary of Good First Group, a company owned as to 61.03% by Ms. Wong, a controlling shareholder of the Company
"Xiamen Rongyin"	Xiamen Rongyin Trading Co., Ltd.* (廈門融銀貿易有限公司), a company established in the PRC with limited liability, which is a connected person of the Company by virtue of being a subsidiary of Good First Group, a company owned as to 61.03% by Ms. Wong, a controlling shareholder of the Company
"Zhangzhou Tanglin" or "Disposal Vendor"	Zhangzhou Tanglin Real Estate Development Company Limited* (漳州唐林房地產開發有限公司), a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company, mainly engaged in property development business
"%"	per cent

* *For identification purposes only*

Datang Group Holdings Limited
大唐集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2117)

Executive Directors:
Mr. Wu Di *(Chairman)*
Mr. Hao Shengchun
Mr. Tang Guozhong

Non-executive Director:
Ms. Chen Xiaoyun

Independent non-executive Directors:
Mr. Chang Eric Jackson
Ms. Xin Zhu
Mr. Lok Chiu Chan

Registered Office:
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PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Principal place of business in Hong Kong:
5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

30 May 2023

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTIONS
IN RELATION TO
(I) THE ACQUISITION OF FURTHER
EQUITY INTERESTS IN CHONGQING ZHIYUAN; AND
(II) THE DISPOSAL OF 20% EQUITY INTERESTS IN TIANYU JURONG

1. INTRODUCTION

References are made to the Announcements in relation to the acquisition of an aggregate of the 80% equity interests in Chongqing Zhiyuan, and the disposal of the 20% equity interests in Tianyu Jurong. The purpose of this circular is to provide you with, among others, (i) further information in relation to the Acquisition and the Disposal; and (ii) the financial information of the Group.

2. THE ACQUISITION

On 30 December 2022, Chongqing Tangcheng, Chongqing Hesheng, Tianyu Jurong and Chongqing Zhiyuan entered into the Acquisition Agreement. The principal terms of the Acquisition Agreement are set out as below:

Date

30 December 2022

Parties

(1) Chongqing Hesheng and Tianyu Jurong (the Acquisition Vendors);

(2) Chongqing Tangcheng (wholly-owned subsidiary of the Company, the Acquisition Purchaser); and

(3) Chongqing Zhiyuan (the Acquisition Target Company)

As at the Latest Practicable Date, save as disclosed in this circular, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of Tianyu Jurong, Chongqing Hesheng, Chongqing Zhiyuan and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Acquisition subject matter

Pursuant to the Acquisition Agreement, the Acquisition Purchaser conditionally agreed to acquire and the Acquisition Vendors conditionally agreed to sell an aggregate of 80% of the equity interests in the Acquisition Target Company. Before the Acquisition, the Acquisition Target Company has a registered capital of RMB100,000,000, and is owned as to 20%, 60% and 20% by Chongqing Tangcheng, Chongqing Hesheng and Tianyu Jurong, respectively. Upon the Acquisition Completion, the Acquisition Target Company will become an indirect wholly-owned subsidiary of the Company.

Consideration

Pursuant to the Acquisition Agreement, the total consideration of the Acquisition shall be RMB542,077,556, which shall be fully satisfied by:

(1) the assumption of the debt in the amount of RMB262,077,556 due by Chongqing Hesheng (one of the Acquisition Vendors) to the Acquisition Target Company by Chongqing Tangcheng. Such debt was mainly attributable to the daily operating expenses paid by the Acquisition Target Company on behalf of Chongqing Hesheng; and

(2) an offset of an amount of RMB280,000,000 due by Chongqing Hesheng to Chongqing Tangcheng. Such amount was a financing advanced to Chongqing Hesheng by Chongqing Tangcheng.

The consideration of the Acquisition was determined (i) on the basis of normal commercial terms and after arm's length negotiations with reference to the preliminary valuation as at 30 September 2022 of RMB1,059 million regarding the Property held by the Acquisition Target Company as at 30 September 2022 determined by Cushman & Wakefield International Properties Advisers (Guangzhou) Co., Ltd., an independent valuer, with market comparison method; and (ii) the benefits that will be brought to the Group by the Acquisition as set out in the paragraph headed "4. Reasons for and Benefits of the Acquisition and the Disposal" in this circular.

The Directors have reviewed and discussed with the independent valuer on the methodology, basis and assumptions of the valuation of the Property and the rationale for the valuation methods and approaches. The Directors consider that (i) as the market comparison method is a commonly used method for property valuation and there are relevant market comparables for reference to arrive at the market value, the adoption of the market comparable method is consistent with the market practice and is reasonable and appropriate for the valuation of the Property; (ii) as the list of land sales comparables selected by the independent valuer is based on criteria including location, accessibility, neighborhood environment, size, plot ratio, land use, remaining land use term and other relevant matters, and has similar characteristics with the Property, the selection criteria is comprehensive, reasonable and appropriate; and (iii) the Board has reviewed the PRC legal opinion prepared by the Company's legal adviser, Guangdong Weitu Law Firm* (廣東偉途律師事務所) which forms part of the basis and assumptions of the valuation, and has not identified any major factors which would cause it to doubt the fairness and reasonableness of the basis and assumptions adopted by the independent valuer. Taking into account the above considerations, the Directors concur with the independent valuer's analysis and adoption of the market comparison method as the appropriate valuation methodology and consider that the valuation has fairly and reasonably reflected the fair value of the Acquisition Target Company.

Having considered that the valuation had fairly and reasonably reflected the fair value of the Acquisition Target Company, the Directors are of the view that the Acquisition Target Company hold the Property and based on the current consideration of the Acquisition (i.e. the acquisition of 80% of the equity interests in the Acquisition Target Company) is lower than the corresponding value based on the valuation of the Property (which is approximately RMB847.2 million (i.e. 80% of the valuation of RMB1,059 million)), the Acquisition is in the best interests of the Company and the Shareholders as a whole. Furthermore, as illustrated in the financial information of the Acquisition Target Company as set out in Appendix II to this circular, the Acquisition Target Company is subject to going concern, having taken into consideration such financial difficulties encountered by the Acquisition Target Company, the Directors are of the view that the consideration where a discount is applied on the valuation of the Property held by the Acquisition Target Company is fair and reasonable.

Rights and liabilities

Pursuant to the Acquisition Agreement, the profit and loss of the Acquisition Target Company during the period from the Acquisition Transfer Benchmark Date to the Acquisition Completion Date shall be enjoyed and borne by the Acquisition Target Company. Upon the Acquisition Completion Date, the profit and loss of the Acquisition Target Company shall be enjoyed and borne by the Acquisition Purchaser.

Condition precedent

The Acquisition Completion is conditional upon the satisfaction of the following condition precedent on or before 30 June 2023:

(1) Skyfame Realty having obtained its shareholders' approval in respect of the Acquisition Agreement and the transaction contemplated thereunder as required under the Listing Rules.

The condition precedent as set forth above may not be waived by the parties to the Acquisition. As at the Latest Practicable Date, such condition precedent had been fulfilled.

Completion

The Acquisition and the Disposal are not inter-conditional with each other. The Acquisition Completion is conditional upon the satisfaction of the condition precedent as set forth above. Pursuant to the Acquisition Agreement, the Acquisition Completion shall take place within one day from the date when the condition precedent is fulfilled, and Acquisition Purchaser shall be responsible for the industrial and commercial registration modification in relation to the Acquisition. The Acquisition Completion Date shall be the date of completion of the industrial and commercial registration modification of the Acquisition Target Company. Upon the Acquisition Completion, the Acquisition Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Acquisition Target Company will be consolidated into the financial statement of the Company.

If such condition precedent cannot be fulfilled on or before 30 June 2023, except for any liabilities arising from the breach of the terms of the Acquisition Agreement by any party, the Acquisition Agreement shall lapse and be terminated.

Information on the parties to the Acquisition

Chongqing Hesheng and Tianyu Jurong

Chongqing Hesheng, an 97.02% indirectly owned subsidiary of Skyfame Realty (a company listed on the Stock Exchange (stock code: 00059)), is a company established in Chongqing, the PRC with limited liability, and is principally engaged in property development business.

As at the Latest Practicable Date, Tianyu Jurong is 20% indirectly owned by the Company and 80% owned by Tianyu Yujun, which is a subsidiary of Skyfame Realty. Tianyu Jurong is a company established in Nanning City, the PRC with limited liability, and is principally engaged in property development business. The Company has also entered into the Disposal Agreement for the disposal of 20% equity interests in Tianyu Jurong on 30 December 2022. For details, please refer to the section headed "3. The Disposal" in this circular in relation to the Disposal.

Chongqing Tangcheng and the Company

Chongqing Tangcheng is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in property development.

The Company is an investment holding company incorporated in the Cayman Islands with limited liability. The Group is principally engaged in property development business in the PRC.

Chongqing Zhiyuan

Before the Acquisition, Chongqing Zhiyuan is held as to 20%, 60% and 20% by Chongqing Tangcheng, Chongqing Hesheng and Tianyu Jurong, respectively. As a company established in the PRC with limited liability, Chongqing Zhiyuan has a registered capital of RMB100,000,000. Chongqing Zhiyuan is principally engaged in real estate development and commercial housing sales. As at the Latest Practicable Date, Chongqing Zhiyuan held a residential property project under construction in Xinsheng Village, Bicheng Street, Bishan District, Chongqing City, the PRC with a total site area of approximately 128,000 sq.m.. Chongqing Zhiyuan intends to develop the residential property project into a residential building with a total planned gross floor area of approximately 448,000 sq.m..

The audited financial information of Chongqing Zhiyuan (prepared in accordance with the applicable financial reporting standards in Hong Kong) for each of the three years ended 31 December 2022 is as follows:

	For the year ended 31 December		
	2022	**2021**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Total assets	1,525,239	1,362,846	682,554
Total equity	539,632	579,258	575,005
Net loss before tax	41,850	45,953	6,601
Net loss after tax	39,626	38,367	6,601

Based on the audited accounts of the Target Company as at 31 December 2022, the total assets, total liabilities and net assets of the Target Company were approximately RMB1,525.24 million, RMB985.61 million and RMB539.63 million, respectively. The total assets of the Target Company as at 31 December 2022 mainly comprised the Property held by it of RMB1,059 million and amounts due from related companies of approximately RMB319.48 million. The total liabilities of the Target Company as at 31 December 2022 mainly comprised contract liabilities of approximately RMB791.89 million and other payables and accruals of approximately RMB162.87 million.

Financial effect of the Acquisition

Upon the Acquisition Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial statement of the Company. For details of the unaudited pro forma financial information of the Enlarged Group, please refer to Appendix IV to this circular.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, assuming that the Acquisition Completion had taken place on 30 June 2022, the total assets of the Group would have increased from approximately RMB57.4 billion to approximately RMB58.4 billion on a pro forma basis; the total liabilities of the Group would have increased from approximately RMB47.5 billion to approximately RMB48.5 billion on a pro forma basis; and the net assets of the Group would remain stable at approximately RMB9.9 billion on a pro forma basis. It is expected that with the completion and sales of the Property held by the Acquisition Target Company, the Property will contribute revenue to the Group and the earnings of the Group will be enhanced in the long run after the Acquisition Completion.

3. THE DISPOSAL

On 30 December 2022, Zhangzhou Tanglin, Jiaxi Trading and Tianyu Jurong entered into the Disposal Agreement. The principal terms of the Disposal Agreement are set out as below:

Date

30 December 2022

Parties

(1) Zhangzhou Tanglin (the Disposal Vendor);

(2) Jiaxi Trading (the Disposal Purchaser); and

(3) Tianyu Jurong (the Disposal Target Company)

As at the Latest Practicable Date, save as disclosed in this circular, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Jiaxi Trading and its ultimate beneficial owners, Ms. Bai and Ms. Guo, are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Disposal subject matter

Pursuant to the Disposal Agreement, the Disposal Vendor conditionally agreed to sell and the Disposal Purchaser conditionally agreed to purchase 20% of the equity interests in the Disposal Target Company. Upon the Disposal Completion, the Company will cease to hold any equity interests in the Disposal Target Company.

Consideration

Pursuant to the Disposal Agreement, the total consideration of the Disposal shall be RMB395,800,000, which shall be fully satisfied by:

(1) the assumption of the debt by the Disposal Purchaser in the amount of RMB35,800,000 due by the Disposal Vendor to the Disposal Target Company. Such debt was mainly attributable to the daily operating expenses paid by the Disposal Target Company on behalf of the Disposal Vendor; and

(2) an offset of a debt in the amount of RMB360,000,000 due by the Disposal Vendor to the Disposal Purchaser. Such amount was a financing advanced to the Disposal Vendor by the Disposal Purchaser.

The consideration of the Disposal was determined on the basis of normal commercial terms and after arm's length negotiations (i) with reference to the unaudited consolidated net asset value of the Disposal Target Company as at 30 September 2022 of approximately RMB1,947 million; and (ii) the benefits that will be brought to the Group by the Disposal as set out in the paragraph headed "4. Reasons for and Benefits of the Acquisition and the Disposal" in this circular.

The Directors are of the view that (i) as the current consideration of the Disposal (i.e. the disposal of 20% of the equity interests in the Disposal Target Company) is slightly higher than the corresponding value based on the unaudited consolidated net asset value of the Disposal Target (which is approximately RMB389.4 million (i.e. 20% of the unaudited consolidated net asset value of the Disposal Target of RMB1,947 million)); and (ii) as illustrated in the paragraph headed "4. Reasons for and benefits of the Acquisition and the Disposal – The Disposal" in this circular, the Disposal Target Company had recorded loss for consecutive years of 2021 and 2022 and that the projects held by it are not expected to generate cash inflow in the near future, the consideration of the Disposal which is slightly higher than the corresponding company is fair and reasonable from the Company's perspective.

Rights and liabilities

Pursuant to the Disposal Agreement, the profit and loss of the Disposal Target Company during the period from the Disposal Transfer Benchmark Date to the Disposal Completion Date shall be enjoyed and borne by the Disposal Target Company. After the Disposal Completion Date, the profit and loss of the Disposal Target Company shall be enjoyed and borne by the Disposal Purchaser.

Condition precedent

The Disposal Completion is conditional upon the satisfaction of the following condition precedent on or before 30 June 2023:

(1) the Company having obtained the written approval of the relevant Shareholders in respect of the Disposal Agreement and the Disposal contemplated thereunder as required under the Listing Rules.

The condition precedent as set forth above may not be waived by the parties to the Disposal. As at the Latest Practicable Date, such condition precedent had been fulfilled.

Completion

The Disposal and the Acquisition are not inter-conditional with each other. The Disposal Completion is conditional upon the satisfaction of the condition precedent as set forth above. Pursuant to the Disposal Agreement, the Disposal Purchaser shall be responsible for the industrial and commercial registration modification in relation to the

Disposal within one day from the execution date of the Disposal Agreement. The Disposal Completion Date shall be the date of completion of the industrial and commercial registration modification of the Disposal Target Company. Upon the Disposal Completion, the Company will cease to hold any equity interests in the Disposal Target Company.

Information on the parties to the Disposal

Zhangzhou Tanglin and the Company

Zhangzhou Tanglin is a company established in Zhangzhou City, Fujian Province, the PRC with limited liability. It is an indirect wholly-owned subsidiary of the Company and is principally engaged in property development.

The Company is an investment holding company and is principally engaged in property development business in the PRC.

Jiaxi Trading

Jiaxi Trading is a company established in Shenzhen City, Guangdong Province, the PRC with limited liability. As at the Latest Practicable Date, it is owned as to 90% by Ms. Bai and 10% by Ms. Guo. Jiaxi Trading is principally engaged in multi-industrial investment.

Tianyu Jurong

(1) Shareholdings and business

Tianyu Jurong is a company established in the PRC in July 2014 with limited liability. As at the Latest Practicable Date, it is owned as to 80% by Tianyu Yujun, which is a subsidiary of Skyfame Realty, and 20% by Zhangzhou Tanglin. Tianyu Jurong has a registered capital of RMB3,029,650,000, and is principally engaged in real estate development and sales of commercial properties in Guangzhou, Nanning, Zhuhai, Chongqing and Xuzhou.

(2) Financial information

The unaudited consolidated financial information of Tianyu Jurong for each of the three years ended 31 December 2022 is as follows:

	For the year ended 31 December		
	2022	**2021**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)
Total assets	13,354,628	12,734,673	10,246,974
Total equity	1,731,396	2,043,528	2,610,220
Net profit/(loss) before tax	(368,312)	(242,174)	865,704
Net profit/(loss) after tax	(312,133)	(414,056)	487,746

As at 31 December 2022, the unaudited consolidated net asset value of Tianyu Jurong was approximately RMB1,731.4 million.

Financial effect of the Disposal

Upon the Disposal Completion, the Company will cease to have any equity interests in the Disposal Target Company.

After deducting the consideration in the amount of RMB395,800,000 which included the net book value of the indebtedness (being the debt in the amount of RMB35,800,000 due by the Disposal Vendor to the Disposal Target Company) from the capital contribution in the Disposal Target Company made by the Disposal Vendor in the amount of RMB400,000,000. It is expected that a net loss of approximately RMB4 million will be recorded in relation to the Disposal upon the Disposal Completion. The actual gain or loss to be recorded by the Company is subject to review by the auditor of the Company. The expected net loss of RMB4 million to be recorded is calculated based on the initial investment of RMB400 million by the Group in the Disposal Target Company after deducting the consideration of the Disposal, being approximately RMB396 million.

Net proceeds from the Disposal

As the total consideration of the Disposal shall be satisfied by the assumption of the debt by the Disposal Purchaser and an offset of a debt due by the Disposal Vendor to the Disposal Purchaser as aforementioned, no proceeds will be generated from the Disposal.

4. REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE DISPOSAL

The Acquisition

It is the business strategy of the Group to focus on the property development and expand the property investment business in the PRC. Although in 2022, the international situation was volatile and turbulent and the real estate developers in China have experienced the most difficult year in the industry's development in the past years, the Group expects the real estate market in the PRC will gradually recover under the continuous stimulation of various favourable policies promulgated by the government.

As of 30 November 2022, an aggregate GFA of 127,000 sq.m. of the Chongqing Skyfame Linxifu Project (a property project held by the Acquisition Target Company) has been sold. The first phase of the Chongqing Skyfame Linxifu Project is in the final stage of project acceptance and in preparation for delivery. The second and third phases of the Chongqing Skyfame Linxifu Project are in the middle stage of the construction while the fourth phase of the Chongqing Skyfame Linxifu Project is in preliminary stage of construction. The aggregate unsold saleable area of the residential project amount to 189,000 m^2. Accounting to the historical average price of RMB6,875 per m^2 for the sales previously conducted, the unsold proportion has an aggregate value to approximately RMB1.3 billion, where our Group expects to be benefited under the Acquisition. The project still needs further financial resources to ensure timely deliveries of presold homes.

The residential property project held by the Acquisition Target Company in Xinsheng Village, Bicheng Street, Bishan District, Chongqing City, the PRC is expected to be completed before March 2025 and the contracted sales brought by the sales of the residential properties will bring favourable returns to the Group's revenue and general cashflow for the Group in the short-run after the Acquisition and the consolidation of the financial results of the Acquisition Target Company into the financial statements of the Group. The Board is also of the view that the Acquisition will enhance the Group's existing business in developing quality residential projects and strengthen its presence in Chongqing City which will bring synergy to the future development projects owned by the Group.

As set out in Appendix II to this circular, the Directors noted that the reporting accountants provided a disclaimer opinion on the Acquisition Target Company. The Directors understand that the disclaimer opinion was provided because that the reporting accountants had casted doubt on the going concern of the Acquisition Target Company and its ability to realise its asset and discharge its liabilities in the normal course of business. As set out above and in the paragraph headed "2. The Acquisition – Consideration" in this circular, the Company is of the view that the Acquisition is fair and reasonable and is beneficial to the Company and its shareholders. The Company will also be able to assist the Acquisition Target Company in realizing its assets and discharging its liabilities through its ordinary course of business and that the disclaimer opinion on the Acquisition Target Company shall not affect the financial position and operation of the Group in any material respect.

The Disposal

The Group acquired the 20% equity interests in Tianyu Jurong in July 2021 and the Board was of the view that the potential appreciation in the investments in the properties held by Tianyu Jurong could provide a stable income stream to the Group's business and bring positive financial impact on the Group. However, due to unfavorable market condition since 2021, the macro environment of the PRC's real estate industry had undergone downturn and the market sentiment in general had become negative. Instead of generating revenue to the Group, Tianyu Jurong had recorded a net loss in the amount of approximately RMB414.1 million for the year ended 31 December 2021 and approximately RMB312.1 million for the year ended 31 December 2022. The property projects held by the Disposal Target Company are not expected to generate cash inflow in the near future as they are mostly under development and the development of the property projects have been delayed. The Board considered that the Disposal will minimise the potential increase in loss in investment and to allow the Group to focus its resources on its existing property projects and property projects with higher potential and quick cash inflow which will best serve the interests of the Company and its shareholders in the long run. Further, the consideration of the Disposal includes an assumption of debt by the Disposal Purchaser which is due by the Disposal Vendor to the Disposal Target Company, and an offset of a debt due by the Disposal Vendor to the Disposal Purchaser. The Disposal could help to reduce the Group's debt and the finance cost, which will in turn help to improve the cashflow of the Group.

Therefore, the Board considers the Acquisition and the Disposal contemplated thereunder are in the interests of the Company. The terms of the Acquisition Agreement and the Disposal Agreement were determined by the parties after arm's length negotiations. In view of the above factors, the Directors consider that the terms of the Acquisition Agreement and the Disposal Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

Reference is made to the announcements of the Company dated 31 March 2023 and 12 May 2023 in relation to the concerns raised by the Company's then auditors, PricewaterhouseCoopers, on the business rationale of certain transactions and fund movements between the Group and the Group's joint venture (the "**Concerns**"). The Directors confirm that the Acquisition and the Disposal are not related to the Concerns.

5. BOARD APPROVAL

The Board has considered and approved the resolutions in relation to the Acquisition and the Disposal. As none of the Directors has any material interest in the Acquisition or the Disposal, none of the Directors was required to abstain from voting on the relevant Board resolutions.

6. IMPLICATIONS UNDER THE LISTING RULES

Reference is made to the announcement of the Company dated 30 September 2021 in relation to the Previous Acquisition. As both the Previous Acquisition and the Acquisition involve the acquisition of equity interests in the Acquisition Target Company, the Previous Acquisition and the Acquisition have been aggregated as a series of transactions pursuant to Rules 14.22 and 14.23 of the Listing Rules. As one of the applicable percentage ratios calculated with reference to Rule 14.07 of the Listing Rules in respect of the Previous Acquisition and the Acquisition (in aggregate) exceed 25% but all percentage ratios are less than 100%, the Previous Acquisition and the Acquisition constitute a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios calculated with reference to Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 25% but all of such ratios are less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Tianyu Jurong was owned as to 20% by Zhangzhou Tanglin, an indirect wholly-owned subsidiary of the Company. The carrying amount of the property interest in Tianyu Jurong being disposed of as at 31 December 2022 (which also represented the total carrying amount of the property interest not valued) was approximately 0.6% when compared against the Group's total assets in the amount of approximately RMB57.4 billion as at 30 June 2022, and such carrying amount was below 1% and did not exceed 10% of the Group's total assets as at 30 June 2022. Under Rule 5.02A(5) of the Listing Rules, a valuation report of Tianyu Jurong is not required to be included in this circular.

Under Rule 14.44 of the Listing Rules, Shareholders' approval for the Acquisition and the Disposal may be obtained by way of written Shareholders' approval in lieu of holding a general meeting if (1) no Shareholder is required to abstain from voting if the company were to convene a general meeting for the approval of the transactions; and (2) written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at that general meeting to approve the transaction.

Good Fountain and MeiDi Investment (together the "**Group Shareholders**") are closely allied group of Shareholders who directly hold 418,585,136 Shares and 407,789,564 Shares, respectively, and together hold 826,374,700 Shares, which represent approximately 60.60% of the total issued Shares of the Company and voting rights in general meetings of the Company as at the Latest Practicable Date. The Directors consider that the Group Shareholders as a closely allied group of Shareholders under Rules 14.44 and 14.45 of the Listing Rules taking into account the following factors with reference to Rule 14.45 of the Listing Rules:

(1) ***the number of persons in the group:*** the Group Shareholders comprises Good Fountain (which is ultimately wholly-owned by Ms. Wong through its wholly-owned subsidiaries) (together the "**Ms. Wong Concert Group**") and MeiDi Investment (which is wholly-owned by Mr. Wu) (together the "**Mr. Wu Concert Group**");

(2) ***the nature of their relationship including any past or present business association between two or more of them:*** Ms. Wong and Mr. Wu had known each other since 1980s. Ms. Wong's family commenced property development business in the early 1990s and Mr. Wu was invited to join in the business venture. Since 2011, Ms. Wong decided to entrust the ongoing operations and management of the business of the Group to Mr. Wu and the management team and over the years, Ms. Wong has built up a professional management team for the property development business of the Group which is led by Mr. Wu;

(3) ***the length of time each of them has been a shareholder:*** Ms. Wong was the founder of the Group and had been a shareholder of the Group since April 2010 and Mr. Wu had been a shareholder of the Group in April 2018, prior to the listing of the Company on the Stock Exchange, where the shares of the Group were awarded to him in recognition of his valuable contribution and his importance role in the Group;

(4) ***whether they would together be regarded as "acting in concert" for the purposes of the Hong Kong Code on Takeovers and Mergers:*** the Ms. Wong Concert Group and the Mr. Wu Concert Group fall within class (1) of the presumption under the definition of "acting in concert" under the Hong Kong Code on Takeovers and Mergers, as each of them holds 20% or more of the voting rights of the Company, however, they are as a matter of fact not acting in concert as (i) no agreement or understanding (whether formal or informal) has been made among them to actively cooperate to obtain or consolidate control of the Company; and (ii) each member of the concert group is not accustomed to act in accordance with the other's instructions and is independent in the decision making process. Having said that, the Group Shareholders have voted in the same way on all shareholders' resolutions of the Company, except for cases (if any) in which any of them was required to abstained from voting or absent from the general meetings; and

(5) ***the way in which they have voted in the past on shareholders' resolutions other than routine resolutions at an annual general meeting:*** as stated in (4) above, for both routine resolutions at annual general meeting and non-routine resolutions at other general meetings, the Group Shareholders have voted in the same way on all shareholders' resolutions of the Company, except for cases (if any) in which any of them was required to abstained from voting or absent from the general meetings.

No Shareholder is required to abstain from voting on the Acquisition or the Disposal if the Company were to convene a general meeting for the approval of the Acquisition and the Disposal. As such, no special general meeting will be convened by the Company for the purpose of approving the Acquisition and the Disposal. The Acquisition and the Disposal have been approved by written Shareholders' approval from the Group Shareholders.

7. COMPLIANCE IN RELATION TO RULES 14.44 AND 14.86 OF THE LISTING RULES

Rule 14.44 of the Listing Rules states that shareholders' approval for a major transaction shall be given by a majority vote at a general meeting of the shareholders of the issuer unless some conditions are met, in which case written shareholders' approval may, subject to Rule 14.86 of the Listing Rules, be accepted in lieu of holding a general meeting. Rule 14.86 of the Listing Rules states that Stock Exchange will not accept a written shareholders' approval for the transaction, but will require a general meeting to be held to consider the transaction, when the reporting accountants can only give a modified opinion in the accountants' report in respect of the acquisition of the businesses or companies.

As set out in the Announcements and the section headed "6. Implications under the Listing Rules", the transaction had been passed by a written resolution of the Group Shareholders under Rule 14.44 of the Listing Rules on 30 December 2022. Prior to and at the material time of the passing of the written resolution of the Group Shareholders, to the best knowledge of the Directors after making all reasonable enquiries, the Company was not aware of any major audit issues in preparation of the accountants' report of the Acquisition Target Company and the unaudited pro forma financial information of the Enlarged Group to be set out in this circular, and therefore was of the view that the Acquisition could be passed by a written resolution of the Group Shareholders under Rule 14.44 of the Listing Rules. Subsequently, in late March 2023, the Company had issued an announcement in relation to the resignation of PricewaterhouseCoopers as the Company's auditors. It was at that material time, the Company was informed that the financial information of the Acquisition Target Company shall include a disclaimer opinion. However, when the Company was aware of the modified opinion, the announcement of the Acquisition had been published and that a written resolution approving the Acquisition had been approved by the Group Shareholders. Therefore, the passing of the Acquisition under a written resolution is not fully in compliance with Rules 14.44 and 14.86 of the Listing Rules and a shareholders' meeting should have been held to approve the Acquisition.

The Company would like to clarify that an extraordinary general meeting to approve the Acquisition will not be held as: (i) the conditions precedent of the Acquisition had been fulfilled and the Acquisition had been completed; and (ii) the Directors are of the view that it will cause confusion to the Shareholders as to the status of the Acquisition should an extraordinary general meeting be held.

After having acknowledged that the Acquisition had not been fully approved in compliance with Rules 14.44 and 14.86 of the Listing Rules, the Company had immediately strengthened its internal control and implemented the following plans to avoid recurrence of similar incidents:

1. the Company will arrange its management team, members of the compliance department, and other relevant staff to attend training on notifiable transactions and connected transactions;

2. the Company's management team will assign additional manpower to strengthen the communication with the auditors in respect of the preparation of financial information;

3. the Company will ensure compliance of the Group with all applicable laws and regulations by timely seeking professional advice, from time to time when necessary;

4. the executive Directors and members of the senior management team will continuously monitor the internal control measures of the Group and will report findings and make appropriate recommendations to the Board on a regular basis; and

5. the Company will engage external professional advisors to provide their view on specific matters, if necessary.

Going forward, the Company will comply strictly with the relevant requirements of the Listing Rules and monitor the internal control measures adopted by the Group.

By order of the Board
Datang Group Holdings Limited
Wu Di
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for the three years ended 31 December 2019, 2020 and 2021 and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2022, together with the relevant notes thereof are disclosed in the following documents:

(i) the prospectus of the Company published on 27 November 2020 (the "**Prospectus**") (pages I-1 to I-92)
https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1127/2020112700019.pdf

(ii) the annual report of the Company for the year ended 31 December 2020 published on 9 April 2021 (the "**2020 Annual Report**") (pages 121 to 267)
https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0409/2021040900832.pdf

(iii) the annual report of the Company for the year ended 31 December 2021 published on 29 April 2022 (the "**2021 Annual Report**") (pages 119 to 275)
https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0429/2022042900121.pdf

(iv) the interim report of the Company for the six months ended 30 June 2022 published on 16 September 2022 (pages 29 to 70)
https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0916/2022091600381.pdf

2. STATEMENT OF INDEBTEDNESS

Borrowings

As at 31 March 2023, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had total borrowings with a carrying amount of approximately RMB7,780.5 million, comprising (i) approximately RMB453.9 million of unsecured and unguaranteed bank and other borrowings, (ii) approximately RMB701.0 million of secured and unguaranteed bank and other borrowings, (iii) approximately RMB4,057.3 million of secured and guaranteed bank and other borrowings, and (iv) approximately RMB2,568.3 million of unsecured and guaranteed senior notes. Certain bank borrowings were secured by charges over property, plant and equipment, properties under development for sales, investment properties, right-of-use assets and restricted cash, details are listed as follow:

(i) property, plant and equipment, investment properties and right-of-use assets with a carrying value of approximately RMB572 million;

(ii) properties under development for sales with a carrying value of approximately RMB11,388 million; and

(iii) restricted cash of approximately RMB597.3 million.

Lease Liabilities

As at 31 March 2023, the Group had lease liabilities of RMB76 million which were secured by rental deposits and unguaranteed.

Contingent Liabilities

As at 31 March 2023, the Group provided guarantees of approximately RMB12,692 million to banks for mortgage loans made by the banks to the purchasers of properties sold by the Group in the PRC.

Save as disclosed above and apart from intra-group liabilities and normal trade payables in the ordinary course of business, at the close of business as at 31 March 2023, the Group did not have any debt securities issued and outstanding, or otherwise created but unissued, or loan capital, or other borrowings or similar indebtedness including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, or hire purchase commitments, or mortgages and charges, and there were no other material contingent liabilities nor guarantees.

3. WORKING CAPITAL STATEMENT

The Directors, after due and careful enquiry, are of the opinion that, after taking into account of the financial resources available to the Group, including internally generated funds and available bank facilities, the Group has sufficient working capital for its present requirements, that is, for at least the next twelve months from the date of this circular.

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

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As of 30 November 2022, the Group achieved total contracted sales of RMB18,140 million and the business performance maintained stable in general. In the first half of 2022, the Group achieved a revenue of approximately RMB2,340 million; net profit reached approximately RMB50 million. As at 30 June 2022, the Group's net debt ratio was 57.5%, and the cash on book amounted to RMB3,590 million, reflecting that the Group has sufficient working capital and was in a healthy financial position.

The Group followed the geographical layout of "2+1+X", which focused on Beibu Gulf Region, consolidated existing layout in the urban agglomerations of the Western Taiwan Strait Economic Region, and established a relatively stable scale advantage. Meanwhile, the Group seized the opportunity of relocating our headquarters to Shanghai, by taking root quickly in the Yangtze River Delta region, as well as successively entered into core cities with economic vitality. We have strengthened strategic cooperation with leading companies in the industry, all of which will lay a solid foundation for the Group to become a national comprehensive real estate corporation. As of 30 June 2022, the total gross floor area of the Group's land bank was 23.71 million sq.m..

The Group will continue to uphold the principle of seeking progress while maintaining stability, maintain bottom-line thinking, and balance and predict development and risks. The Group will continue to focus on customers, improve the quality of service and customer satisfaction. The Group will continue to improve the level of financial and cost management in accordance with the capital market requirements. The Group will also continue to adopt the friendly platform strategy, explore opportunities and provide equity interests to attract strategic investors, platform resources and other ways, to promote steady development of the Company, striving to become a high-quality listed company with sustainable development capabilities.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong:

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會計師事務所有限公司

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION OF CHONGQING ZHIYUAN PROPERTY CO., LTD. TO THE DIRECTORS OF DATANG GROUP HOLDINGS LIMITED (THE "COMPANY")

INTRODUCTION

We report on the historical financial information of Chongqing Zhiyuan Property Co., Ltd. ("**Acquisition Target Company**") set out on pages 28 to 58, which comprises the statements of financial position of the Acquisition Target Company as at 31 December 2020, 2021 and 2022, and its statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the three years ended 31 December 2020, 2021 and 2022 (the " **Relevant Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages 28 to 58 forms an integral part of this report, which has been prepared for inclusion in the circular of the Company dated 30 May 2023 (the "**Circular**") in connection with the proposed acquisition of 80% equity interests in the Acquisition Target Company by the Company.

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The sole director of Acquisition Target Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information and for such internal control as the sole director of Acquisition Target Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of Acquisition Target Company is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (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.

However, because of the matter described in the basis for disclaimer of opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Disclaimer of Opinion

We do not express an opinion on the Historical Financial Information. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Historical Financial Information. In all other respects, in our opinion the Historical Financial Information have been properly prepared in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Basis for Disclaimer of Opinion

Scope Limitation Relating to the Going Concern Basis of Preparing the Historical Financial Information

As disclosed in Note 2 to the Historical Financial Information, during the years ended 31 December 2020, 2021 and 2022, the Acquisition Target Company has incurred losses of approximately RMB6,601,000, RMB38,367,000 and RMB39,626,000, respectively. In addition, as at 31 December 2020, 2021 and 2022, the Acquisition Target Company's cash and cash equivalents amounted to approximately RMB8,815,000, RMB135,129,000 and RMB8,123,000, respectively whilst the Acquisition Target Company's construction cost payables amounted to approximately RMB41,762,000, RMB58,162,000 and RMB86,816,000, respectively and capital commitment amounted to approximately RMB55,941,000, RMB592,069,000 and RMB602,265,000 respectively.

The above situations indicate the existence of material uncertainties which may cast significant doubt about the Acquisition Target Company's ability to continue as a going concern, and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

As disclosed in Note 2 to the Historical Financial Information, in view of the above circumstances, the sole director of the Acquisition Target Company have prepared a cash flow forecast of the Acquisition Target Company which takes into account certain plans. The validity of the going concern assumption is dependent on the successful outcomes of these plans being undertaken by the management of the Acquisition Target Company, which are subject to uncertainties including: (i) successful negotiation with banks for obtaining loan facility; and (ii) successful implementation of the plans to accelerate the pre-sales and sales of properties under development and timely collection of the relevant sales proceeds and control the administrative costs and capital expenditures. The management of the Acquisition Target Company is of the opinion that the Acquisition Target Company would be able to continue as a going concern. Therefore, the Historical Financial Information have been prepared on a going concern basis.

However, in respect of the assumptions regarding the successful outcomes of the plans being undertaken by the management of the Acquisition Target Company, we were unable to obtain sufficient and appropriate audit evidence regarding the assumptions used in the going concern basis. There were no other satisfactory audit procedures that we could adopt to conclude whether it is appropriate to use the going concern assumption to prepare the Historical Financial Information.

Should the Acquisition Target Company fail to achieve the above-mentioned plans, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Acquisition Target Company 's assets to their recoverable amounts, to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the Historical Financial Information.

REPORTING 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 27 have been made.

DIVIDENDS

We refer to Note 12 to the Historical Financial Information, which states that no dividends have been paid or declared by the Acquisition Target Company in respect of the Relevant Period.

Moore Stephens CPA Limited
Certified Public Accountants

Hung, Wan Fong Joanne
Practising Certificate Number: P05419

Hong Kong, 30 May 2023

HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

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

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
	Notes	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	6	–	–	–
Cost of services		–	–	–
Gross profit		–	–	–
Impairment loss of properties under development	13	–	–	(12,093)
(Provision for)/reversal of impairment loss on amounts due from related companies		–	(14,000)	14,000
Other gains/(losses), net	7	–	98	(136)
Selling and marketing expenses		(3,163)	(18,967)	(30,953)
Administrative expenses		(3,483)	(13,440)	(12,950)
Operating loss		(6,646)	(46,309)	(42,132)
Finance income	8	45	356	282
Loss before income tax	9	(6,601)	(45,953)	(41,850)
Income tax credit	11	–	7,586	2,224
Loss and total comprehensive loss for the year		(6,601)	(38,367)	(39,626)

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2020	2021	2022
		RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Deferred tax assets	21	–	7,586	9,810
Total non-current assets		–	7,586	9,810
Current assets				
Properties under development	13	628,779	833,493	1,059,000
Financial assets at fair value through profit or loss	14	–	3,000	–
Deposits, prepayments and other receivables	15	35,430	44,176	60,307
Contract costs	16	2,583	40,607	49,955
Amounts due from related companies	17	–	253,708	319,477
Prepaid corporate income tax		–	678	678
Prepaid land appreciation tax		–	5,251	7,771
Restricted cash	18	6,947	39,218	10,118
Cash and cash equivalent	18	8,815	135,129	8,123
Total current assets		682,554	1,355,260	1,515,429
Current liabilities				
Other payables and accruals	19	50,879	135,732	162,870
Amounts due to related companies	17	37,870	2,990	30,849
Contract liabilities	20	18,800	644,866	791,888
Total current liabilities		107,549	783,588	985,607
Net current assets		575,005	571,672	529,822
Net assets		575,005	579,258	539,632
CAPITAL AND RESERVES				
Share capital	22	–	40,820	40,820
Share premium	22	581,655	583,455	583,455
Accumulated losses		(6,650)	(45,017)	(84,643)
Total equity		575,005	579,258	539,632

STATEMENTS OF CHANGES IN EQUITY

	Share capital (Note 22) RMB'000	Share premium (Note 22) RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance as at 1 January 2020	–	581,655	(49)	581,606
Loss and total comprehensive loss for the year	–	–	(6,601)	(6,601)
Balance as at 31 December 2020 and 1 January 2021	–	581,655	(6,650)	575,005
Capital injection from shareholder on 19 July 2021	40,820	1,800	–	42,620
Loss and total comprehensive loss for the year	–	–	(38,367)	(38,367)
Balance as at 31 December 2021 and 1 January 2022	40,820	583,455	(45,017)	579,258
Loss and total comprehensive loss for the year	–	–	(39,626)	(39,626)
Balance as at 31 December 2022	40,820	583,455	(84,643)	539,632

STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December 2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*
Loss before tax		(6,601)	(45,953)	(41,850)
Adjustments for:				
Interest income		(45)	(356)	(282)
Provision for/(reversal of) impairment loss on amounts due from related companies		–	14,000	(14,000)
Impairment loss of properties under development		–	–	12,093
Fair value changes in financial assets at fair value through profit or loss	7	–	–	263
Operating loss before working capital changes		(6,646)	(32,309)	(43,776)
Increase in properties under development		(74,822)	(204,714)	(237,600)
Increase in deposits, prepayments and other receivables		(7,731)	(8,746)	(16,131)
Increase in contract costs		(2,583)	(38,024)	(9,348)
(Increase)/decrease in restricted cash		(6,947)	(32,271)	29,100
Increase in other payables and accruals		50,829	84,853	27,138
Increase in contract liabilities		18,800	626,066	147,022
Cash (used in)/generated from operation		(29,100)	394,855	(103,595)
Income tax paid		–	(678)	–
Land appreciation tax paid		–	(5,251)	(2,520)
Net cash (used in)/generated from operating activities		(29,100)	388,926	(106,115)
Cash flows from investing activities:				
Interest received		45	356	282
(Purchase)/disposal of financial assets at fair value through profit or loss		–	(3,000)	2,737
Advance to related companies		–	(267,708)	(51,769)
Net cash generated from/(used in) investing activities		45	(270,352)	(48,750)

	Note	Year ended 31 December 2020 RMB'000	2021 RMB'000	2022 RMB'000
Cash flows from financing activities:				
Advance from/(repayment to) related companies		17,870	(34,880)	27,859
Capital injection from shareholder		–	42,620	–
Net cash generated from/(used in) financing activities		17,870	7,740	27,859
Net (decrease)/increase in cash and cash equivalent		(11,185)	126,314	(127,006)
Cash and cash equivalents at beginning of year		20,000	8,815	135,129
Cash and cash equivalents at end of year	18	8,815	135,129	8,123

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Chongqing Zhiyuan Property Co., Ltd., (重慶之遠地產有限公司) (the "**Acquisition Target Company**") is a limited liability company incorporated on 25 February 2019 in Chongqing in the People's Republic of China (the "**PRC**"). The registered office and principal place of business of the Acquisition Target Company is East of No. 198-28, Yanhe East Road South, Biquan District, Bishan Area, Chongqing, the PRC. In the opinion of the sole director of the Acquisition Target Company, the immediate and ultimate holding company of the Acquisition Target Company was Chongqing Hesheng Property Development Co., Ltd., (重慶核盛房地產開發有限公司), a company incorporated in the PRC with limited liabilities and Skyfame Realty (Holdings) Limited, a company incorporated in Bermuda with limited liabilities, respectively.

The principal activity of the Acquisition Target Company was engaging in property development in the PRC.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information set out in this report has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The Historical Financial Information is presented in Renminbi ("**RMB**") which is also the functional currency of the Acquisition Target Company. All values are rounded to the nearest thousand except where otherwise indicated.

The Historical Financial Information have been prepared on historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies set out below.

It should be noted that accounting estimates and assumptions have been used in preparation of the Historical Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are set out in Note 4.

Going concern basis

The Historical Financial Information have been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles is dependent upon continued availability of adequate finance or attaining profitable operations in future and the success of the below plans.

During the years ended 31 December 2020, 2021 and 2022, the Acquisition Target Company has incurred losses of approximately RMB6,601,000, RMB38,367,000 and RMB39,626,000, respectively. In addition, as at 31 December 2020, 2021 and 2022, the Acquisition Target Company's cash and cash equivalents amounted to approximately RMB8,815,000, RMB135,129,000 and RMB8,123,000, respectively whilst the Acquisition Target Company's construction cost payables amounted to approximately RMB41,762,000, RMB58,162,000 and RMB86,816,000, respectively and capital commitment amounted to approximately RMB55,941,000, RMB592,069,000 and RMB602,265,000 respectively.

The business of the Acquisition Target Company is subject to the epidemic of Coronavirus Disease 2019, extensive governmental regulations and macro-economic control measures of the real estate sector implemented by the PRC government from time to time, and some of these policies and measures may have unfavourable impact to the working capital available to the Acquisition Target Company.

All the above conditions indicate the existence of material uncertainties which may cast significant doubt about the Acquisition Target Company's ability to continue as a going concern and the Acquisition Target Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of such circumstances, the sole director of the Acquisition Target Company has given careful consideration to the future liquidity and performance of the Acquisition Target Company and its available sources of financing in assessing whether the Acquisition Target Company will have sufficient financial resources to continue as a going concern. Certain plans have been taken by the Acquisition Target Company to mitigate its liquidity pressure and to improve its financial position which include, but are not limited to, the followings:

(i) the Acquisition Target Company is negotiating with banks for the loan facilities which can provide sufficient funding for the its project construction payments;

(ii) the Acquisition Target Company will closely monitor the process of construction of its property development projects to ensure that construction and related payments are fulfilled, the relevant properties sold under pre-sale arrangement are completed and delivered to the customers on schedule as planned, such that the Acquisition Target Company is able to release restricted pre-sale proceeds from the designated bank accounts to meet its other financial obligations; and

(iii) the Acquisition Target Company will continue to take active measures to control administrative costs through various channels, including human resources optimisation, management remuneration adjustment and containment of capital expenditures.

The sole director of the Acquisition Target Company has reviewed the Acquisition Target Company's cash flow projections prepared by the management, which cover a period of twelve months from 31 December 2022. In the opinion of the sole director of the Acquisition Target Company, in light of the above and taking into account the anticipated cash flows to be generated from the Acquisition Target Company's operations as well as the above plans, the Acquisition Target Company will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2022. Accordingly, the sole director of the Acquisition Target Company considers that it is appropriate to prepare the financial statements on a going concern basis.

Notwithstanding the above, material uncertainties exist as to whether the Acquisition Target Company is able to achieve its plans and measures as described above.

Should the Acquisition Target Company failed to achieve abovementioned plans, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Acquisition Target Company's assets to their recoverable amounts, to provide for any further liabilities which might arise. The effects of these adjustments have not been reflected in the Historical Financial Information.

The HKICPA has issued a number of new and revised HKFRSs which were relevant to the Acquisition Target Company and became effective during the Relevant Period. In preparing the Historical Financial Information, the Acquisition Target Company has applied all these new and amendments to HKFRSs which are effective for the Acquisition Target Company's accounting period beginning on 1 January 2022 consistently throughout the Relevant Period to the extent required or allowed by transitional provisions in the HKFRSs.

2.1 New and amendments to HKFRSs not yet adopted

At the date of this report, certain new and amendments to HKFRSs have been issued but are not yet effective, and have not been adopted early by the Acquisition Target Company.

		Effective for annual reporting periods beginning on or after
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 17	Insurance Contracts and the Related Amendments	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Acquisition Target Company has already commenced an assessment of the related impact of adopting the above new and amendments to HKFRSs. So far, the sole director of the Acquisition Target Company concluded that the above new and amendments to HKFRSs will be adopted at the respective effective dates and the adoption of them is unlikely to have a significant impact on the financial statements of the Acquisition Target Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies are set out below.

Financial instruments

(a) Classification

The Acquisition Target Company classifies its financial assets in the following categories:

– those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and

– those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Acquisition Target Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Acquisition Target Company reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way of purchases and sales of financial assets is recognised on trade-date, the date on which the Acquisition Target Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Acquisition Target Company has transferred substantially all the risks and rewards of ownership

(c) Measurement

At initial recognition, the Acquisition Target Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Acquisition Target Company's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Acquisition Target Company classifies its debt instruments:

– Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/losses together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

– FVTPL: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(loss) in the period in which it arises.

Equity instruments

The Acquisition Target Company subsequently measures all equity investments at fair value. Where the Acquisition Target Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Acquisition Target Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

(d) Impairment

The Acquisition Target Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

– the amount determined in accordance with the expected credit loss model under HKFRS 9 "Financial Instruments"; and

– the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 "Revenue from Contracts with Customers".

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

Properties under development and completed properties held for sale

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less the estimated costs necessary to make the sale and the anticipated costs of completion, or by management estimates based on prevailing marketing conditions.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

Completed properties held for sale at reporting period end are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the completed properties held for sale.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less the estimated costs necessary to make the sale, or by management estimates based on prevailing marketing conditions.

Other receivables

If collection of other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Acquisition Target Company holds the other receivables with the objective of collecting the contractual cash flows.

Cash and cash equivalents and restricted cash

For the purpose of presentation in the statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known of cash and which are subject to an insignificant risk of changes in value.

Bank deposits which are restricted to use are included in "restricted cash" of the statement of financial position. Restricted cash are excluded from cash and cash equivalents.

Other payables and accruals

Other payables and accruals include obligations to pay for construction costs or services that have been acquired in the ordinary course of business from suppliers. Other payables and accruals are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Other payables and accruals are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method

Contract costs and liabilities and costs for obtaining contracts

Upon entering into a contract with a customer, the Acquisition Target Company obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract costs if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

The Acquisition Target Company recognises the incremental costs of obtaining a contract with a customer within contract costs if the Acquisition Target Company expects to recover those costs.

Taxation

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Acquisition Target Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Acquisition Target Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Provisions

Provisions for legal claims are recognised when: the Acquisition Target Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties in the ordinary course of the Acquisition Target Company's activities. Revenue is shown net of discounts.

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset maybe transferred over time or at a point in time. Control of the asset is transferred over time if the Acquisition Target Company's performance does not create an asset with an alternative use to the Acquisition Target Company and the Acquisition Target Company has an enforceable right to payment for performance completed to date.

If control of the asset is transferred over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

In determining the transaction price, the Acquisition Target Company adjusts the promised amount of consideration for the effect of a financing component if it is significant.

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Acquisition Target Company has present right to payment and the collection of the consideration is probable.

Retirement benefit plans

Pension obligations

The Acquisition Target Company only operates defined contribution pension plans. In accordance with the rules and regulation in the PRC, the PRC based employees of the Acquisition Target Company participate in defined contribution pension plans organised by the relevant municipal and provincial governments in the PRC under which the Acquisition Target Company and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Acquisition Target Company has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Acquisition Target Company in independently administrated funds managed by the governments.

The Acquisition Target Company's contributions to the defined contribution pension plans are expensed as incurred. Forfeited contributions by the Acquisition Target Company on behalf of employees who leave the scheme prior to vesting fully in such contributions may not be used by the Acquisition Target Company to reduce the existing level of contributions.

Housing benefits and social insurances

Employees of the Acquisition Target Company in the PRC are entitled to participate in various government-supervised housing benefits and social insurance plan. The Acquisition Target Company contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Acquisition Target Company's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing benefits and social Insurances are expensed as incurred.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

Short-term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Related parties

(a) A person or a close member of that person's family is related to the Acquisition Target Company if that person:

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

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

(iii) is a member of key management personnel of the Acquisition Target Company.

(b) An entity is related to the Acquisition Target Company if any of the following conditions apply:

(i) The entity and the Acquisition Target Company are members of the same Acquisition Target Company (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an Acquisition Target Company of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Acquisition Target Company or an entity related to the Acquisition 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 key management personnel of the entity (or of a parent of the entity).

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker ("**CODM**"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the sole director of the Acquisition Target Company that makes strategic decisions. The CODM regards that there is only one segment, that is property development business, which is used to make strategic decisions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Acquisition Target Company's accounting policies, which are described in Note 3, the management of the Acquisition Target Company is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following items are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each 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.

(a) Estimates for net realisable value of properties under development

The Acquisition Target Company assesses the carrying amounts of properties under development according to their net realisable value based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs).

(b) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Acquisition Target Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Acquisition Target Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(c) Income taxes and deferred taxation

The Acquisition Target Company is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(d) PRC land appreciation taxes

The Acquisition Target Company is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Acquisition Target Company has not finalised its PRC land appreciation taxes calculation and payments with most of local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Acquisition Target Company recognised these PRC land appreciation taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the taxation and tax provisions in the years in which such taxes have been finalised with local tax authorities.

5. SEGMENT INFORMATION

An operating segment is a component of the Acquisition Target Company that is engaged in business activities from which the Acquisition Target Company may earn revenue and incur expenses, and is defined on the basis of the internal management reporting information that is provided to and regularly reviewed by the sole director of the Acquisition Target Company, who is the chief operating decision maker, in order to allocate resources and assess performance of the segment. For the Relevant Period, the sole director of the Acquisition Target Company regularly reviewed revenue and operating results derived from the transportation of goods on an aggregate basis and considered it has only one single operating segment.

Geographical information

The principal place of the Acquisition Target Company's operation is mainly in the PRC. For the purpose of segment information disclosures under HKFRS 8, the Acquisition Target Company regarded the PRC as its country of domicile.

As at 31 December 2020 and 2021 and 2022, all non-current assets are located in the PRC. During the Relevant Period, all revenue by geographical location of customers, which is based on the principal place of the customers' operation, is derived from the PRC.

6. REVENUE

The Acquisition Target Company's revenue from contracts with customers within HKFRS 15 *Revenue from Contracts with Customers* ("**HKFRS 15**") represents the revenue from sales of properties during the Relevant Period, which are recognised at a point in time.

No revenue was recognised during the Relevant Period.

Unsatisfied performance obligations

The amount of unsatisfied performance obligation is approximately the same as the balance of contract liability, which are expected to be recognised in 1 to 3 years as of 31 December 2020, 2021 and 2022.

7. OTHER GAINS/(LOSSES), NET

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Compensation from cancellation of properties presale contracts by customers	–	22	110
Fair value changes of financial assets at FVTPL *(Note 14)*	–	–	(263)
Others	–	76	17
	–	98	(136)

8. FINANCE INCOME

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Interest income	45	356	282

9. LOSS BEFORE INCOME TAX

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Staff costs *(Note 10)*	3	5,992	7,241
Penalty and litigation fee	1,306	581	300
Legal and professional fee	1,038	1,176	538
Advertising expenses	2,017	6,387	2,766
Property management fee	969	3,625	282
Consulting service fee	–	6,428	21,952
Property sales site service fee	–	2,065	1,546

10. STAFF COSTS

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Staff costs (including director's emoluments) comprise of:			
Basic salaries	2	6,658	9,831
Bonuses and other benefits	1	1,043	575
Contributions to defined contribution pension plans *(Note)*	–	285	280
	3	7,986	10,686
Less: Amount capitalised as properties under development	–	(1,994)	(3,445)
Staff costs charged to profit or loss	3	5,992	7,241

Note: Employees in the Acquisition Target Company are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Acquisition Target Company contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. There were no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) to offset existing contributions under the defined contribution schemes.

11. INCOME TAX EXPENSE

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
PRC corporate income tax	–	–	–
PRC land appreciation tax	–	–	–
Deferred tax credit *(Note 21)*			
– PRC corporate income tax credit	–	6,277	1,425
– PRC land appreciation tax credit	–	1,309	799
Total income tax credit	–	7,586	2,224

PRC corporate income tax

The income tax provision of the Acquisition Target Company in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the Acquisition Target Company located in Mainland China is 25%.

PRC land appreciation tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27

January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items. The Acquisition Target Company has made provision of LAT for sales of properties according to the aforementioned progressive rate.

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Loss before income tax	(6,601)	(45,953)	(41,850)
Calculated at applicable corporate income tax rate	(1,650)	(11,488)	(10,463)
Expenses not deductible for tax purpose	435	3,808	406
Income not taxable for tax purpose	–	–	(3,500)
LAT deductible for PRC corporate income tax purpose	–	(1,313)	(630)
Tax effect of tax losses not recognised as deferred tax assets	1,215	1,407	11,963
	–	(7,586)	(2,224)
PRC land appreciation tax	–	–	–
	–	(7,586)	(2,224)

12. DIVIDEND

No dividend was paid or declared by the Acquisition Target Company during the Relevant Period.

13. PROPERTIES UNDER DEVELOPMENT

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Comprise:			
– Land use right	563,151	618,633	630,267
– Construction costs	65,628	214,860	440,826
	628,779	833,493	1,071,093
Less: loss allowance	–	–	(12,093)
	628,779	833,493	1,059,000

The properties under development are all located in the PRC and expected to be completed within an operating cycle. The relevant land use rights in the PRC are on leases of 40 to 50 years.

During the years ended 31 December 2020 and 2021, no impairment provision were made to properties under development.

During the year ended 31 December 2022, impairment provision approximately RMB12,093,000 was made to properties under development.

The Acquisition Target Company assessed the recoverable amounts of properties under development. As a result, the carrying amount of the properties under development was written down to their recoverable amount of approximately RMB1,059,000,000 as at 31 December 2022. An impairment loss of RMB12,093,000 (2020 and 2021: Nil) was recognised in the profit or loss for the year ended 31 December 2022. The estimates of recoverable amount were based on the fair values of completed projects less estimated costs to complete the projects less costs of disposal determined by Cushman & Wakefield, an independent firm of professional valuers, using market comparison approach by reference to recent sales price of similar properties with the same location, adjusted for differences such as remaining useful lives.

As at 31 December 2020 and 2021, properties under development of approximately RMB628,799,000 and RMB833,493,000, respectively, were pledged as collateral for the borrowings of the immediate holding companies of the Acquisition Target Company. The pledge was released in November 2022 and as at 31 December 2022, no properties under development were pledged.

As at 31 December 2022, properties under development amounting to approximately RMB1,059,000,000 was expected to be completed and delivered beyond one year.

Provision for Breach of Measures on Management of Idle Land

According to the regulation relating to the "Measures on Management of Idle Land" promulgated and implemented by the PRC government on 1 June 2003, a parcel of land can be defined as idle land if the construction work did not commence after a granted period of construction as stated in the "Approval for the Use of Construction Land" elapsed. Developers would be charged a fee of maximum 20 per cent of the purchase price or the undeveloped sites would be forfeited by the government without compensation.

As at 31 December 2022, the sole director of the Acquisition Target Company acknowledged that the Acquisition Target Company has failed to commence its development construction works at its land site ("**Land Sites**") in Chongqing for 30 months after the development milestone as set out in the respective land acquisition contract, such failure may possibly make the Land Sites becoming an idle land which will lead to an idle land surcharge imposed on the Acquisition Target Company.

The Idle Land Proposal was submitted to address the idle land issue by the Acquisition Target Company. Up to the date of this report, no official or formal approval was obtained from the Relevant Bureaus.

The sole director of the Acquisition Target Company, after taking the legal advice into consideration, were of the view that it is unlikely that the Land Sites in Chongqing would be forfeited by government and the Acquisition Target Company is not likely to be required to make compensation for such non-compliance. No provision for compensation of Idle Land Proposal has been made.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at FVTPL			
At 1 January	–	–	3,000
Addition	–	3,000	–
Fair value changes *(Note 7)*	–	–	(263)
Disposal	–	–	(2,737)
At 31 December	–	3,000	–

The investments mainly represent investments in a one-year mixed fund managed by a PRC fund managing company during the year ended 31 December 2021.

During the year ended 31 December 2022, the investment matured with a fair value loss of RMB263,000 recognised in the profit or loss.

The fair values of the investment at the maturity date were estimated by the management of the Acquisition Target Company by reference to the performance report provided by the fund manager, which is prepared based on the market price of the underlying listed investments. The fair value measurement is categorised within level 2 of the fair value hierarchy.

15. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Prepaid taxes and surcharges	30,125	32,382	47,925
Tender deposit in development project	1,615	5,088	6,161
Wage security for migrant workers	3,690	6,612	6,221
Others	–	94	–
	35,430	44,176	60,307

All balances are from independent third parties. The sole director considers the carrying amounts of deposits, prepayments and other receivables approximate their fair values.

16. CONTRACT COSTS

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Costs to obtain a contract	2,583	40,607	49,955

Contract costs are costs to obtain contracts with customers, which give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered in a period of operating cycle.

No expenses have been recognised that was included in contract costs balance at the beginning of the years ended 31 December 2020, 2021 and 2022.

17. AMOUNTS DUE FROM/TO RELATED COMPANIES

The Acquisition Target Company had the following balance transactions with related companies in the normal course of its business and mutually agreed between both parties during the Relevant Period:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Receivables from related companies			
Amount due from a related company *(Note (a))*	–	–	45,000
Amount due from a related company *(Note (b))*	–	253,708	274,477
	–	253,708	319,477
Maximum amount due from related companies during the year			
Amount due from a related company *(Note (a))*	–	–	45,000
Amount due from a related company *(Note (b))*	–	253,708	274,477
Payables to related company			
Management fee payable to a related company *(Note (c))*	–	2,990	318
Amounts due to a related company *(Note (c))*	37,870	–	363
Amounts due to a related company *(Note (c))*	–	–	30,168
	37,870	2,990	30,849

(a) The related companies are subsidiaries that commonly controlled with the Acquisition Target Company by Skyfame Realty (Holdings) Limited ("**Skyfame**"), the ultimate holding company of the Acquisition Target Company.

(b) The related company is a subsidiary that commonly controlled with the Acquisition Target Company by Skyfame, Pursuant to the sale and purchase agreement, the Company acts as a Purchaser, intends to offset the consideration of the Proposed Acquisition with the amount due from Skyfame acts as Vendor, of approximately RMB262,077,000. In the opinion of the sole director of the Acquisition Target Company, the expected credit loss on the remaining balance is minimal.

(c) The related company and the Acquisition Target Company are commonly controlled by Skyfame.

(d) All amounts due from/to related companies are interest free, unsecured and repayable on demand. For amounts due to related companies, the Acquisition Target Company is estimated to recover these amounts within one year.

(e) Compensations for key management (including executive directors and senior management) is set out below.

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Wages and salaries	–	626	763
Social insurance expenses	–	19	25
Housing benefit and other employee benefits	–	70	93
	–	715	881

18. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and in hand	8,815	135,129	8,123
Restricted cash			
– The payment of construction cost of development projects	6,947	39,218	10,118
	15,762	174,347	18,241

(a) In accordance with relevant documents, the Acquisition Target Company is required to place at designated bank accounts the pre-sale proceeds of properties received as the guarantee deposits for the constructions of related properties. The deposits can only be used for payments of construction costs of related property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related properties.

(b) The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

19. OTHER PAYABLES AND ACCRUALS

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Construction costs payable *(Note (a))*	41,762	58,162	86,816
Accrued taxes and surcharges	4,086	63,839	69,875
Commission and other charges payable for the sale of the property	–	3,865	3,351
Tender payable to the suppliers	886	5,220	922
Salaries and bonuses accruals	–	705	546
Others	4,145	3,941	1,360
	50,879	135,732	162,870

(a) Construction costs payable comprise construction costs and other project-related expenses payable which are based on project progress measured by project management team of the Acquisition Target Company. Therefore, no ageing analysis is presented.

(b) Other payables and accruals are unsecured, interest-free, repayable on demand and non-trade item.

(c) The other payables and accruals are mainly denominated in RMB.

(d) The fair value of other payables and accruals approximate their carrying amounts.

20. CONTRACT LIABILITIES

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities related to sales of properties	18,800	644,866	791,888

The Acquisition Target Company receives payments from customers based on the billing schedule as established in sale contracts. Payments are usually received in advance of the performance under the contracts which are mainly for sales of properties.

When the Acquisition Target Company receives a proceed for pre-sale of the property, this will give rise to contract liabilities at the start of the contract until the revenue is recognised.

No revenue has been recognised for the years ended 31 December 2020, 2021 and 2022, relates to carried-forward contract liabilities.

	RMB'000
Balance at 1 January 2020	–
Increase in contract liabilities from presale of properties	18,800
Balance at 31 December 2020 and 1 January 2021	18,800
Increase in contract liabilities from presale of properties	626,066
Balance at 31 December 2021 and 1 January 2022	644,866
Increase in contract liabilities from presale of properties	147,022
Balance at 31 December 2022	791,888

No revenue has been recognised in relation to contract liabilities as at 31 December 2020, 2021 and 2022.

Unsatisfied performance obligations

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Expected to be recognised within one year	–	–	791,888
Expected to be recognised after one year	18,800	644,866	–
	18,800	644,866	791,888

The amount of unsatisfied performance obligation is approximately the same as the balance of contract liability, which are expected to be recognised within 1 year as of 31 December 2022 (2021: within 2 years & 2020: within 3 years).

21. DEFERRED TAX ASSETS

	Temporary difference on land appreciation tax	**Tax loss**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2020, 31 December 2020 and 1 January 2021	–	–	–
Charged to profit or loss *(Note 11)*	1,313	6,273	7,586
As at 31 December 2021 and 1 January 2022	1,313	6,273	7,586
Charged to profit or loss *(Note 11)*	630	1,594	2,224
As at 31 December 2022	1,943	7,867	9,810

As at 31 December 2020, 2021 and 2022, the Acquisition Target Company has estimated unutilised tax losses of approximately RMB4,909,000, RMB35,629,000 and RMB89,857,000, respectively for offsetting against future assessable profits.

As at 31 December 2020, none of the tax losses has been recognised as deferred tax assets. As at 31 December 2021 and 2022, unutilised tax loss of approximately RMB25,092,000 and RMB31,468,000, respectively, has been recognised as deferred tax assets. As at 31 December 2020, 2021 and 2022, the unutilised tax losses will expire in five years.

Year	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
2024	49	49	49
2025	4,860	4,860	4,860
2026	–	5,628	5,628
2027	–	–	47,852
	4,909	10,537	58,389

22. SHARE CAPITAL AND SHARE PREMIUM

	Share capital	Share premium	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2020, 31 December 2020 and 1 January 2021	–	581,655	581,655
Capital injection from shareholder	40,820	1,800	42,620
As at 31 December 2021, 1 January 2022 and 31 December 2022	40,820	583,455	624,275

The Acquisition Target Company was established in the PRC on 25 February 2019. As at 31 December 2021 and 2022, its registered and paid-up capital was RMB40,820,000.

On 13 July 2021 and14 July 2021 respectively, the shareholder of the Acquisition Target Company paid up total share capital of RMB40,820,000 in total.

23. FINANCIAL GUARANTEE CONTRACTS

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Acquisition Target Company's properties	–	163,466	457,560

(a) The Acquisition Target Company has arranged bank financing for certain purchasers of the Acquisition Target Company's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

(b) Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Acquisition Target Company is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Acquisition Target Company is entitled to take over the legal title and possession of the related properties. The Acquisition Target Company's guarantee period starts from the dates of grant of the mortgages. The sole director of the Acquisition Target Company consider that the likelihood of default in payments by purchasers is minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore the ECL of these financial guarantees is immaterial.

24. COMMITMENTS

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Expenditure contracted but not provided for in respect of			
– Property construction and development costs	55,941	592,069	602,265

25. PROVISIONS AND CONTINGENT LIABILITIES

The Acquisition Target Company has been involved in several lawsuits arising in the ordinary course of business. As at 31 December 2022 and 2021, all litigation cases has been closed and the Acquisition Target Company has settled all penalties or compensations from the litigation. Therefore, no provision has been made for the probable losses to the Acquisition Target Company.

26. CAPITAL RISK MANAGEMENT

The Acquisition Target Company manages its capital to ensure that entities in the Acquisition Target Company will be able to continue as a going concern while maximising the return to sole shareholder and benefiting other stakeholders through the optimisation of the debt and equity balance. The Acquisition Target Company's overall strategy remains unchanged throughout the Relevant Period.

The capital structure of the Acquisition Target Company consists of equity, comprising share capital and accumulated losses.

The management of the Acquisition Target Company reviews the capital structure regularly. As part of this review, the management considers the cost and the risks associated with each class of the capital. Based on recommendations of the management, the Acquisition Target Company will balance the overall capital structure through the payment of dividends and raising of new capital as well as the issue of debt.

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets measured at fair value through profit or loss	–	3,000	–
Financial assets measured at amortised cost			
– Deposits and other receivable	1,615	5,088	6,161
– Amount due from related companies	–	253,708	319,477
– Bank balances and cash	15,762	174,347	18,241
	17,377	433,143	343,879
Financial liabilities			
Financial liabilities measured at amortised cost			
– Other payable and accruals	42,648	63,382	87,738
– Amounts due to related companies	37,870	2,990	30,849
	80,518	66,372	118,587

(b) Financial risk management objectives and policies

The Acquisition Target Company's major financial instruments include deposits and other receivable, amounts due from related companies, bank balances and cash, other payable and accruals, amounts due to related companies. Details of these financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments include credit risk and liquidity risk and the policies on how to mitigate these risks are set out below.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk and impairment assessment

Risk management

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Acquisition Target Company. The Acquisition Target Company's exposure to credit risk mainly arises from deposits and other receivables in the ordinary course of its operations and amount due from related companies from its investing activities. The carrying amounts of the financial assets represent the maximum exposure to credit risk.

The credit risk on bank balances and cash is also limited because the Acquisition Target Company's bank balances are all deposited with authorised financial institutions.

The Acquisition Target Company trades only with recognised and creditworthy third parties. Before accepting any new customer, the Acquisition Target Company assesses the potential customer's credit quality and defines its credit limits based on historical credit records of these customers. The Acquisition Target Company does not hold any material collateral over trade receivable balances during the Relevant Period.

Deposits and other receivables

The deposits and other receivables mainly consists tender deposits in development projects and wage deposits for migrant workers.

For the deposits and other receivables other than balances with related companies, they are closely monitored for recoverability and collectability and the Acquisition Target Company maintains close communications with the counterparties. The Acquisition Target Company uses the past-due information of counterparties to assess whether credit risk has increased significantly since initial recognition.

As at the reporting date, the management also regularly reviews the recoverability of the receivables and follow up the disputes or amounts overdue, if any. As at the reporting date, the balances are not past due, and based on historical experience, majority of these balances were settled shortly upon maturity and within business operating cycle, hence the associated credit risk is minimal. In calculating the expected credit loss rates, other receivables have been grouped based on shared credit risk characteristics and the days past due and adjusts for forward looking macroeconomic data. The management considered that the identified impairment loss under expected credit loss model was immaterial.

Amounts due from related companies

Related companies are assessed individually for the credit risk and risk of default. The Acquisition Target Company has used the financial information of counterparties to assess whether credit risk has been increased significantly since initial recognition. The ECLs are estimated based on assumptions about risk of defaults and expected loss rates. The Acquisition Target Company uses judgement in making these assumptions and selecting the inputs to the impairment assessment, based on the Acquisition Target Company's past history, existing market conditions as well as forward looking information at the end of each reporting period. In assessing forward-looking information, the Acquisition Target Company consider factors macroeconomic factors, industry risks and changes in debtor's conditions.

Bank balances

The Acquisition Target Company's exposure to credit risk arising from bank balances is limited because the counterparties are banks and financial institutions with sound credit ratings, for which the sole director of the Acquisition Target Company's considered to have low credit risk and as at 31 December 2020, 2021 and 2022, the identified ECL was immaterial.

Financial guarantee contracts

For the financial guarantee contracts provided by the Acquisition Target Company to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties, the Acquisition Target Company measured the loss allowance on financial guarantee contracts by reference to the historical default rate of the purchasers, the loss on default based on the current property value and the pre-sale deposits already received and the forward-looking information. Detailed disclosure of these guarantees is made in Note 23.

The sole director of the Acquisition Target Company considered that the loss allowances on financial guarantee contracts at 31 December 2020, 2021 and 2022 were insignificant to the Acquisition Target Company. For properties which have been pre-sold, or for the completed properties that have been sold but the building ownership certificate not yet issued, the Acquisition Target Company typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 50% to 70% of the total purchase price of the properties.

If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Acquisition Target Company to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Acquisition Target Company is able to retain the property sales proceeds received from the customers and sell the property to recover any amounts paid by the Acquisition Target Company to the bank. In this regard, the sole director of the Acquisition Target Company consider that the Acquisition Target Company's credit risk is mitigated.

Liquidity risk

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

All of the financial liabilities of the Acquisition Target Company at the end of the reporting period are either repayable on demand or due within one year.

The table below analyses the non-derivative financial liabilities of the Acquisition Target Company into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows and the earliest date the Acquisition Target Company can be required to pay. The fair value of the financial liabilities, equal their carrying balances as impact from discounting is not significant.

	Note	Total undiscounted cash flows Within 1 year RMB'000	Over 1 year RMB'000	Total RMB'000	Carrying amount RMB'000
As at 31 December 2022					
Other payables and accruals, excluding accrued taxes and surcharges and salaries payable	19	87,738	–	87,738	87,738
Amounts due to related companies	17	30,849	–	30,849	30,849
		118,587	–	118,587	118,587
Guarantee for property mortgage	23	457,560	–	457,560	–
As at 31 December 2021					
Other payables and accruals, excluding accrued taxes and surcharges and salaries payable	19	63,382	–	63,382	63,382
Amounts due to related companies	17	2,990	–	2,990	2,990
		66,372	–	66,372	66,372
Guarantee for property mortgage	23	163,466	–	163,466	–
As at 31 December 2020					
Other payables and accruals, excluding accrued taxes and surcharges and salaries payable	19	42,648	–	42,648	42,648
Amounts due to related companies	17	37,870	–	37,870	37,870
		80,518	–	80,518	80,518
Guarantee for property mortgage	23	–	–	–	–

Interest rate risk

At 31 December 2020, 2021 and 2022, the Acquisition Target Company does not exposed to significant interest rate risk as the Acquisition Target Company does not have any variable rate interest bearing financial assets or financial liabilities.

(c) Fair value measurements

As at 31 December 2020, 2021 and 2022, all financial instruments except the financial assets at FVPL, are measured at amortised costs which are not materially different from their fair value.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Acquisition Target Company's financial assets and liabilities measured at fair value at 31 December 2020, 2021 and 2022.

	Level 1	**Level 2**	**Level 3**	**Level 4**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2021				
Financial assets at FVPL	–	3,000	–	–

There were no transfers between the three levels during the Relevant Period. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

28. EVENT AFTER THE REPORTING PERIOD

There are no other material subsequent events undertaken by the Acquisition Target Company after 31 December 2022.

29. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Acquisition Target Company in respect of any period subsequent to 31 December 2022 and up to the date of this report.

*Set out below is the management discussion and analysis of the Acquisition Target Company for the three years ended 31 December 2022 (the "**Track Record Period**"). The following financial information is based on the financial information of the Acquisition Target Company as set out in Appendix II to this circular.*

BUSINESS REVIEW

The Acquisition Target Company is a company established in the PRC with limited liability. The Acquisition Target Company is principally engaged in real estate development and commercial housing sales and it is based in Chongqing City, the PRC. As at the Latest Practicable Date, the Acquisition Target Company held a residential property project under construction in Xinsheng Village, Bicheng Street, Bishan District, Chongqing City, the PRC with a total site area of approximately 128,000 sq. m. and it intends to develop the residential property project into a residential building with a total planned gross floor area of approximately 448,000 sq.m. As of 30 November 2022, an aggregate GFA of 127,000 sq.m. of the Property held by the Acquisition Target Company has been sold.

Before the Acquisition, Chongqing Zhiyuan is held as to 20%, 60% and 20% by Chongqing Tangcheng, Chongqing Hesheng and Tianyu Jurong, respectively. Upon the Acquisition Completion, the Acquisition Target Company will become an indirect wholly-owned subsidiary of the Company.

FINANCIAL REVIEW

Revenue

The Acquisition Target Company has only one single operating segment which is related to real estate development in the PRC and it generates revenue from the sale of properties. As the properties sold by it had not yet been delivered to its customers during the Track Record Period, the Acquisition Target Company recorded no revenue during the Track Record Period.

Cost of services

As the properties sold by it had not yet been delivered to its customers during the Track Record Period, the Acquisition Target Company recorded no cost of services during the Track Record Period.

Gross profit/loss

The Acquisition Target Company recorded no gross profit/loss during the Track Record Period, and the overall gross profit margin was nil during the same period.

Finance income

During the Track Record Period, the Acquisition Target Company recorded net finance income of approximately RMB45,000, RMB0.4 million and RMB0.3 million, respectively. Finance income of the Acquisition Target Company mainly consisted of interest income. Interest income relates to the average balance of deposits placed with banks during the year and the interest rate on deposits.

The increase in finance income from approximately RMB45,000 for the year ended 31 December 2020 to RMB0.4 million for the year ended 31 December 2021, which remained stable at approximately RMB0.3 million for the year ended 31 December 2022 was mainly attributed to the increase in bank deposits.

Loss for the year

The Acquisition Target Company recorded loss for the three years ended 31 December 2022 of approximately, RMB6.6 million, RMB38.4 million and RMB39.6 million, respectively. The increase in the loss of the Acquisition Target Company during the Track Record Period was mainly due to the increase in selling and marketing costs from approximately RMB3.2 million to RMB19.0 million and to RMB31.0 million, and the increase in loss before income tax from approximately RMB6.6 million to RMB46.0 million which remained stable at approximately RMB41.9 million during the Track Record Period, respectively. In particular, the increase in loss before income tax was mainly caused by the increase in staff costs from approximately RMB3,000 to RMB6.0 million and to RMB7.2 million, and the increase in consulting service fee from nil to approximately RMB6.4 million and to RMB22.0 million, during the Track Record Period, respectively.

Deposits, prepayments and other receivables

As at 31 December 2020, 2021 and 2022, deposits, prepayments and other receivables of the Acquisition Target Company amounted to approximately RMB35.4 million, RMB44.2 million and RMB60.3 million, respectively. The increase in deposits, prepayments and other receivables during the Track Record Period was mainly due to the increase in prepaid taxes and surcharges from approximately RMB30.1 million as at 31 December 2020 to RMB32.4 million as at 31 December 2021 and to RMB47.9 million as at 31 December 2022; and the increase in tender deposit in development project from approximately RMB1.6 million as at 31 December 2020 to RMB5.1 million as at 31 December 2021 and to RMB6.2 million as at 31 December 2022.

Bank balance and cash

The Acquisition Target Company had bank balances and cash as at 31 December 2020, 2021 and 2022 in the amounts of approximately RMB15.8 million, RMB174.3 million and RMB18.2 million, respectively. The relatively high increase in bank balances and cash as at 31 December 2021 was mainly attributed to the increase in net cash generated from operating activities in the amount of approximately RMB402.9 million and capital injection from a shareholder of the Acquisition Target Company in the amount of approximately RMB42.6 million. The majority of the bank balances and cash were held in the form of cash at bank and in hand. As at 31 December 2022, no bank balance was pledged for borrowings.

Other payables and accruals

As at 31 December 2020, 2021 and 2022, other payables and accruals of the Acquisition Target Company amounted to approximately RMB50.9 million, RMB135.7 million and RMB162.9 million, respectively. The increase in other payables and accruals during the Track Record Period was mainly due to the increase in construction costs payable from approximately RMB41.8 million as at 31 December 2020 to RMB58.2 million as at 31 December 2021 and to RMB86.8 million as at 31 December 2022; and the increase in accrued taxes and surcharges from approximately RMB4.1 million as at 31 December 2020 to RMB63.8 million as at 31 December 2021 and to RMB69.9 million as at 31 December 2022.

Gearing

As at 31 December 2020, 2021 and 2022, the gearing ratio (total liabilities as a percentage of total equity) of the Acquisition Target Company was approximately 19%, 135% and 183%, respectively. The increase in gearing ratio during the Track Record Period was mainly due to the increase in other payables and accruals from approximately RMB50.9 million as at 31 December 2020 to RMB135.7 million as at 31 December 2021 and to RMB162.9 million as at 31 December 2022; and the increase in contract liabilities from approximately RMB18.8 million as at 31 December 2020 to RMB644.9 million as at 31 December 2021 and to RMB791.9 million as at 31 December 2022.

Capital structure

As at 31 December 2020, 2021 and 2022, the Acquisition Target Company's bank balances and cash were mainly denominated in Renminbi.

Liquidity and financial resources

During the three years ended 31 December 2022, the Acquisition Target Company's principal use of cash was working capital, which was mainly funded from cashflow generated from operations, capital injection from its shareholder and advancement from its fellow subsidiaries. In the foreseeable future, it is expected that cash flow generated from operations will continue to be the principal source of liquidity. As at 31 December 2020, 2021 and 2022, the net assets of the Acquisition Target Company remained stable at approximately RMB575.0 million, RMB579.3 million and RMB539.6 million, respectively.

Significant investments, material acquisitions and disposals

During the three years ended 31 December 2022, the Acquisition Target Company did not have any significant investments, material acquisitions and disposals.

Contingent liabilities

As at 31 December 2022, the Acquisition Target Company did not have any contingent liabilities.

Charge on assets

As at 31 December 2022, the Acquisition Target Company did not have any charges on its assets.

Foreign exchange risk

The principal activities of the Acquisition Target Company were conducted in the PRC, and its income and expenses were denominated in Renminbi. Therefore, the Acquisition Target Company was not exposed to material risks directly relating to foreign exchange rate fluctuation and did not enter into any contracts to hedge its exposure to foreign exchange risks.

Future plans for material investments or capital assets

As at 31 December 2022, the Acquisition Target Company did not have any plan for material investments or capital assets.

Employment and remuneration policy

The Acquisition Target Company adopts remuneration policies similar to its peers in the industry. The remuneration payable to the staff is fixed by reference to the duties and prevailing market rates in the region. In compliance with the applicable statutory requirements in the PRC and existing requirements of the local government, the Acquisition Target Company has participated in different social welfare plans for its employees.

As at 31 December 2020, 2021 and 30 September 2022, the Acquisition Target Company had 0, 27 and 20 employees, respectively.

Prospects

As at the Latest Practicable Date, the major asset of the Acquisition Target Company was a residential property project under development with a total planned gross floor area of approximately 448,000 sq.m. and located at Bishan District, Chongqing City, the PRC which is the gateway of Chongqing City in the west. Construction and pre-sale have been commenced and the project is expected to be completed before March 2025.

Going forward, the Acquisition Target Company will continue to focus on completing the development of the remaining phases of the aforesaid residential property project, recouping the costs and creating cash flows, and exploring potential property development opportunities.

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

The following unaudited pro forma financial information of the Enlarged Group, being the Group together with Chongqing Zhiyuan Property Co., Ltd. (the "**Acquisition Target Company**") has been prepared to illustrate the effect of the acquisition of an aggregate of 80% of the equity interests in the Acquisition Target Company (the "**Acquisition**") as if the Acquisition had been completed at 30 June 2022 (the "**Unaudited Pro Forma Consolidated Statement of Assets and Liabilities**").

The unaudited pro forma financial information 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 Acquisition 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 Acquisition 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 Acquisition 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 Acquisition 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 Assets and Liabilities of the Enlarged Group

		Pro forma adjustments			
	The Group as at 30 June 2022	**The Acquisition Target Company as at 31 December 2022**			**The Enlarged Group as at 30 June 2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current assets					
Property, plant and equipment	588,215	–			588,215
Investment Properties	1,385,545	–			1,385,545
Intangible assets	8,206	–			8,206
Right-of-use assets	100,775	–			100,775
Investments accounted for using the equity method	4,508,825	–	(72,965)		4,435,860
Goodwill	–	–	87,572		87,572
Deferred income tax assets	1,003,549	9,810			1,013,359
	7,595,115	9,810			7,619,532
Current assets					
Inventories	377	–			377
Properties under development	27,850,628	1,059,000	38,000		28,947,628
Completed properties held for sale	3,501,911	–			3,501,911
Contract assets and contract acquisition costs	743,802	49,955			793,757
Trade and other receivables	13,457,666	379,784	(542,077)		13,295,373
Prepaid income taxes	623,171	8,449			631,620
Cash and bank deposits	3,586,634	18,241			3,604,875
	49,764,189	1,515,429			50,775,541

		Pro forma adjustments			
	The Group as at 30 June 2022	The Acquisition Target Company as at 31 December 2022			The Enlarged Group as at 30 June 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Current liabilities					
Trade and other payables	15,828,560	193,719		1,057	16,023,336
Contract liabilities	19,363,598	791,888			20,155,486
Borrowings	4,753,723	–			4,753,723
Lease liabilities	6,717	–			6,717
Current income tax liabilities	1,500,510	–			1,500,510
	41,453,108	985,607			42,439,772
Net current assets	8,311,081	529,822			8,335,769
Total assets less current liabilities	15,906,196	539,632			15,955,301
Non-current liabilities					
Borrowings	4,517,697	–			4,517,697
Lease liabilities	78,487	–			78,487
Deferred income tax liabilities	1,434,947	–	9,500		1,444,447
	6,031,131	–			6,040,631
Net assets	9,875,065	539,632			9,914,670

Notes:

1. The consolidated statement of assets and liabilities of the Group as at 30 June 2022 is extracted from the published interim report of the Company for the six months ended 30 June 2022.

2. The statement of assets and liabilities of the Acquisition Target Company as at 31 December 2022 is extracted from the accountant's report on historical financial information of the Acquisition Target Company as set out in Appendix II to this circular.

3. Upon completion of the Acquisition, the Acquisition Target Company will become an indirect wholly-owned subsidiary of the Company and the identifiable assets and liabilities of the Acquisition Target Company 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 ("**HKICPA**"), with the difference between the consideration and estimated fair value of the identifiable assets and liabilities of the Acquisition 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:

	Notes	*RMB'000*
Consideration for the Acquisition	(i)	542,077
Add: Fair value of previously held interest	(ii)	113,627
Less: Fair value of the net identifiable asset of the Acquisition Target Company	(iii)	(568,132)
Goodwill	(iv)	87,572

Notes:

(i) Pursuant to the Acquisition Agreement, the total consideration of the Acquisition shall be approximately RMB542,077,000, which shall be fully satisfied by:

(1) the assumption of the debt in the amount of approximately RMB262,077,000 due by Chongqing Hesheng Property Development Co., Ltd. (one of the Acquisition Vendors) ("**Chongqing Hesheng**") to the Acquisition Target Company by the Group; and

(2) an offset of an amount of RMB280,000,000 due by Chongqing Hesheng to the Group.

(ii) Prior to the completion of the Acquisition, the Group had accounted for its 20% equity interests in the Acquisition Target Company as interest in an associate included in the "Investments accounted for using the equity method" in the consolidated financial statement of the Group. Under HKFRS 3, the Group is required to recognise a gain or loss between the carrying value of its interest in the Acquisition Target Company (while it is classified as interests in an associate) and the fair value of this interest at the date of the Group obtaining control over such investee. The Directors determined the fair value of the Group's existing interest in the Acquisition Target Company at the date of the Acquisition when control is obtained to be approximately RMB113,627,000 which represents the Group's share of the fair value of the net identifiable asset of the Acquisition Target Company of approximately RMB568,132,000 (as per note (iii) below) at its 20% equity interests in the Acquisition Target Company. The carrying amount of interest in the Acquisition Target Company included in the condensed consolidated financial statements of the Group for the six months ended 30 June 2022 was approximately RMB72,965,000. As a result, the gain on remeasurement of previously held interest in an associate was RMB40,662,000.

(iii) Calculation of fair value of the net identifiable asset of the Acquisition Target Company are as follows:

	RMB'000
Carrying amount of the net asset of the Acquisition Target Company as at 31 December 2022	539,632
Add:	
– Fair value adjustment on property (see below)	38,000
– Deferred tax liabilities at 25% related to fair value adjustment	(9,500)
Fair value of the net identifiable asset of the Acquisition Target Company	568,132

For the purpose of the unaudited pro forma financial information of the Enlarged Group, the Directors have estimated the fair values of the property owned by the Acquisition Target Company with reference to the valuation report prepared by Cushman & Wakefield Limited, an independent valuer. The property of which fair value change amounting to approximately RMB38,000,000 classified as properties under development.

	RMB'000
Calculation of fair value change on property of Acquisition Target Company	
Fair value of property held by the Acquisition Target company as at 31 March 2023 (as per Appendix V to this circular)	1,097,000
Less: Carrying amount of property held by the Acquisition Target Company as at 31 December 2022 (as per Appendix II to this circular)	(1,059,000)
Fair value change of property held by the Acquisition Target Company	38,000

(iv) For the purpose of preparing the unaudited pro forma financial information of the Enlarged Group, 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 Acquisition Target Company are subject to change upon the completion of the valuation of the fair values of the identifiable assets and liabilities of the Acquisition 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 of the Enlarged Group.

4. The adjustment represents accrual for (i) the incidental costs of RMB786,000 incurred in connection with the Acquisition, which is the legal and professional fees, and other miscellaneous costs, etc; and (ii) mainly the estimated stamp duty in relation to the Acquisition represents the People's Republic of China (the "**PRC**") stamp duty of approximately RMB271,000, which is calculated based on a tax rate of 0.05% and the consideration for the Acquisition in relation to transfer of 80% equity interests in the Acquisition Target Company.

5. No other adjustments have been made to reflect any operating results or other transactions of the Group and the Acquisition Target Company entered into subsequent to 30 June 2022 and 31 December 2022, respectively.

(B) INDEPENDENT REPORTING ACCOUNTANT'S 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

Datang Group Holdings Limited
Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Datang Group Holdings 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 assets and liabilities of the Group as at 30 June 2022, and related notes as set out on pages 64 to 68 of the investment circular in connection with the acquisition of an aggregate of 80% of the equity interests in Chongqing Zhiyuan Property Co., Ltd. The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in Notes 1 to 5.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the acquisition of an aggregate of 80% of the equity interests in Chongqing Zhiyuan Property Co., Ltd (the "**Acquisition**") on the Group's financial position as at 30 June 2022 as if the Acquisition 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 Management

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 Management ("**HKSQM**") 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 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 Acquisition on unadjusted financial information of the Group as if the Acquisition 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 Acquisition 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 of the Company 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 May 2023

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of market value in existing state of the Chongqing Skyfame Linxifu Project held by the Acquisition Target Company in the PRC as at 31 March 2023.

CUSHMAN & WAKEFIELD
戴德梁行

27/F, One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

30 May 2023

The Board of Directors
Datang Group Holdings Limited
5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

Dear Sirs,

Re: Chongqing Skyfame Linxifu Project, located at Xinsheng Village, Bicheng Street, Bishan District, Chongqing City, the PRC 位於中國重慶市璧山區璧城街道新勝村的重慶天譽林溪府項目 (the "Chongqing Skyfame Linxifu Project")

INSTRUCTIONS, PURPOSE AND VALUATION DATE

In accordance with the instructions from Datang Group Holdings Limited (the "**Company**") for us to carry out the valuation of the market value of the Chongqing Skyfame Linxifu Project held by 重慶之遠地產有限公司 (Chongqing Zhiyuan Property Co., Ltd.*) (the "**Acquisition Target Company**"), an aggregate effective equity interest of 20% indirectly owned subsidiary of the Company, in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the market value of the Chongqing Skyfame Linxifu Project in existing state as at 31 March 2023 (the "**Valuation Date**").

DEFINITION OF MARKET VALUE

Our valuation of the Chongqing Skyfame Linxifu Project represents its market value which in accordance with the HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors ("**HKIS**") is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION BASIS AND ASSUMPTIONS

Our valuation of the Chongqing Skyfame Linxifu Project excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

With reference to the PRC legal opinion of the Company's legal adviser, Guangdong Wei Tu Law Firm* (廣東偉途律師事務所), we have prepared our valuation on the basis that transferable land use rights in respect of the Chongqing Skyfame Linxifu Project for its specific term at nominal annual land use fee has been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Company and the PRC legal opinion, dated 12 May 2023, regarding the title to the Chongqing Skyfame Linxifu Project and the interests of the Company in the Chongqing Skyfame Linxifu Project. We have prepared our valuation on the basis that the owner has enforceable title to the Chongqing Skyfame Linxifu Project and has free and uninterrupted rights to use, occupy or assign the Chongqing Skyfame Linxifu Project for the whole of the unexpired terms as granted.

No allowance has been made in our valuation for any charges, pledges or amounts owing on the Chongqing Skyfame Linxifu Project nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is valued on the basis that the Chongqing Skyfame Linxifu Project is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

METHOD OF VALUATION

In valuing the Chongqing Skyfame Linxifu Project, which is held by the Acquisition Target Company under development in the PRC, we have adopted Market Comparison Method assuming sale with the benefit of vacant possession and by making reference to comparable sales evidences as available on the market, and where applicable, we have also taken into account the incurred and outstanding construction costs as advised by the Company.

Market Comparison Method is a commonly used method for property valuation, there are relevant comparable sales evidence for reference to arrive at the market value. This method rests on the wide acceptance of the market evidence as the best indicator that can be extrapolated to similar property, subject to allowances for variable factors. We consider the market value arrived at by Market Comparison Method is reliable. Such method is in line with market practice.

In valuing the Chongqing Skyfame Linxifu Project, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2020.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Company and the opinion of the PRC legal adviser as to the PRC laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property, particulars of occupancy, development scheme, construction costs, interests attributable to the Company, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximation. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

TITLE INVESTIGATION

We have been provided by the Company with copies or extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

SITE INSPECTION

Our valuer of Chongqing office, Zhang Daran 張達然 (with bachelor degree of Civil Engineering and 6 years' of property valuation), has inspected the exterior, and where possible, the interior of the Chongqing Skyfame Linxifu Project on 31 January 2023. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the Chongqing Skyfame Linxifu Project is free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Moreover, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period.

Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the Chongqing Skyfame Linxifu Project and we have assumed that the areas shown on the copies of documents handed to us are correct.

CURRENCY

Unless otherwise stated, all sums stated in our valuation is in Renminbi ("**RMB**"), the official currency of the PRC.

OTHER DISCLOSURE

We hereby confirm that Cushman & Wakefield Limited and the valuers conducting the valuation have no pecuniary or other interests that could conflict with the proper valuation of the Chongqing Skyfame Linxifu Project or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion. We confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We have been appointed by the Company and Skyfame Realty (Holdings) Limited ("**Skyfame Realty**") respectively to prepare valuation of the Chongqing Skyfame Linxifu Project for public disclosure purposes with each of the aforesaid instructing parties fully aware of and giving consent to us conducting valuation of the Chongqing Skyfame Linxifu Project at the same time respectively. The Company and Skyfame Realty understand and agree that our valuation is carried out on an impartial basis without bias to any party concerned.

We attach herewith a valuation report.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Grace S.M. Lam
MHKIS, MRICS, RPS (GP)
Senior Director
Valuation & Advisory Services, Greater China

Notes:

(1) Ms. Grace S.M. Lam is a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice). Ms. Lam has over 30 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Ms. Lam has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuations competently.

(2) * Company name in English translation for identification only.

VALUATION REPORT

Property held by the Acquisition Target Company under development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2023
Chongqing Skyfame Linxifu Project, located at Xinsheng Village, Bicheng Street, Bishan District, Chongqing City, the PRC 位於中國重慶市璧山區璧城街道新勝村的重慶天譽林溪府項目	Chongqing Skyfame Linxifu Project comprises a parcel of land of approximately 127,842.55 sq.m. and will be developed into residential and ancillary commercial properties as below: **Main Use** — **Gross Floor Area** *sq.m.* Residential — 315,996.40 Commercial — 6,682.71 Ancillary — 10,235.74 3,739 Car Parking Spaces — 115,510.64 **Grand Total:** — 448,425.49 Chongqing Skyfame Linxifu Project is located at the east of Xinsheng Road (新勝路), the north of Xinli Road (新立路), the west and the south of Binan River (璧南路), Bicheng Street (璧城街道). Shishan Primary School (獅山小學), Hufeng Mountain (虎峰山) and Jiufeng Mountain (九鳳山) are close to the Chongqing Skyfame Linxifu Project. According to the Company, Chongqing Skyfame Linxifu Project is planned for residential and commercial uses. There are neither environmental issues and litigation dispute nor any plan to change the use of Chongqing Skyfame Linxifu Project. Chongqing Skyfame Linxifu Project has been granted for land use terms due to expire on 29 January 2066 for residential use and 29 January 2056 for commercial use.	As at the Valuation Date, Chongqing Skyfame Linxifu Project was under development and scheduled to be completed on or before March 2025.	RMB1,097,000,000 (RENMINBI ONE BILLION NINETY SEVEN MILLION) (20% interest attributable to the Company: RMB219,400,000 (RENMINBI TWO HUNDRED NINETEEN MILLION FOUR HUNDRED THOUSAND))

Notes:

(1) According to State-owned Land Use Rights Certificate No. (2020)000898170 dated 4 September 2020, the land use rights of the Chongqing Skyfame Linxifu Project of a site area of 127,842.55 sq.m. have been granted to the Acquisition Target Company for terms due to expire on 29 January 2066 for residential use and 29 January 2056 for commercial use.

(2) According to State-owned Land Use Rights Grant Contract No. [2016]1 dated 25 January 2016, the land use rights of Chongqing Skyfame Linxifu Project have been contracted to be granted as below:

Site Area:	133,407 sq.m.
Land Use Term:	50 years for residential and 40 years for commercial
Land Premium:	RMB401,600,000
Plot Ratio:	Not higher than 2.5; not lower than 1
Building Covenant:	Construction to commence before 29 July 2016 Construction to complete before 28 July 2020

According to State-owned Land Use Rights Grant Contract No. [2020]4 dated 10 April 2020, the land use rights of Chongqing Skyfame Linxifu Project have been contracted to be granted as below:

Grantee:	Acquisition Target Company
Site Area:	3,265.24 sq.m.
Land Use Term:	45.91 years commenced from the delivery date of land for residential
Land Premium:	RMB16,100,000
Plot Ratio:	Not higher than 2.5; not lower than 1
Building Covenant:	Construction to commence before 15 July 2020 Construction to complete before 15 July 2021

According to State-owned Land Use Right Recover Contract No. (2020)3 entered into between the Chongqing Bishan Planning and Natural Resources Bureau and the Acquisition Target Company on 6 July 2020, portions of the land use rights of Chongqing Skyfame Linxifu Project of a site area of 8,829.69 sq.m. have been taken back by the government subject to a refund of land premium of RMB32,726,200.

Based on the aforesaid contracts, the site area of the Chongqing Skyfame Linxifu Project is 127,842.55 sq.m. (133,407 sq.m. plus 3,265.24 sq.m. less 8,829.69 sq.m.).

(3) According to Planning Permit for Construction Use of Land No. 500120202000022 dated 26 August 2020, the construction site with a total site area of 127,842.55 sq.m. is in compliance with the requirements of urban planning requirement.

(4) According to Planning Permit for Construction Works No. 500120202000111 dated 31 August 2020, the construction works with a total construction scale gross floor area of approximately 448,081.40 sq.m. are in compliance with the requirement of urban planning and have been permitted.

(5) According to 3 Permits for Commencement of Construction Works, the construction works for a total construction scale gross floor area of 350,220.41 sq.m. are in compliance with the requirement for works commencement and have been permitted with details as follows:

No.	Issue Date	Project Name	Site Area *(sq.m.)*
500227202010290301	2020-10-29	Block Nos. 1#, 2#, 3#, 8#–11#, 30#, security gate of 1# and underground carpark of Phase 1, Skyfame Linxifu	189,227.42
500227202104010301	2021-04-01	Block Nos. 4#, 5#, 22#, 23# and 24#, 31# of Phase 2, Skyfame Linxifu	74,095.91
500227202109090101	2021-09-09	Block Nos. 12–16#, 26#, 28# and 29#, security gate of 2# of Phase 3, Skyfame Linxifu	86,897.08
		Total:	350,220.41

(6) According to 9 Pre-sale Permits of Commodity Housing, Chongqing Skyfame Linxifu Project with a total gross floor area of 155,708.76 sq.m. was permitted for pre-sale with details as follows:

No.	Issue Date	Project Name	Site Area *(sq.m.)*
(2020)179	2020-11-11	Block 10#, Skyfame Linxifu	6,338.40
(2020)193	2020-11-25	Blocks 8# and 9#, Skyfame Linxifu	31,558.08
(2021)55	2021-4-21	Blocks 11# and 30#, Skyfame Linxifu	25,718.17
(2021)77	2021-5-13	Block 23#, Skyfame Linxifu	15,760.05
(2021)80	2021-5-18	Block 22#, Skyfame Linxifu	15,751.93
(2021)134	2021-7-21	Block 24#, Skyfame Linxifu	16,880.48
(2021)157	2021-8-26	Block 31#, Skyfame Linxifu	17,436.62
(2021)184	2021-9-29	Block 12#, Skyfame Linxifu	8,828.41
(2021)195	2021-10-15	Block 29#, Skyfame Linxifu	17,436.62
		Total:	155,708.76

(7) As advised by the Company, the construction cost incurred (excluding the land cost) as at the Valuation Date was RMB461,000,000. The estimated outstanding construction cost to complete the development was RMB1,110,000,000. We have taken into account such costs in the course of our valuation.

(8) As advised by the Company, as at the Valuation Date, various residential units of the Chongqing Skyfame Linxifu Project with a total gross floor area of 126,926.11 sq.m. have been committed for sale at a total consideration of RMB919,000,000. We have included such portions and taken into account the consideration in our valuation.

(9) The market value as if completed of the Skyfame Linxifu Project as at the Valuation Date was RMB2,455,000,000.

(10) In valuing the market value in existing state of the Chongqing Skyfame Linxifu Project, we have adopted Market Comparison Method. We have made reference to relevant land sales comparables in terms of location, accessibility, neighborhood environment, size, plot ratio, land use, remaining land use term and other relevant matters. The accommodation value of these comparable properties range from about RMB1,480 to RMB2,101 per sq.m..

Details of the land comparables considered are listed below:

Land Comparable	Plot Ratio Area *(sq.m.)*	Accommodation value *(RMB/sq.m.)*
Plot No. BS22-9J-004	142,563.00	1,480
Plot No. BS22-2J-040	175,919.59	1,756
Plot No. BS21-2J-028	307,440.52	2,101

The major adjustments made to arrive at our valuation, include but not limited to the following:

Factor	Adjustment
Location	5% to 10%
Size	5%
Plot ratio	-2% to -6%
Land development status	10%
Remaining land use term	-4%

In valuing the market value as if completed of the Chongqing Skyfame Linxifu Project, we have adopted Market Comparison Method. We have made reference to relevant sales comparables in the nearby neighbourhood of the Chongqing Skyfame Linxifu Project. The unit prices of these comparable properties range from about RMB11,000 to RMB12,000 per sq.m. for commercial units; RMB6,900 to RMB7,600 sq.m. for residential units; and RMB85,000 to RMB100,000 per car park lot.

The sales comparables selected by us are considered exhaustive.

In arriving at the key assumption, appropriate adjustments and analysis have been made to allow for the differences in various aspects including but not limited to time, location, accessibility, neighborhood environment, and physical characteristics, such as building age, maintenance, decoration standard, view, size, floor and other relevant matters between the Chongqing Skyfame Linxifu Project and the comparables. The general basis of adjustment is that if the Chongqing Skyfame Linxifu Project is better than the comparable, an upward adjustment is made. Alternatively, if the Chongqing Skyfame Linxifu Project is inferior to or less desirable than the comparable, a downward adjustment is made.

Details of the residential sales comparables considered are listed below:

Sales Comparable	Gross Floor Area *(sq.m.)*	Achieved Unit Price *(RMB/sq.m.)*
Chongqing Rongchuang City	65–90	7,600
Midea Wanlufu	99–120	7,200
Guanshanyue	99–130	6,900

The major adjustments made to arrive at our valuation, include but not limited to the following:

Factor	Adjustment
Location	-2% to -4%
Accessibility	0%
Decoration Standard	0%

Details of the retail sales comparables considered are listed below:

Sales Comparable	Gross Floor Area *(sq.m.)*	Achieved Unit Price *(RMB/sq.m.)*
Bishan CBD	57	11,677
Junhao Central Street	97	12,342
Oupeng Fenghuangcheng	60	11,392

The major adjustments made to arrive at our valuation, include but not limited to the following:

Factor	Adjustment
Location	-4% to -8%
Accessibility	0%
Floor	0%
Size	-5%

Details of the underground carpark spaces sales comparables considered are listed below:

Sales Comparable	Quantity *(lot)*	Achieved Unit Price *(RMB/lot)*
Diyicheng	1	85,000
Zhongyang Park	1	100,000
Greenland New Town	1	90,000

The major adjustments made to arrive at our valuation, include but not limited to the following:

Factor	Adjustment
Location	-2% to -4%
Accessibility	0%

(11) The reconciliation between the estimated market value as if completed and the market value in existing state is summarised below:

Estimated market value as if completed	(a)	**RMB2,455,000,000**
Estimated total construction cost (excluding land cost)		RMB1,571,332,185
Incurred construction cost		RMB461,303,607
Outstanding construction cost	-(b)	RMB1,110,028,578
(a)-(b)	=	RMB1,344,971,422
Professional fee, marketing fee, developer's profit and risk to complete the development	-(c)	RMB248,285,834
(a)-(b)-(c)	=	RMB1,096,685,588
Market value in existing state	**Rounded**	**RMB1,097,000,000**

(12) According to Business Licence No. 91500227MA6094G50E, Acquisition Target Company was established on 25 February 2019 as a limited liability company with a registered capital of RMB100,000,000.

(13) According to the PRC legal opinion:

(i) The Acquisition Target Company has obtained a valid business licence and is a legally established and existing enterprise legal person in accordance with the PRC laws. The Acquisition Target Company has legal and effective real estate development enterprise qualifications and is approved to engage in real estate development and business operations;

(ii) The Acquisition Target Company has paid all the land premium and has obtained the land title certificate of the land. The Acquisition Target Company is the legal land use rights holder of the land, and enjoys the rights to possess, use and benefit from the land according to the law, and have the right to use the land, construct buildings, structures and their ancillary facilities, and enjoy the ownership of the buildings, structures and their ancillary facilities constructed in accordance with the law; and

(iii) All the related construction permits have been processed according to the law, and the corresponding pre-sale permits have been processed. Accordingly, the Acquisition Target Company enjoys the ownership of the property portions completed or under construction on the land without any legal obstacles.

(14) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company and the opinion of the PRC legal adviser:

State-owned Land Use Rights Certificate	Yes
State-owned Land Use Rights Grant Contract	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes (Part)
Pre-sale Permit of Commodity Housing	Yes (Part)
Business Licence	Yes

* *For identification purposes only*

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures of the Company or its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were otherwise required, to be notified to the Company and the Stock Exchange pursuant to the Model Code (the "**Model Code**") for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules are set out below:

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company
Mr. Wu[1]	Controlled corporation	407,789,564	29.90%
Hao Shengchun[2]	Controlled corporation	34,725,060	2.54%
Tang Guozhong[2]	Controlled corporation	34,725,060	2.54%

Notes:

1. These Shares are owned by Mr. Wu through his wholly-owned company, MeiDi Investment. By virtue of the SFO, Mr. Wu is deemed to be interested in the Shares held by MeiDi Investment.

2. Tangjia Real Estate Management Co., Limited* ("**Tangjia**") is owned as to 20% by Mr. Hao Shengchun and 20% by Mr. Tang Guozhong. By virtue of the SFO, each of Mr. Hao Shengchun and Mr. Tang Guozhong is deemed to be interested in the respective 34,725,060 and 34,725,060 Shares held by Tangjia.

3. As at the Latest Practicable Date, the Company has issued 1,363,544,000 Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors, no Director was a director or employee of a company which has an interest or short position 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 which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Company	**Name of Director**	**Position held by the Director in the company**
MeiDi Investment	Mr. Wu	Director

3. COMPETING INTERESTS

As at the Latest Practicable Date, Xiamen Gefusite Real Estate Co., Ltd.* ("**Xiamen Gefusite**") is indirectly owned as to 29.92% by Mr. Wu. Although there is overlap between the business of Xiamen Gefusite and the Group, having taken into account that (a) substantially all of the properties developed by Xiamen Gefusite have been completed and delivered; and (b) Mr. Wu has undertaken to procure Xiamen Gefusite not to engage in property development business in the future, the Directors are of the view that no material competition exists between Xiamen Gefusite and the Group.

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors were aware, none of the Directors nor their respective close associates had any direct or indirect interests in any businesses that constitutes or may constitute a competing business of the Company.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no Director had entered into any service contract or letter of appointment with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. DIRECTORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date:

(i) none of the Directors had any direct or indirect interest in any assets 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, disposed of by, or leased to any member of the Group, or are proposed to be acquired, disposed of by, or leased to any member of the Group; and

(ii) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

6. QUALIFICATION OF EXPERT AND CONSENT

The qualification of the expert who has given an opinion or advice in this circular is as follows:

Name	Qualification
Moore Stephens CPA Limited	Certified Public Accountants
Prism Hong Kong and Shanghai Limited	Certified Public Accountants
Cushman & Wakefield Limited	Independent Valuer

As at the Latest Practicable Date, each of the experts mentioned above (i) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter of advice and the references to its name included herein in the form and context in which it is respectively included; (ii) has no direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group; and (iii) has no direct or indirect interests in any assets 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 which are proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and, so far as the Directors were aware, no litigation or claim of material importance was pending or threatened against any member of the Group.

8. MATERIAL CONTRACTS

Set out below are the material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of the Group within the two years immediately preceding the Latest Practicable Date:

(a) the capital increase agreement dated 8 July 2021 entered into between Zhangzhou Tanglin, Tianyu Yujun and Tianyu Jurong, in relation to the acquisition of 20% equity interest of Tianyu Jurong by Zhangzhou Tanglin by way of capital contribution of RMB605,930,000 to Tianyu Jurong;

(b) the cooperative development agreement dated 30 September 2021 entered into between Tianyu Jurong, Chongqing Hesheng, Chongqing Tangcheng and Chongqing Zhiyuan, in relation to the increase in capital contribution by Chongqing Hesheng to Chongqing Zhiyuan from RMB20,820,000 to RMB60,000,000, Chongqing Tangcheng's capital contribution to Chongqing Zhiyuan in the amount of RMB20,000,000, and Chongqing Tangcheng's payment of RMB84,778,000 to Tianyu Jurong as consideration;

(c) the guarantee agreement dated 23 December 2021 entered into between the Company and China Minsheng Bank Corp., Ltd., Xiamen Branch (the "**Bank**") to guarantee repayment obligations of Xiamen Hongfu under the facility agreement dated 16 December 2021 entered into between the Bank and Xiamen Hongfu to provide loan facilities up to RMB400,000,000 to Xiamen Hongfu (the "**2021 Hongfu Guarantee Agreement**");

(d) the guarantee agreement dated 23 December 2021 entered into between the Company and the Bank to guarantee repayment obligations of Xiamen Rongyin under the facility agreement dated 16 December 2021 entered into between the Bank and Xiamen Rongyin to provide loan facilities up to RMB900,000,000 to Xiamen Rongyin (the "**2021 Rongyin Guarantee Agreement**");

(e) the counter-guarantee agreement dated 23 December 2021 entered into between the Company and Good First Group, a connected person of the Company by virtue of being a company owned as to 61.03% by Ms. Wong, in relation to the counter-guarantee provided by Good First Group in favour of the Company in respect of the guarantees provided by the Company under the 2021 Hongfu Guarantee Agreement and the 2021 Rongyin Guarantee Agreement;

(f) the guarantee service agreement dated 23 December 2021 entered into between the Company, Xiamen Hongfu and Xiamen Rongyin in relation to the payment of guarantee fee payable by Xiamen Hongfu and Xiamen Rongyin to the Company pursuant to the terms of such agreement;

(g) the loan agreement dated 26 October 2022 entered into between Chongqing Hesheng and Chongqing Tangcheng, in relation to the provision of a loan in the principal amount of up to RMB350,000,000 by Chongqing Tangcheng to Chongqing Hesheng;

(h) the guarantee agreement dated 15 December 2022 entered into between the Company and the Bank to guarantee repayment obligations of Xiamen Hongfu under the facility agreement dated 15 December 2022 entered into between the Bank and Xiamen Hongfu to provide loan facilities up to RMB400,000,000 to Xiamen Hongfu (the "**2022 Hongfu Guarantee Agreement**");

(i) the guarantee agreement dated 15 December 2022 entered into between the Company and the Bank to guarantee repayment obligations of Xiamen Rongyin under the facility agreement dated 15 December 2022 entered into between the Bank and Xiamen Rongyin to provide loan facilities up to RMB900,000,000 to Xiamen Rongyin (the "**2022 Rongyin Guarantee Agreement**");

(j) the pledge agreements dated 15 December 2022 entered into between Shanghai Tanglin Enterprise Management Co., Ltd.* ("**Shanghai Tanglin**"), a wholly-owned subsidiary of the Company, and Xiamen Datang Real Estate Group Co., Ltd.* ("**Xiamen Datang**"), a wholly-owned subsidiary of the Company, with the Bank in relation to the pledge of certain equity interests of the subsidiaries of Shanghai Tanglin and Xiamen Datang in favour of the Bank to secure the repayment obligation of Xiamen Rongyin under the facility agreement dated 15 December 2022 entered into between the Bank and Xiamen Rongyin to provide loan facilities up to RMB900,000,000 to Xiamen Rongyin (the "**Pledge Agreements**");

(k) the counter-guarantee agreement dated 30 December 2022 entered into between the Company and Good First Group in relation to the counter-guarantee provided by Good First Group in favour of the Company in respect of the guarantees provided by the Company under the 2022 Hongfu Guarantee Agreement, 2022 Rongyin Guarantee Agreement and the Pledge Agreements;

(l) the guarantee service agreement dated 30 December 2022 entered into between the Company, Xiamen Hongfu and Xiamen Rongyin in relation to the payment of guarantee fee payable by Xiamen Hongfu and Xiamen Rongyin to the Company pursuant to the terms of such agreement;

(m) the Acquisition Agreement; and

(n) the Disposal Agreement.

Save as disclosed above, there is no material contract (not being entered into in the ordinary course of business) entered into by any member of the Group within the two years immediately preceding the Latest Practicable Date.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no 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).

10. MISCELLANEOUS

The joint company secretaries of the Company are Mr. Tang Guozhong and Ms. Mok Ming Wai. Mr. Tang Guozhong is a member of the Chinese Institute of Certified Public Accountant and a registered tax advisor in the PRC. He also obtained a senior accountant certificate from Fujian Provincial Personnel Department (福建省人事廳). Ms. Mok Ming Wai is a Chartered Secretary, a Chartered Governance Professional and a fellow of both The Hong Kong Chartered Governance Institute (formerly The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators).

The registered office of the Company is situated at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The head office in the PRC is at Block 1, Hongqiao Jiahui Lane 928, Shenhong Road, Minhang District, Shanghai, the PRC. The principal place of business in Hong Kong is at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong. The Hong Kong share registrar of the Company is Tricor Investor Services Limited, situated at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

11. DOCUMENTS ON DISPLAY

A copy of each of the following documents will be available on display online on the Stock Exchange's website (www.hkexnews.hk) and on the Company's website (www.dyna888.com) for a period of 14 days from the date of this circular:

(a) the Acquisition Agreement; and

(b) the Disposal Agreement.