THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

Jiayuan International Group Limited
佳源國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2768)

MAJOR AND CONNECTED TRANSACTION
ACQUISITION OF THE TARGET GROUP HOLDING PROPERTY DEVELOPMENT PROJECTS LOCATED IN ANHUI PROVINCE
INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders

SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 6 to 22 of this circular and a letter from the Independent Board Committee is set out on pages IBC-1 to IBC-2 of this circular. A letter from Somerley, the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-46 of this circular.

A notice convening the EGM to be held at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 18 July 2019 at 2:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for the EGM is enclosed with this circular. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.jiayuanintl.com).

Whether or not you intend to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the EGM (i.e. not later than 2:00 p.m. on Tuesday, 16 July 2019). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish. If you attend and vote at the EGM, the authority of your proxy will be revoked.

References to time and dates in this circular are to Hong Kong time and dates.

25 June 2019

CONTENTS

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

"Acquisition"	the acquisition of the Sale Shares by the Company from Mr. Shum pursuant to the terms and conditions set out in the Sale and Purchase Agreement
"associates"; "connected person(s)"; "controlling shareholder(s)"; and "subsidiary(ies)"	each has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday and a Sunday) on which banks in Hong Kong are normally open for banking business to the public
"BVI"	the British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"Chuangsheng Holdings"	Jiayuan Chuangsheng Holdings Group Co., Ltd.* (佳源創盛控股集團有限公司), a company established under the laws of the PRC with limited liability and beneficially wholly-owned by Mr. Shum
"Combined Group"	has the same meanings as defined in Appendix IIA of the Circular
"Company"	Jiayuan International Group Limited (佳源國際控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability and the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 2768)
"Completion"	the completion of the Acquisition (i.e. all the conditions precedent set out in the Sale and the Purchase agreement have been fulfilled or waived, when applicable)
"Completion Date"	the 5th Business Day upon Completion

"Consideration Shares"	1,377,959,475 new Shares to be allotted and issued by the Company to Mr. Shum or his nominee(s) (subject to the adjustment based on the Final Consideration)
"Deed of Non-competition"	the deed of non-competition dated 12 February 2016 and entered into by Mingyuan Investment and Mr. Shum with and in favour of the Company (for itself and on behalf of its subsidiaries), further details of which are set out in the Prospectus
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held to consider, and if thought fit, to approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder
"Enlarged Group"	the Group as enlarged by the Target Group upon Completion
"Final Consideration"	the final consideration after making the adjustment as described in the paragraph headed "Adjustment mechanism" under the section headed "The Sale and Purchase Agreement (as subsequently amended and supplemented by the Supplemental Agreement)" in the "Letter from the Board" section of this circular
"GFA"	gross floor area
"Group"	the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee of the Board, comprising all independent non-executive Directors, namely Mr. Tai Kwok Leung, Alexander, Dr. Cheung Wai Bun, Charles, JP and Mr. Gu Yunchang, which has been established to make recommendations to the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder

"Independent Financial Adviser" or "Somerley"	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder
"Independent Shareholders"	Shareholders who are not required to abstain under the Listing Rules from voting at the EGM for the resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder
"Initial Consideration"	the initial consideration of RMB4,155,168,787 (equivalent to approximately HK$4,840,771,637) for the Sale Shares set out in the paragraph headed "Consideration" under the section headed "Principal Terms of the Sale and Purchase Agreement" in the "Letter from the Board" section of this circular (subject to adjustment)
"Issue Price"	HK$3.513 per Consideration Share
"JLL"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer
"Latest Practicable Date"	24 June 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mingyuan Investment"	Mingyuan Group Investment Limited (明源集團投資有限公司), a company incorporated under the laws of the BVI with limited liability, and together with Mr. Shum, is interested in approximately 52.86% of the issued share capital of the Company as at the Latest Practicable Date
"Mr. Shum"	Mr. Shum Tin Ching, the chairman, a non-executive Director, the ultimate controlling shareholder of the Company and the ultimate beneficial owner of the Private Group

"PRC"	the People's Republic of China, and for the purpose of this circular only, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
"Private Group"	Chuangsheng Holdings and its subsidiaries from time to time
"Property Development Projects"	the Property Development Projects located in Anhui Province, the PRC, and owned by the Target Group through its subsidiaries after Reorganisation
"Property Management Acquisition"	the acquisition of the entire issued share capital of Chuangyuan Holdings Limited (創源控股有限公司) by the Company from Mr. Shum pursuant to a sale and purchase agreement dated 19 September 2018, the details of which are set out in the announcement of the Company dated 19 September 2018 and the circular of the Company dated 24 December 2018
"Prospectus"	the prospectus of the Company dated 26 February 2016
"Reorganisation"	such arrangement and restructuring of companies comprising the Target Group in accordance with the terms of the Sale and Purchase Agreement, further details of which are set out in the paragraph headed "Reorganisation" in the "Letter from the Board" section of this circular
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the sale and purchase agreement dated 26 April 2019 and entered into between the Company and Mr. Shum in relation to the Acquisition (as subsequently amended and supplemented by the Supplemental Agreement)
"Sale Shares"	all issued shares of the Target Company, representing the entire issued share capital of the Target Company
"SFO"	the Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong
"Shanghai Acquisition"	the acquisition of the entire issued share capital of Huyuan Holdings Limited (滬源控股有限公司) by the Company from Mr. Shum pursuant to a sale and purchase agreement dated 5 June 2018, the details of which are set out in the announcement of the Company dated 5 June 2018 and the circular of the Company dated 26 July 2018

"Share(s)"	the ordinary share(s) of nominal value of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Shares
"Specific Mandate"	the specific mandate proposed to be granted to the Directors by the Independent Shareholders at the EGM to allot and issue the Consideration Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement"	the supplemental agreement to the Sale and Purchase Agreement dated 24 June 2019 entered into between the Company and Mr. Shum
"Target Company"	Huiyuan Investment Holdings Limited (徽源投資控股有限公司), a company incorporated under the laws of the BVI with limited liability, which owned, through its direct and/or indirect subsidiaries, equity interests in all the Property Development Project companies in Anhui Province, the PRC
"Target Group"	the Target Company and its subsidiaries upon completion of the Reorganisation
"Valuation Report"	the valuation report on the market value of the property interests of the Target Group as at 30 April 2019 prepared by JLL, the text of which is set out in Appendix IV to this circular
"WFOE"	a company to be established under the laws of the PRC as it will be indirectly wholly-owned by the Target Company after the Reorganisation
"%"	per cent.

* *for identification purposes only*

For the purpose of this circular and for illustrative purpose only, RMB is converted into HK$ at the rate of RMB1: HK$1.165. No representation is made that any amounts in RMB has been or could be converted at the above rates or at any other rates.

Jiayuan International Group Limited
佳源國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2768)

Non-executive Directors:
Mr. Shum Tin Ching *(Chairman)*
Mr. Shen Xiaodong

Executive Directors:
Mr. Zhang Yi *(Vice Chairman and President)*
Mr. Huang Fuqing *(Vice Chairman)*
Ms. Cheuk Hiu Nam
Mr. Wang Jianfeng

Independent non-executive Directors:
Mr. Tai Kwok Leung, Alexander
Dr. Cheung Wai Bun, Charles, *JP*
Mr. Gu Yunchang

Registered Office:
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

Principal Place of Business in the PRC:
No. 59, Gu Jia Ying Road
Xuanwu District
Nanjing
China

Headquarters:
Room 1403
9 Queen's Road Central
Hong Kong

25 June 2019

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
ACQUISITION OF THE TARGET GROUP HOLDING
PROPERTY DEVELOPMENT PROJECTS
LOCATED IN ANHUI PROVINCE
INVOLVING THE ISSUE OF CONSIDERATION SHARES
UNDER SPECIFIC MANDATE**

INTRODUCTION

Reference is made to the announcement of the Company dated 26 April 2019 in respect of, among other things, that on 26 April 2019, the Company entered into the Sale and Purchase Agreement with Mr. Shum whereby the Company conditionally agreed to acquire and Mr. Shum conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company at an Initial Consideration of RMB4,155,168,787 (equivalent to approximately HK$4,840,771,637) (subject to adjustment), which will be fully settled by the allotment and issue of the 1,377,959,475 Consideration Shares by the Company to Mr. Shum or his nominee(s) at the Issue Price of HK$3.513 per Consideration Share.

The purpose of this circular is to provide you with, among other things:

(i) the particulars of the Sale and Purchase Agreement and the transactions contemplated thereunder;

(ii) the letter from the Independent Board Committee with its recommendation on the Sale and Purchase Agreement and the transactions contemplated thereunder to the Independent Shareholders;

(iii) the letter from the Independent Financial Adviser with its advice on the Sale and Purchase Agreement and the transactions contemplated thereunder to the Independent Board Committee and the Independent Shareholders; and

(iv) other information as required under the Listing Rules,

as well as to seek the approval of the Independent Shareholders in respect of the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate).

THE SALE AND PURCHASE AGREEMENT (AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED BY THE SUPPLEMENTAL AGREEMENT)

Date

26 April 2019 (after trading hours)

Parties

(a) the Company, as the purchaser; and

(b) Mr. Shum, as the vendor (the “**Vendor**”).

Subject matter to be acquired

The Company has conditionally agreed to acquire and Mr. Shum has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company. The Company has the right to nominate and designate a wholly-owned subsidiary to take up the Sale Shares upon Completion.

Pursuant to the Sale and Purchase Agreement, Mr. Shum agreed to implement the Reorganisation, the completion of which is a condition precedent to the Completion. Upon completion of the Reorganisation, the Target Group will comprise, among others, the Target Company as the investment holding company and all of the property development project companies in Anhui Province, the PRC. Further information of the Reorganisation and the Target Group is set out in the paragraphs headed "Reorganisation" and "Information of the Target Group and its business", respectively, in this section.

Consideration

The Initial Consideration of RMB4,155,168,787 (equivalent to approximately HK$4,840,771,637) (subject to adjustment) will be settled by the allotment and issue of the 1,377,959,475 Consideration Shares by the Company to Mr. Shum or his nominee(s) at the Issue Price of HK$3.513 per Consideration Share.

Pursuant to the Supplemental Agreement, the Initial Consideration has been arrived at based on normal commercial terms after arm's length negotiations between the parties, having taken into account of, among other factors, (i) the appraised value of the Property Development Projects based on the ownership percentage held by the Target Group as at 30 April 2019 in the amount of RMB12,186,600,000 (equivalent to approximately HK$14,197,389,000) appraised by an independent property valuer engaged by the Company ("**Properties Valuation**"); (ii) the audited net asset value attributable to the owners of the Target Group as at 31 December 2018; (iii) a 8.00% discount on Adjusted NAV (as defined below), and (iv) the amount of deferred PRC taxes.

The Initial Consideration has been agreed on based on the Adjusted NAV (as defined and calculated in the manner described below). The Initial Consideration amounts to RMB4,155,168,787 (equivalent to approximately HK$4,840,771,637) and shall be adjusted to the Final Consideration according to the adjustment mechanism described in the paragraph headed "Adjustment mechanism" below. The Final Consideration shall be payable by the Company to Mr. Shum or his nominee(s) in Consideration Shares upon Completion.

Adjusted NAV and Initial Consideration

The following table demonstrates the calculations of the Adjusted NAV (as defined below) of the Target Group and the Initial Consideration:

	RMB
Appreciated value of the Property Development Projects as at 30 April 2019 based on the Properties Valuation and ownership percentage of the Property Development Projects by the Target Group *(Note 1, 2)*	5,413,988,300 (equivalent to approximately HK$6,307,296,370)

	RMB
Add:	
Audited net asset value attributable to the owners of the Combined Group as at 31 December 2018 set out in the Appendix IIA *(Note 3)*	1,207,763,000 (equivalent to approximately HK$1,407,043,895)
Less:	
Deferred PRC taxes *(Note 4)*	1,353,497,075 (equivalent to approximately HK$1,576,824,093)
Less:	
Payout of the retained profit of the Combined Group as of 31 December 2018 declared and distributed as dividend prior to Completion *(Note 5)*	751,766,413 (equivalent to approximately HK$875,807,871)
Equal to:	
Adjusted net asset value attributable to the owners of the Combined Group (the "**Adjusted NAV**")	4,516,487,812 (equivalent to approximately HK$5,261,708,301)
Less:	
8.00% discount to the Adjusted NAV *(Note 6)*	361,319,025 (equivalent to approximately HK$420,936,664)
Initial Consideration	**4,155,168,787 (equivalent to approximately HK$4,840,771,637)**

Notes:

1. The appreciated value of the Property Development Projects is the aggregated sum of the difference between (i) the book value of the Property Development Projects as set out in Appendix IIA of this circular, and (ii) the market value of the Property Development Projects as at 30 April 2019, based on the respective ownership percentages of each of the Property Development Projects. The calculation is set out below:

Property Development Projects	Audited book value as at 31 December 2018 based on ownership percentage *(RMB)*	Market value as set out in the Appendix IV to this circular based on ownership percentage *(RMB)*	Appreciated value based on the ownership percentage *(RMB)*
Zhejiang Jiayuan Anhui Real Estate Development Co., Ltd.*	3,661,969,666	6,963,500,000	3,301,530,334
Hexian County Jiayuan Real Estate Development Co., Ltd.*	472,439,278	881,600,000	409,160,722
Lixin County Mingyuan Real Estate Development Co., Ltd.*	137,028,561	349,600,000	212,571,439
Guoyang County Mingbang Real Estate Co., Ltd.*	382,774,758	642,700,000	259,925,242
Fengtai County Mingyuan Real Estate Development Co., Ltd.*	268,945,927	406,500,000	137,554,073
Lu'an Xinhuaxin Real Estate Co., Ltd.*	127,595,560	425,200,000	297,604,440
Guoyang County Xinggang Real Estate Co., Ltd.*	579,513,176	726,200,000	146,686,824
Mengcheng County Country Garden Real Estate Development Co., Ltd.*	231,186,878	328,000,000	96,813,122
Yu Mingyuan Real Estate Development Co., Ltd.*	234,962,113	491,800,000	256,837,887
Qijiang County Jiayuan Real Estate Development Co., Ltd.*	479,191,715	657,000,000	177,808,285
Shucheng Jiayuan Real Estate Development Co., Ltd.*	197,004,068	314,500,000	117,495,932
Total:	6,772,611,700	12,186,600,000	5,413,988,300

* *for identification purposes only*

2. The following demonstrates the reconciliation of the audited book value of the Property Development Projects based on the ownership percentage to the aggregate amount of investment properties and inventories of the Combined Group as reflected in the accountants' report as at 31 December 2018 under Appendix IIA:

	RMB
Total amount of audited book value of the Property Development Projects held by subsidiaries and associates based on the ownership percentage	6,772,611,700
Plus:	
the audited book value of the Property Development Projects held by non-controlling interest	1,374,765,976
the audited book value of Qijiang County Guangyuan Real Estate Development Co., Ltd (as advised by the Target Group, Qijiang County Guangyuan Real Estate Development Co., Ltd is under liquidation, the net book value represents the changes in different revaluation method used, therefore it is excluded from the Initial Consideration calculation)	1,151,756
Minus:	
the audited book value of Guoyang County Mingbang Real Estate Co., Ltd. and Mengcheng County Country Garden Real Estate Development Co., Ltd. (Since those are associates of the Target Company, the net book value of the Property Development Projects is excluded)	(613,961,636)
Total	**7,534,567,796**
Equals to the sum of	
Investment properties as set out in Appendix IIA	1,572,900,000
Inventories of properties as set out in Appendix IIA	5,961,667,796
	7,534,567,796

3. As set out in the Appendix IIA to this circular, the audited net asset value attributable to the owners of the Combined Group as at 31 December 2018 is RMB1,207,763,000.

4. Deferred PRC taxes are calculated based on the appreciated value of the Property Development Projects multiplied by a 25% tax rate.

5. The Combined Group declared a special dividend amounting to RMB751,766,413 from its retained profits for the year ended 31 December 2018 to Zhejiang Jiayuan Real Estate Group Co., Ltd., being the substantial shareholder, as set out in Appendix IIA to this circular and has been offset with the amount due from the above companies. The Company confirmed no further outflow of dividend for the year of 2018.

6. The 8.00% discount is determined after arm's length commercial negotiations among the Vendor and the Company with reference to the previous similar transactions, taking into account that (i) the profitability and the optimistic business prospects of the Target Company and (ii) the size of this transaction and consideration, the Board considered that an 8.00% discount imposed is fair and reasonable, and in the interest of the Group and Shareholders as a whole. The Vendor as the controlling Shareholder is willing to support the Company by offering a discount of 8.00% to the adjusted net asset value attributable to the owners of the Combined Group.

Adjustment mechanism

Given that Reorganisation has been completed as at 31 May 2019, in the event that the Adjusted NAV of the Target Group as shown in the unaudited consolidated management accounts of the Target Group as at 31 May 2019 (the "**Management Adjusted NAV**"), after accounting for 8.00% discount is less than the Initial Consideration, the Initial Consideration shall be adjusted downward by the difference between the amount of Initial Consideration and the amount of Management Adjusted NAV after accounting for 8.00% discount to arrive at the Final Consideration (i.e. the Management Adjusted NAV after accounting for 8.00% discount equals to the Final Consideration). If the Management Adjusted NAV after accounting for 8.00% discount equals to or is more than the Initial Consideration, no adjustment will be made (i.e. the Final Consideration shall be the same as the Initial Consideration). In any event, the Final Consideration shall not exceed the Initial Consideration.

The Board considers that the daily business operation of the Target Group after the completion of the Reorganisation will not have a substantial change on the net asset value of the Target Group at the time of the Completion. The Management Adjusted NAV will be prepared based on the adjustment of the items of the calculation demonstrated in the section "Adjusted NAV and Initial Consideration" above, including (i) the appreciated value of the Property Development Projects will be adjusted based on the latest book value of the Property Development Projects from the unaudited consolidated management account as at 31 May 2019; (ii) the audited net asset value attributable to the owners of the Combined Group as at 31 December 2018 will be adjusted based on the unaudited consolidated management accounts of the Target Group as at 31 May 2019 as described in the paragraph above; and (iii) the deferred PRC taxes will be adjusted subject to the adjustment of the latest appreciated value.

In the light of ensuring the accuracy, fairness and reasonableness of the Management Adjusted NAV, the Company has engaged a certified public accountant to prepare the unaudited consolidated management accounts in accordance with HKFRS. Furthermore, the audit committee of the Company will review and approve the unaudited consolidated management accounts before determining the Final Consideration.

Consideration Shares

The 1,377,959,475 Consideration Shares represent approximately 53.80% of the issued share capital of the Company as at the Latest Practicable Date and approximately 34.98% of the issued share capital of the Company as enlarged by the Consideration Shares (assuming there will be no change in the total number of issued Shares of the Company between the Latest Practicable Date and the allotment and issue of the Consideration Shares). Under the Sale and Purchase Agreement, there is no restriction on the subsequent sale of the Consideration Shares by the Company to Mr. Shum or his nominee(s).

The Issue Price of HK$3.513 per Consideration Share represents:

(a) a premium of approximately 3.32% over the closing price per Share of HK$3.40 as quoted on the Stock Exchange on the Latest Practicable Date;

(b) a discount of approximately 3.76% to the closing price per Share of HK$3.65 as quoted on the Stock Exchange on 26 April 2019, being the date of the Sale and Purchase Agreement;

(c) a discount of approximately 4.65% to the average closing price per Share of HK$3.684 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Sale and Purchase Agreement; and

(d) a discount of approximately 7.00% to the average closing price per Share of HK$3.777 as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the date of the Sale and Purchase Agreement.

The Issue Price was determined on an arm's length basis between the Company and Mr. Shum and was arrived at an approximately 7.00% discount to the average closing price of approximately HK$3.777 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to the date of the Sale and Purchase Agreement. The Directors (excluding the independent non-executive Directors, who shall provide their views after taking into account of the advice of the Independent Financial Adviser) consider that the Issue Price is fair and reasonable.

Conditions precedent

Completion is conditional upon the fulfilment or, where applicable, waiver of the following conditions:

(a) the Reorganisation having been completed pursuant to the Sale and Purchase Agreement;

(b) the relevant transactions under the Sale and Purchase Agreement, including but not limited to, the issue of the Consideration Shares, having been approved by the Independent Shareholders at the EGM in accordance with the requirements of the Listing Rules;

(c) the approval for the listing of, and permission to deal in, the Consideration Shares by the Stock Exchange having been obtained by the Company, and such approval not having been revoked or withdrawn prior to the date of Completion;

(d) all necessary consents, if any, from any relevant governmental or regulatory authorities or other relevant third parties in connection with the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained; and

(e) the Company having been satisfied with the due diligence results of the Target Group in all respects.

As at the Latest Practicable Date, condition precedent (a) of the conditions precedent set out above has been fulfilled. If any of the other conditions set out above has not been satisfied or waived by the Company (other than conditions (b) and (c) which may not be waived) on or before 31 July 2019 or such other date as the parties may agree, the Sale and Purchase Agreement will be terminated unless the parties otherwise agree.

Reorganisation

Pursuant to the Sale and Purchase Agreement, the Reorganisation shall involve the following steps:

(i) the Target Company, which is wholly owned by Mr. Shum, shall be incorporated in the BVI and Huiyuan Property Development Limited ("**Huiyuan Property**"), which is wholly owned by the Target Company, shall be incorporated in Hong Kong;

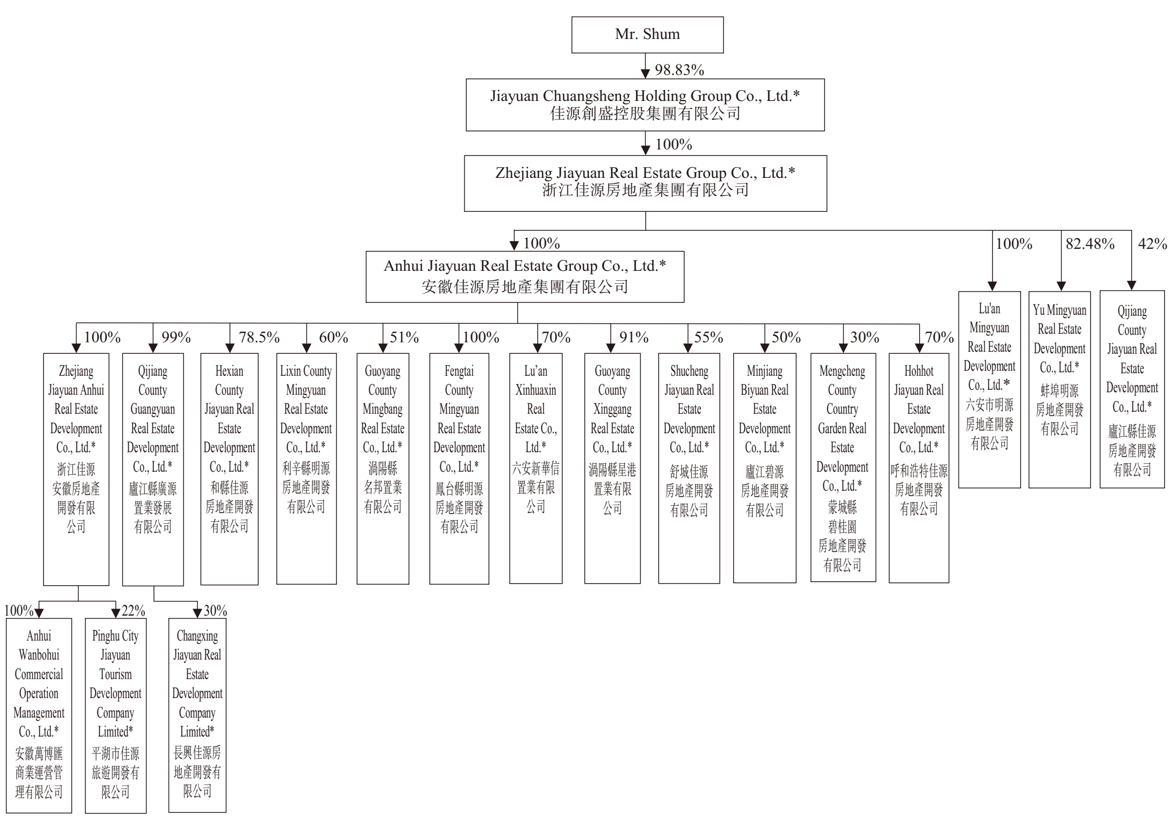
(ii) WFOE shall be established in the PRC as a wholly owned subsidiary of Huiyuan Property;

(iii) Anhui Jiayuan Real Estate Group Co., Ltd.* (安徽佳源房地產集團有限公司) ("**Anhui Jiayuan**") shall acquire 82.48% and 42.00% equity interests in Yu Mingyuan Real Estate Development Co., Ltd. * (蚌埠明源房地產開發有限公司) and Qijiang County Jiayuan Real Estate Development Co., Ltd.* (盧江縣佳源房地產開發有限公司), respectively, from Zhejiang Jiayuan Real Estate Group Co. Ltd.* (浙江佳源房地產集團有限公司) ("**Zhejiang Jiayuan**") at a consideration fully settled by the amount due from Zhejiang Jiayuan to Anhui Jiayuan; and

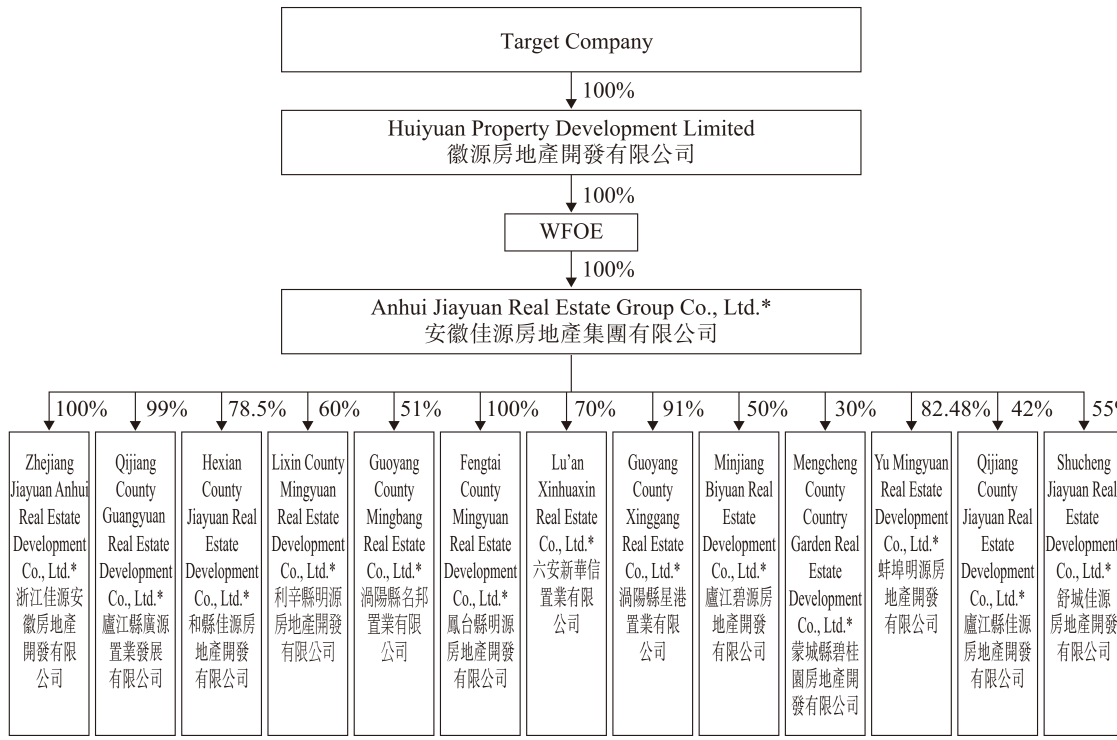
(iv) WFOE shall acquire the entire equity interest in Anhui Jiayuan from Zhejiang Jiayuan at a consideration fully settled by the issuance of a share by the Target Company, which indirectly owns 100% equity interest in WFOE, to Mr. Shum.

Upon completion of the Reorganisation, save for two of the PRC operating companies that do not form part of the Acquisition and will not be included in the Target Group, details of which are further explained below, equity interests in the Property Development Projects shall be wholly and ultimately owned by the Target Company. The Target Group shall comprise, among others, the Target Company as the investment holding company and the PRC operating companies conducting property development business in Anhui Province, the PRC. The Target Group will be consolidated with the Group.

Set out below is a chart showing the simplified corporate and shareholding structure of the Target Group before the completion of the Reorganisation:



Set out below is a chart showing the corporate and shareholding structure of the Target Group immediately after the completion of the Reorganisation:



* *for identification purposes only*

To the best of the Company's knowledge, information and belief having made all reasonable enquiry, the remaining shareholders of the non-wholly owned subsidiaries of the Target Group, are not held by the Company's connected persons and/or any of their associates.

After completion of the Reorganisation, the Target Group will include Property Development Projects located in the municipalities of Hefei, Maanshan and Bengbu of Anhui Province, the PRC, mainly consisting of large-scale residential complex projects and integrated commercial complex projects, as well as apartments, offices, shopping arcades, hotels and other supporting facilities.

As informed by the Target Group, the subsidiaries of the Target Group that are not part of the Acquisition, namely, Hohhot Jiayuan Real Estate Development Co., Ltd.* (呼和浩特佳源房地產開發有限公司) and Lu'an Mingyuan Real Estate Development Co., Ltd.*(六安市明源房地產開發有限公司), have been liquidated. Hence, the aforementioned subsidiaries are not part of the Acquisition, and the Group does not expect to have any transaction with any other connected person, apart from the continuing connected transactions described in the circular of the Company dated 24 December 2018.

Guarantees

Pursuant to the Reorganisation, the Target Group shall terminate all the corporate guarantees provided by the members of the Target Group to any of the members of the Private Group before the Completion.

Completion

Completion shall take place on the fifth Business Day after the day on which the conditions precedent of the Sale and Purchase Agreement have been satisfied or waived or such other day as the parties may agree.

EFFECT OF THE CONSIDERATION SHARES ON THE SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the authorised share capital of the Company was HK$100,000,000 divided into 10,000,000,000 Shares, and 2,561,151,991 fully paid-up Shares were in issue. Set out below is the shareholding structure of the Company: (a) as at the Latest Practicable Date; and (b) immediately after the Completion and the allotment and issue of the Consideration Shares in full as contemplated under the Sale and Purchase Agreement:

Shareholders	As at the Latest Practicable Date		Immediately after Completion and the allotment and issue of the Consideration Shares in full(2) (5)	
	Number of Shares	*Approximate %(3)*	*Number of Shares*	*Approximate %(3)*
Mr. Shum and his associates(4)	1,353,851,249(1)	52.86	2,731,810,724	69.35
Public Shareholders	1,207,300,742	47.14	1,207,300,742	30.65
Total	2,561,151,991	100.00	3,939,111,466	100.00

Notes:

(1) 1,334,284,849 Shares are held by Mingyuan Investment, which is 100% owned by Mr. Shum, and 19,566,400 Shares are held by Mr. Shum in his personal capacity as a beneficial owner.

(2) The figures above assume that other than the Consideration Shares, no further Shares are issued or repurchased by the Company, and no Shares are sold or purchased by Mr. Shum or his associate(s), in each case on or after the Latest Practicable Date and up to the date the allotment and issue of the Consideration Shares.

(3) The percentage figures included in this table are subject to rounding adjustment.

(4) On 26 April 2019, the Company entered into a Sale and Purchase Agreement (subsequently amended by the Supplemental Agreement) with Mr. Shum, pursuant to which the Company has conditionally agreed to acquire and Mr. Shum has conditionally agreed to sell the entire issued share capital of the Target Company, at the Initial Consideration of RMB4,155,168,787 (equivalent to approximately HK$4,840,771,637) (subject to adjustment), which will be settled by the allotment and issue of the 1,377,959,475 Consideration Shares by the Company to Mr. Shum or his nominee(s).

(5) The allotment and issue of the Consideration Shares will not result in change in control of the Company.

GENERAL INFORMATION OF THE PARTIES

Information of the Group

The Group is an established property developer of large-scale residential complex projects and integrated commercial complex projects in the PRC. The principal activities of the Group include: (a) the development and sale of residential and commercial properties; (b) the provision of development services to government organisations for the development of resettlement properties and development or refurbishment of other types of properties, facilities or infrastructure; and (c) the leasing of commercial properties owned or developed by the Group.

Information of the vendor

Mr. Shum is the chairman and a non-executive Director of the Company and, together with Mingyuan Investment, the controlling shareholders of the Company and the ultimate controlling shareholder of the Company. Mr. Shum is interested in approximately 52.86% of the issued share capital of the Company.

INFORMATION OF THE TARGET GROUP AND ITS BUSINESSES

The following table sets out the audited combined pro forma financial information of the Target Group for the two years ended 31 December 2017 and 2018, respectively, based on their respective unaudited management accounts prepared in accordance with the Hong Kong Financial Reporting Standards as set out in the Appendix IIA in this circular:

	Year ended 31 December	
	2017	**2018**
	(rounded to nearest hundred) *(RMB)*	*(rounded to nearest hundred)* *(RMB)*
Net profit before taxation and extraordinary items	376,334,000 (equivalent to approximately HK$438,429,110)	939,304,000 (equivalent to approximately HK$1,094,289,160)
Net profit after taxation and extraordinary items	129,556,000 (equivalent to approximately HK$150,932,740)	414,086,000 (equivalent to approximately HK$482,410,190)

As at 31 December 2018, the unaudited combined pro forma net asset value attributable to the owners of the Target Group was approximately RMB1,207,763,000 (equivalent to approximately HK$1,407,043,895).

To the best of the Company's knowledge, information and belief having made all reasonable enquiry, as the Target Group companies were established by Mr. Shum, there is no original acquisition cost for the Target Group.

The Target Group and its business

The Target Company is a company newly incorporated in the BVI with limited liability and wholly-owned by Mr. Shum. The Target Company will be the holding company of the Target Group upon completion of the Reorganisation. The Target Group will own equity interests in all of the Property Development Project companies in Anhui Province, the PRC upon completion of the Reorganisation.

After the Reorganisation, the Target Group will include Property Development Projects located in the municipalities of Hefei, Maanshan and Bengbu of Anhui Province, the PRC, mainly consisting of large-scale residential complex projects and integrated commercial complex projects, as well as apartments, offices, shopping arcades, hotels and other supporting facilities.

REASONS FOR THE TRANSACTIONS

As the Property Development Projects of the Target Group are largely located in China's second and third tier cities in Anhui Province, the Group expects that the property market of Anhui Province will continue to grow steadily in future, which will boost the Group's sales expectations. The Group believes that by way of and upon completion of the Acquisition, cities located in the Anhui Province will be redesignated from non-Target Cities to Target Cities, laying a solid foundation for the Group to establish its presence in the property market of Anhui Province.

Furthermore, the Group considers that the Acquisition represents the performance of the commitment of Mr. Shum to continually inject non-listed businesses to the listed vehicle. Completion of the Acquisition will further raise the shareholding percentage of Mr. Shum to 69.35% and hence the controlling stake will be more solid. Meanwhile, the Group expects that the increase in net assets will continue to optimise the structure of the Company's assets and liabilities and enable healthier financial position of the Group.

The Group achieved stable sales growth in the first quarter of 2019, which was benefited from a regional coordinated development strategy of the PRC and precise capture of the housing demand in second-tier and third-tier cities. The Group believes that establishing presence in Anhui Province will lay a solid foundation for the future development of the Company and play a positive role in further boosting the influence of the "Jiayuan" brand in the Yangtze River Delta Economic Region, which encompasses Shanghai, Jiangsu Province, Anhui Province and Zhejiang Province. It will help in expanding the strategic layout of the Group in key regions across the PRC.

The Directors (including the independent non-executive Directors, whose views are set out in the "Letter from the Independent Board Committee" section of this circular) are of the view that the Acquisition is aligned with the Group's strategic goal of "expansion and strengthening" and, taking the opportunities from the merger and acquisition project, it will fully enhance its core competitiveness in each segment of the property value chain; and that the Acquisition is fair and reasonable and in line with the interests of the Company and its shareholders as a whole.

THE SPECIFIC MANDATE

The Consideration Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

APPLICATION FOR LISTING

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when allotted and issued on Completion, will rank pari passu in all respects with the existing Shares in issue. All necessary arrangements will be made for the Consideration Shares to be admitted into CCASS.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Company will be consolidated into the Group's consolidated financial statements.

Earnings

Upon the Completion, each of the Target Group companies will become a wholly-owned subsidiary of the Group and the financial result of the Target Group will be consolidated into the consolidated financial statements of the Group. For further details of the Target Company, please refer to "*Appendix IIA — Financial Information of the Combined Group*" to this circular.

Assets and liabilities

Based on the annual report of the Group for the year ended 31 December 2018, as at 31 December 2018, the Group had total assets, total liabilities and net assets of approximately RMB46,747.36 million, RMB37,804.33 million and RMB8,943.04 million, respectively. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, if the Acquisition had been completed on 31 December 2018, the total assets, total liabilities and net assets of the Enlarged Group would have increased to approximately RMB60,581.77 million, approximately RMB50,520.40 million and approximately RMB10,061.37 million, respectively.

The unaudited pro forma combined statement of assets and liabilities of the Enlarged Group as at 31 December 2018 was prepared based on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

For details of the unaudited pro forma financial information of the Enlarged Group immediately following Completion, please refer to Appendix III to this circular.

LISTING RULES IMPLICATIONS

Major Transaction

The Acquisition, together with the Shanghai Acquisition and the Property Management Acquisition constitute a series of transactions made within a 12-month period and shall be aggregated pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition, when aggregated with the Shanghai Acquisition and the Property Management Acquisition, is more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

Connected Transaction

As at the Latest Practicable Date, Mr. Shum, being the chairman, a non-executive Director and, together with Mingyuan Investment, the controlling shareholders of the Company, is interested in approximately 52.86% of the issued share capital of the Company. Hence, Mr. Shum is a connected person of the Company.

The Acquisition, together with the Shanghai Acquisition and the Property Management Acquisition, constitute a series of transactions made within a 12-month period and shall be aggregated pursuant to Rule 14A.81 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition is more than 25% and the Consideration is more than HK$10,000,000, the Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

EGM

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate).

A notice convening the EGM to be held at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 18 July 2019 at 2:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular. An ordinary resolution will be proposed to the Independent Shareholders at the EGM for consideration and, if thought fit, to approve the Sale and Purchase Agreement (as subsequently amended and supplemented by the Supplemental Agreement) and the transactions contemplated thereunder.

A form of proxy for the EGM is enclosed with this circular. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.jiayuanintl.com). Whether or not you intend to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the EGM (i.e. not later than 2:00 p.m. on Tuesday, 16 July 2019). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish. If you attend and vote at the EGM, the authority of your proxy will be revoked.

In accordance with Rule 13.39(4) of the Listing Rules, voting at the EGM will be conducted by poll. Mr. Shum, the chairman of the Board and the non-executive Director of the Company, is the Vendor of the Acquisition. As at the Latest Practicable Date, Mr. Shum and its associates, in aggregate holding 1,353,851,249 Shares, representing approximately 52.86% of the issued share capital of the Company, will abstain from voting on the proposed resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) at the EGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has any material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder and therefore no other Shareholder is required to abstain from voting at the EGM in respect of the resolution approving the aforesaid matters.

ENTITLEMENT TO ATTEND AND VOTE AT THE EGM

Shareholders of the Company who are entitled to attend and vote at the meeting are those whose names appear as shareholders of the Company on the register of members of the Company as at the close of business on Monday, 15 July 2019. In order to be eligible to attend and vote at the meeting, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 15 July 2019.

RECOMMENDATION

Your attention is drawn to the letter of advice from the Independent Board Committee set out on pages IBC-1 to IBC-2 in this circular which contains its recommendation to the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate).

Your attention is also drawn to the letter from the Independent Financial Adviser set out on pages IFA-1 to IFA-46 in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate).

The Directors (including the independent non-executive Directors whose views have been set out in this circular together with the advice of the Independent Financial Adviser) consider that, though the Acquisition is not in the ordinary and usual course of the business of the Company, the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole. The Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular and the notice of the EGM.

Completion of the Acquisition is conditional upon the fulfilment of the conditions set out under the paragraph headed "Conditions precedent" in this circular, which may or may not be fulfilled. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the Shares and other securities of the Company.

Yours faithfully,
For and on behalf of
Jiayuan International Group Limited
Zhang Yi
Vice Chairman, President and
Executive Director

The following is the text of the letter from the Independent Board Committee setting out its recommendations to the Independent Shareholders in connection with the entering into of the Sale and Purchase Agreement for inclusion in this circular.

Jiayuan International Group Limited
佳源國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2768)

25 June 2019

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION ACQUISITION OF THE TARGET GROUP HOLDING PROPERTY DEVELOPMENT PROJECTS LOCATED IN ANHUI PROVINCE INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

We refer to the circular dated 25 June 2019 (the "**Circular**") issued by the Company to the Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in its opinion, the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) are fair and reasonable, are on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Somerley has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder.

We wish to draw your attention to the letter from the Board, as set out on pages 6 to 22 of the Circular and the text of a letter of advice from Somerley, as set out on pages IFA-1 to IFA-46 of the Circular, both of which provide details of the Sale and Purchase Agreement and the transactions contemplated thereunder.

Having considered (i) the Sale and Purchase Agreement, (ii) the advice of the Independent Financial Adviser, and (iii) the relevant information contained in the letter from the Board, we are of the opinion that, though the Acquisition is not in the ordinary and usual course of the business of the Company, the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

Yours faithfully,
For and on behalf of
The Independent Board Committee of
Jiayuan International Group Limited

Mr. Tai Kwok Leung, Alexander
Independent Non-executive Director

Dr. Cheung Wai Bun, Charles, *JP*
Independent Non-executive Director

Mr. Gu Yunchang
Independent Non-executive Director

The following is the text of a letter of advice from Somerley Capital Limited prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

25 June 2019

To: The Independent Shareholders and the Independent Board Committee

Dear Sirs,

**MAJOR AND CONNECTED TRANSACTION:
ACQUISITION OF THE TARGET GROUP HOLDING
PROPERTY DEVELOPMENT PROJECTS LOCATED IN ANHUI
PROVINCE INVOLVING THE ISSUE OF CONSIDERATION SHARES
UNDER SPECIFIC MANDATE**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the Sale and Purchase Agreement (as subsequently amended and supplemented by the Supplemental Agreement) and the transactions contemplated thereunder (the "**Transactions**"). Details of the aforesaid transactions are set out in the letter from the Board contained in the circular of the Company (the "**Circular**") to its Shareholders dated 25 June 2019, of which this letter forms part. Unless otherwise defined, terms used in this letter shall have the same meanings as those defined in the Circular.

On 26 April 2019, the Company entered into the Sale and Purchase Agreement with Mr. Shum, pursuant to which the Company has conditionally agreed to acquire and Mr. Shum has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, at an Initial Consideration of RMB4,155,168,787 (equivalent to approximately HK$4,840,744,637)(subject to adjustment), which will be settled by the allotment and issue of the 1,377,959,475 Consideration Shares by the Company to Mr. Shum or his nominee(s) at the Issue Price of HK$3.513 per Consideration Share.

The Acquisition, together with the Shanghai Acquisition and the Property Management Acquisition, constitutes a series of transactions made within a 12-month period and shall be aggregated pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition, is more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

As at the Latest Practicable Date, Mr. Shum, being the chairman, a non-executive Director and together with Mingyuan Investment, the controlling shareholder of the Company, is interested in approximately 52.86% of the issued share capital of the Company, and thus, Mr. Shum is a connected person of the Company. The Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

The Acquisition, together with the Shanghai Acquisition and the Property Management Acquisition constitute a series of transactions made within a 12-month period and shall be aggregated pursuant to Rule 14A.81 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition is more than 25% and the Consideration is more than HK$10,000,000, the Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Tai Kwok Leung, Alexander, Dr. Cheung Wai Bun, Charles, *JP* and Mr. Gu Yunchang, has been established to make a recommendation to the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder. Somerley Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated or connected with the Company, the Target Group, Mr. Shum or their respective core connected persons or associates. Save for this appointment as the Independent Financial Adviser to provide our independent advise on the Transactions and our roles as the independent financial adviser providing our independent advises in relation to the Company's acquisition of (i) the entire issued share capital of Huyuan Holdings Limited from Mr. Shum pursuant to the sale and purchase agreement dated 5 June 2018 (details of which are set out in the announcement of the Company dated 5 June 2018); and (ii) the entire issued share capital of Chuangyuan Holdings Limited from Mr. Shum pursuant to the sale and purchase agreement dated 19 September 2018 (details of which are set out in the announcement of the Company dated 19 September 2018), as at the Latest Practicable Date, we did not have any other relationship with or any interests in the Company, the Target Group, Mr. Shum or their respective core connected persons, associates, close associates or any party acting or presumed to be acting in concert with any of them that could reasonably be regarded as relevant to our independence nor have had any other engagement with the Company in the last two years. Accordingly, we are considered eligible to give independent advice on the Transactions. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Target Group, Mr. Shum or their respective core connected persons or associates.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company (collectively, the "**Management**") and the respective professional advisers of the Company, which we have assumed to be true, accurate and complete. We have reviewed information on the Company, including but not limited to, the Sale and Purchase Agreement (including the Supplemental Agreement), the valuation report prepared by Jones Lane LaSalle Corporate Appraisal and Advisory Limited ("**JLL**") as set out in Appendix IV to the Circular, annual reports of the Company for years ended 31 December 2017 ("**FY2017**") (the "**2017 Annual Report**") and 2018 ("**FY2018**") (the "**2018 Annual Report**") and other information contained in the Circular.

In addition, we have relied on the information and facts supplied, and the opinions expressed, by the Group and have assumed in relation to the facts to be true, accurate and complete in all material aspects and in relation to any opinions to be honestly held at the time they were made and will remain, in relation to the facts to be true, accurate and complete in all material aspects and in relation to any opinions to be honestly held, up to the date of the EGM. We have also sought and received confirmation from the Group that no material facts have been omitted from the information supplied by them and that their opinions expressed to us are not misleading in any material respect. We consider that the information we have received is sufficient for us to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been omitted or withheld, nor to doubt the truth or accuracy of the information provided to us. We have, however, not conducted any independent investigation into the businesses and affairs of the Group and the Target Group nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation regarding the Transactions, we have considered the following principal factors and reasons:

1. Information on the Group

1.1 Principal business of the Group

The Group is an established property developer of large-scale residential complex projects and integrated commercial complex projects in the PRC. The principal activities of the Group include (i) the development and sale of residential and commercial properties; (ii) the provision of development services to government organisations for the development of resettlement properties and development or refurbishment of other types of properties, facilities or infrastructure; and (iii) the leasing of commercial properties owned or developed by the Group.

As disclosed in the 2018 Annual Report, the Group's property portfolio comprised 45 properties spanning 16 domestic and foreign cities. The Group has land reserves with a total GFA of 9.2 million square meters of which 65%, 15%, 13% and 7%

are in the Yangtze River Delta Region, the Guangdong-Hong Kong-Macau Greater Bay Area, other key provincial capital cities and regions along the "belt and Road" initiative, respectively. It was further disclosed in the 2018 Annual Report that the Group will continue to replenish its premium land bank by adopting pragmatic strategies for land acquisition, optimize the strategic layout of various key regions, and develop competitive premium properties to suit the different urbanisation stages of the PRC with a view to meet market preference in different regions.

1.2 Financial information of the Group

Set out below is the summary of the Group's audited financial performance for the three years ended 31 December 2016, 2017 and 2018, as extracted from the 2017 Annual Report and the 2018 Annual Report respectively:

	For the year ended 31 December		
	2018	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	*(Restated)*
		(Note 1)	*(Note 1)*
Revenue:			
(i) Property development	10,381,864	7,529,336	4,245,591
(ii) Development services *(Note 2)*	–	–	–
(iii) Property investment	76,977	77,212	20,318
	10,458,841	7,606,548	4,265,909
Gross Profit	3,306,342	2,574,787	1,365,366
Profit for the year attributable to owners of the Company	1,794,430	1,332,501	785,174

Note 1: According to the 2018 Annual Report and provided by the Management, the consolidated profit or loss and other comprehensive income figures for FY2017 and FY2016 were restated to include the operating results of the Huyuan group, being Huyuan Holdings Limited and its subsidiaries, as if this acquisition had been completed since the date of the respective business came under the common control of the Group.

Note 2: No segment revenue and results were presented for the provision of development services as there is no revenue generated and expenses incurred for this segment during the years ended 31 December 2016, 2017 and 2018. Based on the disclosures made in the 2018 Annual Report, the Group will continue to present this as a separate segment because the Group will continue to engage in the provision of development services in the future.

During the three years ended 31 December 2018, the Group derived its revenue mainly from (i) property development; and (ii) property investment. From the above extracts, the results of the Group are noted with drastic improvement throughout the three years which was mainly driven by the high revenue growth in property development sector. Among the revenue portion, revenue from sales of properties contributed the major growth of approximately RMB2,852.5 million between years 2018 and 2017 and approximately RMB3,283.7 million between years 2017 and 2016.

In FY2017, the Group reported revenue of approximately RMB7,606.5 million, representing an increase of approximately 78.3% from approximately RMB4,265.9 million in 2016. The increase was mainly due to the delivery of properties presold in Nanjing upon its completion in FY2017. Revenue of the Group further increased by approximately 37.5% to approximately RMB10,458.8 million in 2018, which was mainly due to the delivery of properties pre-sold under Jiayuan Centurial City in Yangzhou and Jiayuan Dream Plaza in Shanghai upon their completion in the first half of FY2018.

The Group reported an increase in gross profit of approximately 88.6% to approximately RMB2,574.8 million in FY2017 from approximately RMB1,365.4 million in 2016, while the Group's gross profit margin increased to approximately 33.8% in 2017 from approximately 32.0% in 2016. The increase in gross profit margin was mainly due to the delivery of projects including Nanjing Zijin Mansion and Taizhou Jiayuan New World which contributed comparatively higher gross profit margin. Besides, the acquisition of Huyuan Group contributed the increase in gross profit margin due to lower construction cost incurred in 2017.

Gross profit of the Group further increased by approximately 28.4% to approximately RMB3,306.3 million in FY2018 from approximately RMB2,574.8 million in 2017. However, its gross profit margin reported further decline to around 31.6% in FY2018 as compared to approximately 33.8% in FY2017. Such decrease in gross profit margin was mainly attributable to higher construction cost incurred in 2018.

Based on the 2017 Annual Report and the restated financial results for FY2017 as shown in the Company's 2018 Annual Report, profit attributable to owners of the Company increased by approximately 69.7% between 2016 and 2017 which was in line with the expansion of the Group's operations. Such increase was mainly caused by the gross profit growth along with some other operating income increase such as increase in foreign exchange gain of approximately RMB73.1 million and fair value gain on transfer from inventories of properties to investment properties of approximately RMB56.2 million, netted off by the decrease in fair value gain on investment properties of approximately RMB178.7 million, increase in administrative expenses and finance costs of approximately RMB97.2 million and approximately RMB112.4 million respectively.

Based on the 2018 Annual Report, profit attributable to owners of the Company further increased by approximately 34.7% which was mainly a result of the gross profit growth along with increase in change in fair value upon transfer from inventories of properties to investment properties of approximately RMB449.3 million, increase in other income (primarily representing interest income) of approximately RMB277.8 million and growth in change in fair value of investment properties of approximately RMB211.3 million, netted off by the losses from other gains and losses (mainly from foreign exchange loss and impairment allowance) adversely increase by approximately RMB336.4 million and increase in distribution and selling expenses of approximately RMB131.0 million.

Set out below is the summary of the Group's financial position as at 31 December 2017 (restated) and 31 December 2018, as extracted from the 2018 Annual Report:

	As at 31 December	
	2018	**2017**
	RMB'000	*RMB'000*
		(Restated)
		(Note 1)
Non-current Assets		
Investment properties	5,998,818	3,906,142
Deposits paid for acquisition of subsidiaries	1,935,423	1,524,053
Other non-current assets	672,438	532,461
	8,606,679	5,962,656
Current Assets		
Inventories of properties	26,119,077	19,736,566
Trade and other receivables, deposits and prepayments	5,602,933	2,305,397
Restricted/ pledged bank deposits	1,427,072	1,003,094
Bank balances and cash	3,906,504	5,802,281
Other current assets	1,085,099	1,610,447
	38,140,685	30,457,785

	As at 31 December	
	2018	**2017**
	RMB'000	*RMB'000*
		(Restated)
		(Note 1)
Current Liabilities		
Trade and other payables and accrued expenses	2,871,353	2,099,914
Pre-sale deposits received	10,153,352	7,979,129
Bank and other borrowings	4,801,296	3,372,604
Senior notes	4,477,446	3,681,736
Other current liabilities	3,688,435	2,164,182
	25,991,882	19,297,565
Net current assets	12,148,803	11,160,220
Total assets less current liabilities	20,755,482	17,122,876
Non-current Liabilities		
Bank and other borrowings	7,773,825	8,357,305
Senior notes	2,735,063	649,216
Other non-current liabilities	1,303,555	1,123,672
	11,812,443	10,130,193
Net Assets	8,943,039	6,992,683
Total Equity		
Net asset value ("**NAV**") attributable to owners of the Company	7,679,240	6,948,556
Non-controlling interests	1,263,799	44,127
	8,943,039	6,992,683

Note 1: According to the 2018 Annual Report, the consolidated statement of financial position figures for FY2017 were restated to adjust the carrying amounts of the assets and liabilities of the Huyuan group, being Huyuan Holdings Limited and its subsidiaries, which had been in existence as at 1 January 2017 and 31 December 2017 as if those entities or businesses were combined from the date when they first came under the common control of the Group.

Non-current assets of the Group as at 31 December 2017 and 31 December 2018 mainly comprised, among other things, investment properties and deposits paid for acquisition of subsidiaries. Balance of total non-current assets increased from approximately RMB5,962.7 million as at 31 December 2017 to approximately RMB8,606.7 million as at 31 December 2018. The increment represented a growth of approximately 44.3% which was mainly contributed by the increase in balance of investment properties by approximately RMB2,092.7 million as at 31 December 2018. The increase in balance of investment properties as at 31 December 2018 was mainly contributed by the addition of investment properties under development / investment properties in Cambodia, Yangzhou and Taixing of approximately RMB227.5 million, RMB215.4 million and RMB67.3 million respectively and the fair value gain of RMB265.4 million during the year ended 31 December 2018. Also, under non-current assets, there were deposits paid for acquisition of subsidiaries of RMB1,524.1 million as at 31 December 2017 and approximately RMB1,935.4 million as at 31 December 2018 which were paid pursuant to framework agreements entered into by the Group with independent third parties and connected persons in relation to the acquisitions of a number of companies principally engaged in property development in the PRC. The deposits will be fully refunded to the Group in case of incompletion of the acquisitions.

Current assets of the Group as at 31 December 2017 and 31 December 2018 mainly comprised, among other things, inventories of properties, trade and other receivables, deposits and prepayments and bank balances and cash. The increase in current assets between 31 December 2017 and 31 December 2018 was mainly attributable to the growth in inventories of properties by approximately RMB6,382.5 million. Bank balances and cash of the Group decreased from approximately RMB5,802.3 million as at 31 December 2017 to approximately RMB3,906.5 million as at 31 December 2018, mainly as a result of repayment of borrowings and senior notes.

Current liabilities of the Group as at 31 December 2017 and 31 December 2018 mainly comprised, among other things, pre-sale deposits received, bank and other borrowings and senior notes. Pre-sale deposits received increased by approximately RMB2,174.2 million as at 31 December 2018 which was mainly due to increase in contracted sale in 2018. The balance of bank and other borrowings as at 31 December 2018 amounted to approximately RMB4,801.3 million and represented an increase of approximately 42.4% as compared with the balance as at 31 December 2017 of approximately RMB3,372.6 million. Such increase was mainly attributable to the increase in secured bank loans and other borrowings. The balance for senior notes increased to approximately RMB4,477.4 million as at 31 December 2018 from approximately RMB3,681.7 million as at 31 December 2017, following the issuances and redemption of senior notes amounting to approximately RMB6,136.2 million and approximately RMB3,918.1 million respectively in FY2018.

The non-current portion of the bank and other borrowings, representing majority of the total non-current liabilities, decreased from approximately RMB8,357.3 million as at 31 December 2017 to approximately RMB7,773.8 million as at 31 December 2018. Such decrease was mainly driven by the decrease in secured trust loans and other loans in an aggregate amount of approximately RMB7,520.2 million.

The net gearing ratio of the Group, which was measured by net debt (i.e. bank and other borrowings and senior notes less bank balances and cash and pledged/restricted bank deposits) over the total equity, increased from approximately 132.4% as at 31 December 2017 to approximately 161.6% as at 31 December 2018, which was mainly attributable to higher borrowing and senior notes issuance for the Group's project financing purpose.

NAV attributable to owners of the Company increased by around 10.5% to approximately RMB7,679.2 million as at 31 December 2018 from approximately RMB6,948.6 million as at 31 December 2017. NAV attributable to owners of the Company per Share, based on the total number of issued Shares of 2,561,151,991 as at the Latest Practicable Date, was approximately RMB3.00 (equivalent to approximately HK$3.50) as at 31 December 2018.

2. Information on the Target Group and its Businesses

2.1 Principal business of the Target Group

The Target Company is a company newly incorporated in the BVI with limited liability and wholly-owned by Mr. Shum. The Target Company will be the holding company of the Target Group upon completion of the Reorganisation. The Target Group will own equity interests in all of the Property Development Project companies in Anhui Province, the PRC upon completion of the Reorganisation.

After the Reorganisation, the Target Group will include Property Development Projects located in the municipalities of Hefei, Maanshan and Bengbu of Anhui Province, the PRC, mainly consisting of large-scale residential complex projects and integrated commercial complex projects, as well as apartments, offices, shopping arcades, hotels and other supporting facilities. Please refer to the letter from the Board in the Circular for additional information on the Reorganisation.

2.2 Information on the Target Group's Projects

The Target Group holds the following projects:

(i) Jiayuan Ba Li Du Shi, Hefei City (合肥 • 佳源巴黎都市)

Jiayuan Ba Li Du Shi is located at the junction of Hubei Road and Dongtinghu Road in Hefei City. The locality of the project is a mature developed area including many residential and commercial developments.

Jiayuan Ba Li Du Shi occupies four parcels of land with a total site area of approximately 416,996.79 sq.m., which is being developed into a residential and commercial development. Portions of the project were completed between 2015 and 2018, and the unsold portion of that was vacant for sale or held for investment as at 30 April 2019. The remaining portion of the project was under construction as at 30 April 2019 and is scheduled to be completed between 2019 and 2021. Upon completion, the portion of the project under construction will have a planned gross floor area of approximately 424,729.42 sq.m.

As at 30 April 2019, the property comprised the unsold units and portions under construction of Jiayuan Ba Li Du Shi with a total planned gross floor area of approximately 799,997.01 sq.m.

(ii) Jiayuan Dongfang Dushi, Bengbu City (蚌埠 • 佳源東方都市)

Jiayuan Dongfang Dushi is located at the eastern side of South Chaoyang Road and the southern side of Huangshan Avenue. The locality of the project is a residential area with several residential developments, schools and parks. It is well-served by public transportation.

Jiayuan Dongfang Dushi occupies 2 parcels of land with a total site area of approximately 210,248.29 sq.m., which is being developed into a residential and commercial development. Portions of the project were completed between 2015 and 2018, and the unsold portion of that was vacant for sale as at 30 April 2019. The remaining portion of the project was under construction and is scheduled to be completed in October 2020. Upon completion, the portion of the project under construction will have a planned gross floor area of approximately 259,895.97 sq.m.

As at 30 April 2019, the property comprised the unsold units and portions under construction with a total planned gross floor area of approximately 269,774.58 sq.m.

(iii) Jiayuan Hua Fu, Lu'an City (六安 • 佳源華府)

Jiayuan Hua Fu is located at the northern side of Xin Cheng San Avenue and eastern side of Mu Nan Road in Lu'an City. The locality of the project is a developing residential area.

Jiayuan Hua Fu occupies 2 parcels of land with a total site area of approximately 136,533.00 sq.m., which will be developed into a residential and commercial development. The project was under construction as at 30 April 2019. Upon completion, the project will have a planned gross floor area of approximately 392,473.88 sq.m.

(iv) Jiayuan Dongfang Dushi, Lujiang County (廬江 • 佳源東方都市)

Jiayuan Dongfang Dushi is located at the western side of Inner Ring East Road, the northern side of Chenguang Road, the southeast corner of the junction of Denghu Road and Chengdong Avenue, Lujiang County. The locality of the project is a sub-urban area within two-hour driving distance to the city centre.

Jiayuan Dongfang Dushi occupies a parcel of land with a site area of approximately 180,704.00 sq.m., which is being developed into a residential and commercial development. Portions of the project were completed in 2018, and the unsold portion of that was vacant for sale or investment as at 30 April 2019. The remaining portions of the project were under construction as at 30 April 2019 and are scheduled to be completed in July 2020. Upon completion, the remaining portions of the project under construction will have a gross floor area of approximately 336,182.19 sq.m. As at 30 April 2019, the property comprised the unsold units and remaining portions of the project under construction of Jiayuan Dongfang Dushi with a planned gross floor area of approximately 345,952.57 sq.m.

(v) Jiayuan Dushi, Fengtai County (鳳台 • 佳源都市)

Jiayuan Dushi is located at the junction of Xinhu Road and Mingzhu Avenue. The locality of the project is a residential area with several residential developments, schools and parks. It is well-served by public transportation.

Jiayuan Dushi occupies 2 parcels of land with a total site area of approximately 75,918.70 sq.m., which is being developed into a residential and commercial development. The project was under construction as at 30 April 2019 and is scheduled to be completed in December 2020. Upon completion, the project will have a planned gross floor area of approximately 172,409.60 sq.m.

(vi) Jiayuan Dushi, Lixin County (利辛 • 佳源都市)

Jiayuan Dushi is located at the western side of Heping Road, the northern side of Jinlong International New Town, the eastern side of Jianshe North Road and the southern side of Zixu Avenue, Lixin County. The locality is a sub-urban area within two-hour driving distance to the city centre.

Jiayuan Dushi comprises a parcel of land with a site area of approximately 66,803.81 sq.m. which will be developed into a residential and commercial development. The property of Jiayuan Dushi was under construction as at 30 April 2019 and is scheduled to be completed in December 2019. Upon completion, the portion under construction will have a total planned gross floor area of approximately 226,170.22 sq.m.

(vii) Jiayuan Hexian Central City, Maanshan City (馬鞍山 • 佳源中央城)

Jiayuan Hexian Central City is located at the junction of Hezhou Road and Tongjiang Road, the Economic Development District. The locality of the project is well-served by public transportation and amenities.

Jiayuan Hexian Central City occupies 7 parcels of land with a total site area of approximately 322,459.04 sq.m., which had been developed into a residential and commercial development. Portions of the project (Phase I and II) were completed in 2017, the unsold portion of the project with a total gross floor area of approximately 4,930.59 sq.m. was vacant for sale as at 30 April 2019. Portions of the project (Phase III and V) were under construction as at 30 April 2019 and were scheduled to be completed in August 2021. Upon completion, the portion of the project under construction will have a total gross floor area of approximately 336,322.96 sq.m. The remaining portion of the project (Phase IV) (the bare land) will be developed into residential and commercial buildings with a total gross floor area of approximately 180,056.61 sq.m. The construction of the bare land had not been commenced as at 30 April 2019.

(viii) Jiayuan Xinggangcheng, Guoyang County (渦陽 • 都市星港城)

Jiayuan Xinggangcheng is located at the northern side of Shigongshan Road, the eastern side of Funing Road and northern side of Jishan Road. The locality of the project is a sub-urban area within two-hour driving distance to the city centre.

Jiayuan Xinggangcheng occupies 6 parcels of land with a total site area of approximately 189,157.50 sq.m., which is being developed into a residential, commercial, apartment, and hotel mixed uses development. The project was under construction as at 30 April 2019 and is scheduled to be completed in December 2021. Upon completion, the portions under construction will have a gross floor area of approximately 448,530.17 sq.m.

(ix) Mingbang Xuefu, Guoyang County (渦陽 • 名邦學府)

Mingbang Xuefu is located at the northern side of Fanhua Avenue and the western side of Tian Jing Gong Road, Guoyang County, Bozhou City, Anhui Province, the PRC. The locality of the project is a residential area with several residential developments and street front shops, schools and parks are nearby. It is well-served by public transportation.

Mingbang Xuefu occupies 3 parcels of land with a total site area of approximately 184,226.81 sq.m., which is being developed into a residential and commercial development. Portions of the project were completed in December 2018, and the unsold portion of that (the unsold units) was vacant for sale as at 30 April 2019. The remaining portion of the project was under construction as at 30 April 2019 and is scheduled to be completed in December 2019. Upon completion, the portions under construction will have a gross floor area of approximately 348,674.75 sq.m. As at 30 April 2019, the property comprised the unsold units and project under construction of Mingbang Xuefu with a total gross floor area of approximately 349,950.04 sq.m.

(x) Mengcheng Biguiyuan, Bozhou City (亳州 • 蒙城碧桂園)

Mengcheng Biguiyuan is located at the junction of Zhangzhuang Road and Pushui Road, Mengcheng County. The locality of the project is a developing residential area.

Mengcheng Biguiyuan occupies a parcel of land with a site area of approximately 120,117.85 sq.m., which is being developed into a residential and commercial development. The project was under construction as at 30 April 2019 and is scheduled to be completed in September 2019. Upon completion, the project will have a gross floor area of approximately 296,502.05 sq.m.

(xi) Bolin Chuntian, Shucheng County (舒城 • 柏林春天)

Bolin Chuntian is located at the southern side of Sanlihe Road, the western side of North Gulou Road and the northern side of Weiyi Road. The locality of the project is a residential area with several residential developments. It is well-served by public transportation.

Bolin Chuntian occupies a parcel of land with a site area of approximately 48,500 sq.m., which is being developed into a residential and commercial development. The project was under construction as at the 30 April 2019 and is scheduled to be completed in August 2019. Upon completion, the project will have a gross floor area of approximately 146,952.61 sq.m.

2.3 *Financial information of the Target Group*

Set out below is the summary of financial performance of the Target Group for the three years ended 31 December 2016, 2017 and 2018 (the "**Relevant Periods**"), based on note 39(a) of the notes to the historical financial information in the accountants' report of the Combined Group as set out in Appendix IIA to the Circular:

	For the year ended 31 December		
	2018	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	2,745,229	2,290,835	2,130,340
Cost of sales	(1,659,788)	(1,761,322)	(1,752,712)
Gross profit	1,085,441	529,513	377,628
Distribution and selling expenses	(55,739)	(72,767)	(29,939)
Administrative expenses	(100,174)	(104,831)	(55,920)
Finance costs	(85,276)	(43,666)	(3,756)
Change in fair value of investment properties	10,894	1,111	87,066
Share of results of a joint venture	38,964	(6,490)	(2,574)
Share of results of associates	46,392	(15,651)	(1,896)
Other (expenses)/income	(1,122)	89,219	(13,869)
Profit before tax	939,380	376,438	356,740
Income tax (expense)/credit	(525,202)	(246,797)	(113,591)
Profit for the year	414,178	129,641	243,149
Profit attributable to:			
Owners of the Company	373,829	152,780	241,123
Non-controlling interests	40,349	(23,139)	2,026
	414,178	129,641	243,149

Revenue of the Target Group, as per Appendix IIA of the Circular, were mainly generated by the sales of properties. During the three years ended 31 December 2018, revenue of the Target Group has been growing steadily, increased by around 7.5% from approximately RMB2,130.3 million in 2016 to approximately RMB2,209.8 million in 2017, and further increased by around 19.8% to approximately RMB2,745.2 million in 2018. As advised by the Management, such growth was mainly driven by the sales generated from the property projects acquired during the Relevant Periods. The increase in revenue in 2017 as compared with that in 2016 was mainly attributable to the increase in revenue derived from the property projects, namely, Jiayuan Ba Li Du Shi (合肥 • 佳源巴黎都市) and Jiayuan Hexian Central City (馬鞍山 • 佳源中央城). The increase in revenue in 2018 as compared with that in 2017 was mainly attributable to the increase in revenue derived from the property projects, namely, Jiayuan Dongfang Dushi (蚌埠 • 佳源東方都市) and Jiayuan Dongfang Dushi (盧江 • 佳源東方都市).

Administrative expenses and selling and distribution expenses associated with the Target Group's expansion also demonstrated an overall growth during the Relevant Periods which was in line with the growth in revenue. During the three years ended 31 December 2018, administrative expenses increased from approximately RMB55.9 million in 2016 to approximately RMB104.8 million in 2017 and dropped slightly to approximately RMB100.2 million in 2018, demonstrating an overall growth of approximately 79.1% between 2016 and 2018. The overall increase during the Relevant Periods was mainly attributable to the increase in numbers of the Property Development Project companies as well as the increase in numbers of staff as a result of the expansion of the operation. The distribution and selling expenses were approximately RMB29.9 million, RMB72.8 million and RMB55.7 million for the years ended 31 December 2016, 2017 and 2018 respectively. The overall increase was mainly attributable to one-off marketing consulting fee of approximately RMB35.0 million incurred for the project Jiayuan Ba Li Du Shi (合肥 • 佳源巴黎都市) during the year ended 31 December 2017. Excluding such item, the increase in distribution and selling expenses in 2018 compared with that in 2016 and 2017 was mainly due to the increase in numbers and size of the sales team to cope with the expansion of the business.

Finance costs incurred for the Target Group increased from approximately RMB3.8 million in 2016 to approximately RMB43.7 million in 2017 as a result of the decrease in the amounts qualified for capitalisation in investment properties under construction/properties under development of RMB586.6 million in 2017 from RMB613.8 million in 2016. Finance costs further increased to approximately RMB85.3 million in 2018 which was mainly attributable to further decrease in the amounts qualified for capitalisation in investment properties under construction/properties under development of RMB570.6 million in 2018 from RMB586.6 million in 2017.

During the three years ended 31 December 2018, the Target Group's profit attributable to owners of the Target Group dropped from approximately RMB241.1 million in 2016 to approximately RMB152.8 million in 2017 but rebounded and increased to approximately RMB373.8 million in 2018. The drop in profits in 2017 compared with that in 2016 was mainly due to decrease in gain on change in fair value of investment properties from approximately RMB87.1 million in 2016 to approximately RMB1.1 million in 2017. The increase in profit in 2018 was mainly attributable to (1) the increase in revenue from the property project Jiayuan Dongfang Dushi (盧江 • 佳源東方都市); (2) the gain on change in fair value of investment properties to approximately RMB10.9 million in 2018 from approximately RMB1.1

million only in 2017; (3) share of profit of a joint venture of approximately RMB39.0 million in 2018 compared with share of loss of a joint venture of RMB6.5 million in 2017; and (4) share of profits of associates of approximately RMB46.4 million in 2018 compared with share of losses of associates of approximately RMB15.7 million in 2017.

Set out below is the summary of financial position of the Target Group as at 31 December 2017 and as at 31 December 2018, based on note 39(a) of the notes to the historical financial information in the accountants' report of the Combined Group as set out in Appendix IIA to the Circular:

	As at 31 December	
	2018	**2017**
	RMB'000	*RMB'000*
Non-current Assets		
Investment properties	1,572,900	683,200
Pledged bank deposits	–	500,465
Other non-current assets	341,087	197,337
	1,913,987	1,381,002
Current Assets		
Inventories of properties	5,961,668	5,263,538
Amount due from immediate holding company	3,544,146	4,221,062
Pledged/ restricted bank deposits	674,700	504,764
Bank balances and cash	659,116	521,032
Other current assets	1,370,027	1,066,625
	12,209,657	11,577,021
Current Liabilities		
Trade and other payables	1,659,137	1,319,454
Pre-sales deposits received	7,000,405	4,792,353
Amount due to an intermediate holding company	616,475	2,316,846
Bank and other borrowings	2,211,700	1,331,000
Other current liabilities	978,342	455,421
	12,466,059	10,215,074
Net current (liabilities)/ assets	(256,402)	1,361,947
Total assets less current liabilities	1,657,585	2,742,949

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Non-current Liabilities		
Bank and other borrowings	14,100	1,790,000
Other non-current liabilities	230,620	4,631
	244,720	1,794,631
Total Equity		
Equity attributable to owners of the company	1,206,499	816,717
Non-controlling interests	206,366	131,601
	1,412,865	948,318
	1,657,585	2,742,949

Non-current assets of the Target Group, which mainly consisted of investment properties, increased from approximately RMB683.2 million as at 31 December 2017 by approximately 130.2% to approximately RMB1,572.9 million as at 31 December 2018 as a result of additions of investment properties for Jiayuan Ba Li Du Shi (合肥 • 佳源巴黎都市) amounted to approximately RMB603.7 million approximately in 2018.

Current assets increased from approximately RMB11,577.0 million as at 31 December 2017 to approximately RMB12,209.7 million as at 31 December 2018, which was mainly attributable to the increase in the inventories of properties by around 13.3% to approximately RMB5,961.7 million as at 31 December 2018. A drop of approximately 16.0% in amount due from immediate holding company from approximately RMB4,221.1 million as at 31 December 2017 to approximately RMB3,544.1 million as at 31 December 2018 was also recorded which was primarily due to the repayment made by the immediate holding company of approximately RMB637.1 million in 2018. The bank balances and cash reported an increase of approximately 26.5% from approximately RMB521.0 million as at 31 December 2017 to approximately RMB659.1 million as at 31 December 2018.

As at 31 December 2018, the Target Group had total liabilities of around RMB12,710.8 million which mainly comprised, among other things, pre-sales deposits received of around RMB7,000.4 million and total bank and other borrowings of approximately RMB2,225.8 million. For current liabilities, which mainly comprised, among other things, pre-sales deposits received and bank and other borrowings, showed an overall increase by approximately 22.0% from approximately RMB10,215.1 million as at 31 December 2017 to approximately RMB12,466.1 million as at 31 December 2018. Such increase was mainly due to the increase in pre-sales deposit received by approximately 46.1% from approximately RMB4,792.4 million as at 31 December 2017 to approximately RMB7,000.4 million as at 31 December 2018 due to increase in sales of pre-sale properties during 2018.

Net current liabilities of approximately RMB256.4 million was recorded as at 31 December 2018, as compared to the net current assets of approximately RMB1,361.9 million as at 31 December 2017. Such decrease was mainly due to the increase in current liabilities out-weighted the increase in current assets in 2018 with the reasons mentioned above.

Current ratio as at 31 December 2018 was approximately 1.0 time, as compared to the ratio of approximately 1.1 times as at 31 December 2017. The net gearing ratio of the Target Group, which was measured by net debt (i.e. total bank borrowings less pledged bank deposit and bank balances and cash) over the total equity, improved from approximately 1.7 as at 31 December 2017 to approximately 0.6 as at 31 December 2018, which was mainly attributable to the decrease in bank and other borrowings between 31 December 2017 and 31 December 2018.

As stated in note 39(a) of the notes to the historical financial information in the accountants' report of the Combined Group as set out in Appendix IIA to the Circular, the net assets of the Target Group was approximately RMB948.3 million and RMB1,412.9 million as at 31 December 2017 and 31 December 2018 respectively. Based on our understanding from the Management, the net assets of the Target Group as at 31 December 2018 as disclosed in Appendix IIA has not taken into account, among other things, financial effects on the Target Group as a result of (i) completion of disposal of the associates namely Changxing Jiayuan Real Estate Development Company Limited (長興佳源房地產開發有限公司) and Pinghu City Jiayuan Tourism Development Company Limited (平湖市佳源旅遊開發有限公司) subsequent to 31 December 2018 (the "**Disposal of Associates**"); (ii) settlement of consideration (if any) pursuant to the disposal of a subsidiary namely Anhui Wanbohui Commercial Operation Management Co., Ltd. (安徽萬博匯商業運營管理有限公司) (the "**Disposal of a Subsidiary**") and the deregistration of a subsidiary of the Target Group namely Huhehaote Jiayuan Real Estate Development Co., Ltd. (呼和浩特佳源房地產開發有限公司) subsequent to 31 December 2018 (the "**Deregistration of a Subsidiary**"); (iii) the settlement of the total consideration for the acquisition of two subsidiaries (namely Bengbu Mingyuan Real Estate Development Company Limited (蚌埠明源房地產開發有限公司) and Lujiangxian Real Estate Development Company Limited (廬江縣佳源房地產開發有限公司)) (the "**Acquisition of Subsidiaries**") subsequent to 31 December 2018; and (iv) as per the letter from the Board, note 39(b) of the notes to the historical financial information in the accountants' report of the Combined Group as set out in Appendix IIA and unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to the Circular that, subsequent to the end of the reporting, the total amount of special dividend paid by the Target Group of around RMB751,766,000 to Zhejing Jiayuan Real Estate Group Co., Ltd. ("**Zhejing Jiayuan**") and around RMB42,259,000 to non-controlling interests, respectively, declared by the Target Group in February 2019 (the "**Special Dividend**").

However, whilst it was disclosed under note 39(a) of the notes to the historical financial information in the accountants' report of the Combined Group as set out in Appendix IIA to the Circular that the effect of the Deregistration of a Subsidiary was insignificant to the Combined Group, it was further disclosed under note 7 to the pro forma financial information of the Enlarged Group as set out in Appendix III to the Circular that there will be no consideration to be received for the disposal of Anhui Wanbohui Commercial Operation Management Co., Ltd. and therefore, the disposal of Anhui Wanbohui Commercial Operation Management Co., Ltd. results in no pro forma adjustment on the financial position of the Enlarged Group, assuming the Acquisition was completed on 31 December 2018. Against such backdrop, and taking into consideration (i) the financial effects arising from the Disposal of Associates; (ii) the net financial effects arising from the settlement of consideration relating to the Acquisition of Subsidiaries; and (iii) the declaration and settlement of the Special Dividend amounting to approximately RMB794,025,000, Shareholders should note that assuming completion of the aforesaid took place on 31 December 2018, the Target Group would have recorded net assets of approximately RMB330.1 million as at 31 December 2018.

2.4 The valuation report

The fair value of the property interests held by the Target Group as at 30 April 2019 has been determined by JLL, an independent and duly qualified Hong Kong valuer. The full text of the valuation report and certificate of properties held by the Target Group (the "**Properties**") for their respective market value in existing state as at 30 April 2019 (the "**Valuation Report**") is set out in Appendix IV to the Circular. According to the Valuation Report, the market value in existing state of the Properties as at the valuation date, being 30 April 2019, was RMB12,186,600,000 (equivalent to HK$14,197,389,000) the (the "**Valuation**").

We have reviewed the Valuation Report and discussed with JLL methodologies of, and bases and assumptions adopted for the valuations and adjustments made to arrive at the Valuation. We noted JLL has valued the property interests in Group I (which are held for sale by the Target Group), portions of property interests in Group IV (which are held for investment by the Target Group) and property interests in Group III (which are held for future development by the Target Group) by comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions available in the market. We have discussed with JLL and understand this approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors. We are of the view that the adoption of comparison approach for valuing the aforesaid properties more appropriate amongst the other approaches such as income approach or cost approach given the aforesaid property interests being with transparent and readily available market price information by reference to actual sales and transaction details and/or comparable sales transactions as available including from recent public tender offerings or in the market. We obtained and reviewed the comparables which consisted sales and transaction details derived from the projects held by the Target directly as well as sales transactions as available in the market. Based on our review and understanding from JLL, the selected comparables for the purpose of the comparison are bare land, residential, commercial and retail units within the same development/building of the subject property and other newly completed or to be completed buildings located in the area close to the subject property with similar building conditions and facilities, which were either quoted or transacted in 2017 to 2019. We consider the aforesaid basis for selection of the comparables which are properties with their natures and/or development status and/or locations similar to those of the subject properties, reasonable and in line with normal market practice.

We noted that JLL adopted the income approach to value portions of property interests in Group IV which are held for investment by the Target Group and portions of the property namely Jiayuan Dongfang Dushi in Group I by taking into account and/or considering the rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the market value at an appropriate capitalisation rate. We understand that JLL has, where appropriate, made references to the comparable transactions as available in the relevant market and in this approach, considered a term yield and a market capitalisation rate to capitalise the current passing rental income and reversionary rental income respectively. We are of the view that the adoption of income approach for valuing the property interests in Group IV more appropriate amongst the other approaches such as the market approach or cost approach given the nature of the aforesaid property interest being income driven and the fact that market information on leases are readily available. We have discussed with and obtained from JLL the comparables used and noted that such comparables are predominately from lease data derived from transparent and readily available market sources and JLL's knowledge on the market expectations. As such, we consider the adoption of this methodology to be reasonable and in line with normal market practice.

In valuing property interests in Group II which are currently under development by the Target Group and the remaining portions of the properties interests in Group IV which are held for investment by the Target Group, we understand that JLL has also adopted the comparison approach with the assumption that they will be developed and completed in accordance with the latest development proposals. Based on our discussions with JLL, we understand that JLL has also factored in the development costs of the property interests in Group II when utilising the direct market comparison approach. We understand that the comparison approach was adopted by making reference to comparable market evidence as available in the relevant market and have also taken into account the construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing development. We have discussed with and obtained from JLL the aforementioned comparable sales evidence and noted that the comparable data were derived from buildings and properties located in areas within close proximity of the subject property and were quoted recently between 2017 to 2019. As such, we consider the aforesaid basis for selection of the comparable sales evidence reasonable and in line with normal market practice.

After considering reasons for JLL's choice of valuation methodologies for valuing different properties held by the Target Companies, we are of the opinion that the methodologies used used are reasonable and acceptable.

Further to the above and in compliance with the requirements under note (1)(d) to Rule 13.80 of the Listing Rules, we have assessed the qualification and experience of the responsible person of JLL for its engagement as the independent professional to value the projects held by the Target Group. We note that Mr. Eddie T.W. Yiu, the person in charge of the Valuation, is a professional Chartered Surveyor who has 25 years of experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region. Although JLL has been previously engaged by the Company for property valuations, we are confirmed by both the Company and JLL that neither of them is aware of any relationship which may render them not independent and we are satisfied that JLL is independent from the Company. Furthermore, JLL confirmed that it is an independent third party to the parties to the Sale and Purchase Agreement and their respective core connected persons. In addition, we also reviewed JLL's terms of engagement and noted that the scope of work is appropriate for arriving at the opinion of the market value on the properties held by the Target Group. Nothing has come to our attention that parties to the Sale and Purchase Agreement had made formal or informal representation to JLL that contravenes with our understanding of the information, to a material extent, as set out in the Circular. In conducting the Valuation, JLL has confirmed compliance with all the requirements as set out in Chapter 5 and Practice Note 12 of the Listing Rules, the RICS Valuation — Global Standards 2017 published by the Royal Institution of Chartered Surveyors, the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

3. Reasons for and benefits of the Sale and Purchase Agreement

3.1 Reasons for the Sale and Purchase Agreement

As discussed in the letter from the Board, as the Property Development Projects of the Target Group are largely located in China's second and third tier cities in Anhui Province, the Group expects that the property market of Anhui Province will continue to grow steadily in future, which will boost the Group's sales expectations. The Group believes that by way of and upon completion of the Acquisition, cities located in the Anhui Province will be redesignated from non-Target Cities to Target Cities, laying a solid foundation for the Group to establish its presence in the property market of Anhui Province.

Furthermore, as disclosed in the letter from the Board, the Group believes that establishing presence in Anhui Province will lay a solid foundation for the future development of the Company and play a positive role in further boosting the influence of the "Jiayuan" brand in the Yangtze River Delta Economic Region, which encompasses Shanghai, Jiangsu Province, Anhui Province and Zhejiang Province. It will help in expanding the strategic layout of the Group in key regions across the PRC.

3.2 Overview of the Anhui property market

To obtain a better understanding of the Anhui property industry, we have reviewed additional market data in connection with the Anhui Province real estate market and the province's overall economic growth over the recent years.

The table below summarises the recent trend in Anhui Province GDP per capita from 2015 to 2017:

	2015	**2016**	**2017**
	RMB	*RMB*	*RMB*
Anhui Province GDP per Capita	35,996.61	39,091.81	43,401.36

Source: Anhui Province Bureau of Statistics (安徽省統計局)*

According to the data published by the Anhui Province Bureau of Statistics as shown above, per capita GDP in Anhui has shown a steady growth between 2015 and 2017, which increased by approximately 8.6% to approximately RMB39,091.8 between 2015 and 2016 and further grew by approximately 11.0% to approximately RMB43,401.4 in 2017.

The table below illustrates the recent trend in the total land area under construction in Anhui Province between 2015 and 2017:

	2015	**2016**	**2017**
	Sq.m.	*Sq.m.*	*Sq.m.*
Anhui Province Total Land Area under Construction	414,797,400	401,263,800	442,212,600

Source: Anhui Province Bureau of Statistics (安徽省統計局)*

* *For identification purpose only*

According to the Anhui Province Bureau of Statistics, the total land area under construction in Anhui Province has also been recorded an overall steady improvement over the recent years. Based on the data above, we noted that total land area under construction slightly decreased by approximately 3.3% from approximately 414,797,400 square metres in 2015 to approximately 401,263,800 square metres in 2016, followed by a growth of approximately 10.2% from 2016 to approximately 442,212,600 square metres in 2017.

In light of the aforesaid, we concur with the Directors that the Acquisition is aligned with the Group's strategic goal of "expansion and strengthening" and therefore, we consider the entering into of the Sale and Purchase Agreement fair and reasonable as a strategic step to facilitate the expansion of strategic layout of the Group in key regions across the PRC.

4. Principal terms of the Sale and Purchase Agreement

4.1 Subject matter to be acquired

The Company has conditionally agreed to acquire and Mr. Shum has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company. The Company has the right to nominate and designate a wholly-owned subsidiary to take up the Sale Shares upon Completion.

Pursuant to the Sale and Purchase Agreement, Mr. Shum agreed to implement the Reorganisation, the completion of which is a condition precedent to the Completion. Upon completion of the Reorganisation, the Target Group will comprise, among others, the Target Company as the investment holding company and all of the property development project companies in Anhui Province, the PRC. Further information of the Reorganisation and the Target Group is set out in the paragraphs headed "Reorganisation" and "Information of the Target Group and its businesses", respectively, in the letter from the Board of the Circular.

4.2 Consideration

The Initial Consideration for the Acquisition is RMB4,155,168,787 (equivalent to approximately HK$4,840,771,637) (subject to adjustment) which will be settled by the allotment and issue of the 1,377,959,475 Consideration Shares by the Company to Mr. Shum or his nominee(s) at the Issue Price of HK$3.513 per Consideration Share.

As stated in the letter from the Board and pursuant to the Sale and Purchase Agreement, the Initial Consideration has been arrived based on normal commercial terms at an arm's length negotiations between the parties, having taken into account of, among other factors, (i) the appraised value of the Property Development Projects based on the ownership percentage held by the Target Group as at 30 April 2019 in the amount of RMB12,186,600,000 (equivalent to approximately HK$14,197,389,000) appraised by an independent property valuer engaged by the Company; (ii) the audited net asset value attributable to the owners of the Combined Group as at 31 December 2018; (iii) a 8.00% discount on the Adjusted NAV (as defined below); and (iv) the amount of deferred PRC taxes.

As disclosed in the letter from the Board, the Initial Consideration shall be adjusted to the Final Consideration according to the adjustment mechanism described in the paragraphs headed "Adjustment mechanism" in the letter from the Board of the Circular and the paragraph below.

4.3 Consideration adjustment mechanism

As disclosed in the letter from the Board, given that Reorganisation has been completed as at 31 May 2019, in the event that the Adjusted NAV of the Target Group as shown in the unaudited consolidated management accounts of the Target Group as at 31 May 2019 (the "**Management Adjusted NAV**") after accounting for 8.00% discount is less than the Initial Consideration, the Initial Consideration shall be adjusted downward by the difference between the amount of Initial Consideration and the amount of Management Adjusted NAV after accounting for 8.00% discount to arrive at the Final Consideration (i.e. the Management Adjusted NAV after accounting for 8.00% discount is equal to the Final Consideration). If the Management Adjusted NAV at Completion after accounting for 8.00% discount equals to or is more than the Initial Consideration, no adjustment will be made (i.e. the Final Consideration shall be the same as the Initial Consideration). In any event, the Final Consideration shall not exceed the Initial Consideration.

As further provided in the letter from the Board, the Management Adjusted NAV will be prepared based on the adjustment of the items of the calculation demonstrated in the section "Adjusted NAV and Initial Consideration" as set out in the letter from the Board, including (i) the appreciated value of the Property Development Projects which will be adjusted based on the latest book value of the Property Development Projects from the unaudited consolidated management account as at 31 May 2019; (ii) the audited net asset value attributable to the owners of the Combined Group as at 31 December 2018 which will be adjusted based on the unaudited consolidated management accounts of the Target Group as at 31 May 2019 as described in the paragraph above; and (iii) the deferred PRC taxes which will be adjusted subject to the adjustment of the latest appreciated value.

As also disclosed in the letter from the Board, the Company has engaged a certified public accountant to prepare the unaudited consolidated management accounts in accordance with the HKFRS. Furthermore, the audit committee of the Company will review and approve the unaudited consolidated management accounts before determining the Final Consideration.

4.4 The Consideration Shares

The 1,377,959,475 Consideration Shares represent approximately 53.80% of the issued share capital of the Company as at the Latest Practicable Date and approximately 34.98% of the issued share capital of the Company as enlarged by the Consideration Shares (assuming there will be no change in the total number of issued Shares of the Company between the Latest Practicable Date and the allotment and issue of the Consideration Shares).

The Issue Price was determined at an arm's length basis between the Company and Mr. Shum and was arrived at a 7.00% discount to the average closing price of approximately HK$3.777 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to the date of the Sale and Purchase Agreement.

4.5 Conditions precedent

Completion is conditional upon the fulfilment or, where applicable, waiver of the following conditions:

(a) the Reorganisation having been completed pursuant to the Sale and Purchase Agreement;

(b) the relevant transactions under the Sale and Purchase Agreement, including but not limited to, the issue of the Consideration Shares, having been approved by the Independent Shareholders at the EGM in accordance with the requirements of the Listing Rules;

(c) the approval for the listing of, and permission to deal in, the Consideration Shares by the Stock Exchange having been obtained by the Company, and such approval not having been revoked or withdrawn prior to the date of Completion;

(d) all necessary consents, if any, from any relevant governmental or regulatory authorities or other relevant third parties in connection with the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained; and

(e) the Company having been satisfied with the due diligence results of the Target Group in all respects.

As at the Latest Practicable Date, condition precedent (a) of the conditions precedent set out above has been fulfilled. If any of the other conditions set out above has not been satisfied or waived by the Company (other than conditions (b) and (c) which may not be waived) on or before 31 July 2019 or such other date as the parties may agree, the Sale and Purchase Agreement will be terminated unless the parties otherwise agree.

4.6 Reorganisation

As stated in the letter from the Board and pursuant to the Reorganisation under the Sale and Purchase Agreement, upon completion of the Reorganisation, save for two of the PRC operating companies which do not form part of the Acquisition and will not be included in the Target Group, equity interests in the Property Development Projects shall be wholly and ultimately owned by the Target Company. The Target Group will comprise, among others, the Target Company as the investment holding company and the PRC operating companies conducting property development business in Anhui Province, the PRC. The Target Group will be consolidated into the Group.

After completion of the Reorganisation, the Target Group will include Property Development Projects located in the municipalities of Hefei, Maanshan and Bengbu of Anhui Province, the PRC, mainly consisting of large-scale residential complex projects and integrated commercial complex projects, as well as apartments, offices, shopping arcades, hotels and other supporting facilities.

Please refer to the paragraphs headed "Reorganisation" in the letter from the Board in the Circular for more details regarding the Reorganisation and a chart showing the corporate and shareholding structure of the Target Group immediately after the completion of the Reorganisation.

4.7 Completion

Completion shall take place on the fifth Business Day after the day on which the conditions precedent of the Sale and Purchase Agreement have been satisfied or waived or such other day as the parties may agree.

5. Evaluation of the Consideration

The Initial Consideration of RMB4,155,168,787 was determined having taken into account of, among other factors, (i) the appraised value of the Property Development Projects based on the ownership percentage held by the Target Group as at 30 April 2019 in the amount of RMB12,186,600,000 (equivalent to approximately HK$14,197,389,000) appraised by an independent property valuer engaged by the Company; (ii) the audited net asset value attributable to the owners of the Combined Group as at 31 December 2018; (iii) a 8.00% discount on Adjusted NAV (as defined below); and (iv) the amount of deferred PRC taxes. Set out below is the detailed calculation of the Initial Consideration as reproduced from the letter from the Board:

	RMB
Appreciated value of the Property Development Projects as at 30 April 2019 based on the Valuation and ownership percentage of the Property Development Projects by the Target Group *(Note 1, 2)*	5,413,988,300 (equivalent to approximately HK$6,307,296,370)

	RMB
Add:	
Audited net asset value attributable to the owners of the Combined Group as at 31 December 2018 *(as set out in Appendix IIA to the Circular) (Note 3)*	1,207,763,000 (equivalent to approximately HK$1,407,043,895)
Less:	
Deferred PRC taxes *(Note 4)*	1,353,497,075 (equivalent to approximately HK$1,576,824,093)
Less:	
Payout of the retained profit of the Combined Group as of 31 December 2018 declared and distributed as dividend prior to Completion *(Note 5)*	751,766,413 (equivalent to approximately HK$875,807,871)
Equal to:	
Adjusted net asset value attributable to the owners of the Combined Group (the "**Adjusted NAV**")	4,516,487,812 (equivalent to approximately HK$5,261,708,301)
Less:	
8.00% discount to the Adjusted NAV *(Note 6)*	361,319,025 (equivalent to approximately HK$420,936,664)
Initial Consideration	4,155,168,787 (equivalent to approximately HK$4,840,771,637)

Notes:

1. The appreciated value of the Property Development Projects is the aggregated sum of the difference between (i) the book value of the Property Development Projects as set out in Appendix IIA to the Circular, and (ii) the market value of the Property Development Projects as at 30 April 2019, based on the respective ownership percentages of each of the Property Development Projects. Please refer to the letter from the Board for the detailed breakdown of the valuation and corresponding appreciated value of each project.

2. Please refer to the letter from the Board for the detailed reconciliation of the audited book value of the Property Development Projects based on the ownership percentage to the aggregate amount of investment properties and inventories of the Combined Group as reflected in the accountants' report as at 31 December 2018 under Appendix IIA to the Circular.

3. As set out in Appendix IIA to the Circular, the audited net asset value attributable to the owners of the Combined Group as at 31 December 2018 is RMB1,207,763,000.

4. Deferred PRC taxes are calculated based on the appreciated value of the Property Development Projects multiplied by the applicable tax rate of 25% in Anhui Province.

5. The Combined Group declared a Special Dividend amounting to RMB751,766,413 from its retained profits for the year ended 31 December 2018 to Zhejiang Jiayuan Real Estate Group Co., Ltd., being the substantial shareholder, as set out in Appendix IIA to the Circular and has been offset with the amount due from the above companies. The Company confirmed no further outflow of dividend for the year of 2018.

6. The 8.00% discount is determined after arm's length commercial negotiations among the Vendor and the Company with reference to the previous similar transactions, taking into account that (i) the profitability and the optimistic business prospects of the Target Company and (ii) the size of this transaction and consideration, the Board considered that an 8.00% discount imposed is fair and reasonable, and in the interest of the Group and Shareholders as a whole. The Vendor, as the controlling Shareholder, is willing to support the Company by offering a discount of 8.00% to the Adjusted NAV of the Combined Group.

Given that (i) as discussed in detail under the section headed "2.4 The valuation report", the Valuation reflects the latest fair value of the Properties held by the Target Group as at 30 April 2019; and (ii) the deferred taxes liability, which is calculated based on, according to the Management, the tax rate of 25% in Anhui Province applicable on the appreciated value of the Property Development Projects, represents the estimated tax payment to be materialised as and when the Properties are realised, we consider that the adjustments to net assets value attributable to owners of the Combined Group which is a property development company principally engaging in the development and sales of properties, with reference to revaluation surplus calculated based on the latest valuation of the Properties and the deferred taxes liability (collectively, the "**Adjustments Relating to Fair Value of Property Interests**") are the relevant types of adjustments and are customary and therefore are fair and reasonable.

The Initial Consideration represents a 8% discount to the Adjusted NAV. In this regard, we have identified in the public domain 11 transactions announced between 1 January 2019 and the Latest Practicable Date, involving (i) acquisitions of company(ies) holding mainly property(ies) or property development companies/projects by companies listed on the Stock Exchange; and (ii) consideration basis being with reference to net assets of the subject target company/group after adjusted with the latest valuation of the subject property(ies) (the "**Reassessed NAV**") or the latest independent valuation of the subject property(ies) conducted for the purpose of the transaction, and the amount of such Reassessed NAV or valuation are disclosed and provided in the respective announcement(s) and/ or circular(s) (see table below).

Announcement Date	Stock Code	Listed Company	Reassessed NAV/Independent Property Valuation (HK$) *(Note 1)*	Consideration (HK$) *(Note 1)*	(Discount) / Premium (%)
7-Jan-19	1800	China Communications Construction Company Limited	5,847,135	5,847,135	0.00%
8-Jan-19	379	China Ever Grand Financial Leasing Group Co., Ltd.	96,122,520 Note 2	90,000,000	(6.37%)
4-Feb-19	859	Zhongchang International Holdings Group Limited	301,742,000	299,100,000	(0.88%)
17-Feb-19	1026	Universal Technologies Holdings Limited	678,312,670	673,286,400	(0.74%)
28-Mar-19	683	Kerry Properties Limited	3,720,000,000	3,600,000,000	(3.23%)
29-Mar-19	1171	Yanzhou Coal Mining Company Limited	215,957,099	215,957,099	0.00%
29-Apr-19	175	Geely Automobile Holdings Limited	375,369,841	375,369,841	0.00%
19-May-19	2030	Cabbeen Fashion Limited	122,965,750	122,907,500	(0.05%)
21-May-19	95	LVGEM (China) Real Estate Investment Company Limited	8,300,000	8,000,000	(3.61%)
29-May-19	81	China Overseas Grand Oceans Group Ltd.	559,700,000	558,723,000	(0.17%)
5-Jun-19	576	Zhejiang Expressway Co., Ltd.	1,149,537,507	1,149,537,520	0.00%
			Average (Note 3)		**(2.15%)**
			Minimum		**(6.37%)**
			Maximum		**0.00%**

Source: Website of the Stock Exchange

Notes:

1. Figures presented are in HK$ or HK$ equivalent as stated in the relevant announcement/circular. If HK$ equivalent was not disclosed, a rate of RMB1:HK$1.165 is used.

2. Based on the announcement, the consideration is determined with reference to the target company valuation report and the fair value of the entire equity interest of the target company is RMB84.3 million (approximately HK$96.1 million). It was disclosed that the property interests held by the target company accounted for 93.93% of the fair value of the target company and as such a property valuation report was also considered. Based on the property valuation report, the market value of the property is RMB79.2 million (approximately HK$90.3 million). HK$90 million is the total consideration paid.

3. Average discount is calculated based on transactions with discounts applied.

As shown above, we noted that there were 4 transactions out of the total 11 transactions in which the consideration was equal to the Reassessed NAV or the latest independent valuation. The remaining transactions involved considerations that represented a discount to the Reassessed NAV or the latest independent valuation, and the discounts involved ranged between approximately 6.37% and 0.05% with an average of around 2.15%. As such, the discount represented by the Initial Consideration, which is 8.00%, to the Adjusted NAV is reasonable.

As disclosed in the section headed "2.3 Financial information of the Target Group", we were informed that the Adjusted NAV used in the calculation of the Initial Consideration have only taken into consideration the declaration of the Special Dividend, and has not taken into account all the financial effects resulting from the Reorganisation including but not limited to, the Disposal of Associates and certain financial effects relating to the settlement of consideration for the Acquisition of Subsidiaries, which are discussed in details in section headed "2.3 Financial Information of the Target Group" above. We understand that Completion is subject to completion of the Reorganisation which is a non-waivable condition. In light of this, we therefore consider the Adjusted NAV may or may not reflect the actual financial position of the Target Group and accordingly, the Initial Consideration may or may not represent the true value of the Target Group upon Completion and is for indicative purpose only. Against such backdrop, we shall mainly focus on assessing the fairness and reasonableness of the adjustment mechanism which is to be used for arriving at the Final Consideration for the Acquisition.

As discussed in details under section headed "4.3 Consideration adjustment mechanism" above and as understood from the Management, the Management Adjusted NAV should be calculated by adjusting the net asset value attributable to the owners of the Target Group as at 31 May 2019, being the date for which all steps of the Reorganisation were completed as disclosed in the letter form the Board (the "**Reorganisation Completion NAV**") with the Valuation and the relevant deferred PRC taxes liabilities. We also understand from the Management that all of the financial effects resulting from the Reorganisation will be accurately reflected and included in the Reorganisation Completion NAV which we consider a better representation of the actual financial position of the Target Group upon Completion. We further understand from the Management that the aforesaid Reorganisation Completion NAV will be based on management accounts prepared by a certified public accountant in accordance with the HKFRS and will be reviewed and approved by the audit committee before determining the Final Consideration. In this regard, we have identified in the public domain since 2018 not less than 6 transactions featuring a consideration adjustment mechanism in which the completion accounts thereunder, based on the relevant disclosures, were either based on unaudited accounts or accounts without specifying whether they were audited. As such, the use of management accounts for consideration adjustment mechanism purpose is not uncommon in the market.

Having considered that, (i) the Adjustments Relating to Fair Value of Property Interests, which will also be applied to the Reorganisation Completion NAV under the adjustment mechanism as discussed in the paragraph above, are considered relevant and customary for appraising the fair value of property companies like the Target Group; (ii) as stated in the letter from the Board discussed above, the Company has engaged a certified public accountant to prepare the unaudited consolidated management accounts in accordance with the HKFRS and the audit committee of the Company will review and approve the unaudited consolidated management accounts before determining the Final Consideration; (iii) as also disclosed in details under section headed "4.3 Consideration adjustment mechanism" above, the 8.00% discount will still be applied for calculating the Final Consideration under the adjustment mechanism, which is considered beneficial to the Company; and (iv) according to the terms of the Sale and Purchase Agreement, no adjustment will be made if the Management Adjusted NAV is equal to or more than the Adjusted NAV and the Finial Consideration shall not excess the Initial Consideration, we consider the basis for arriving at the Final Consideration to be fair and reasonable.

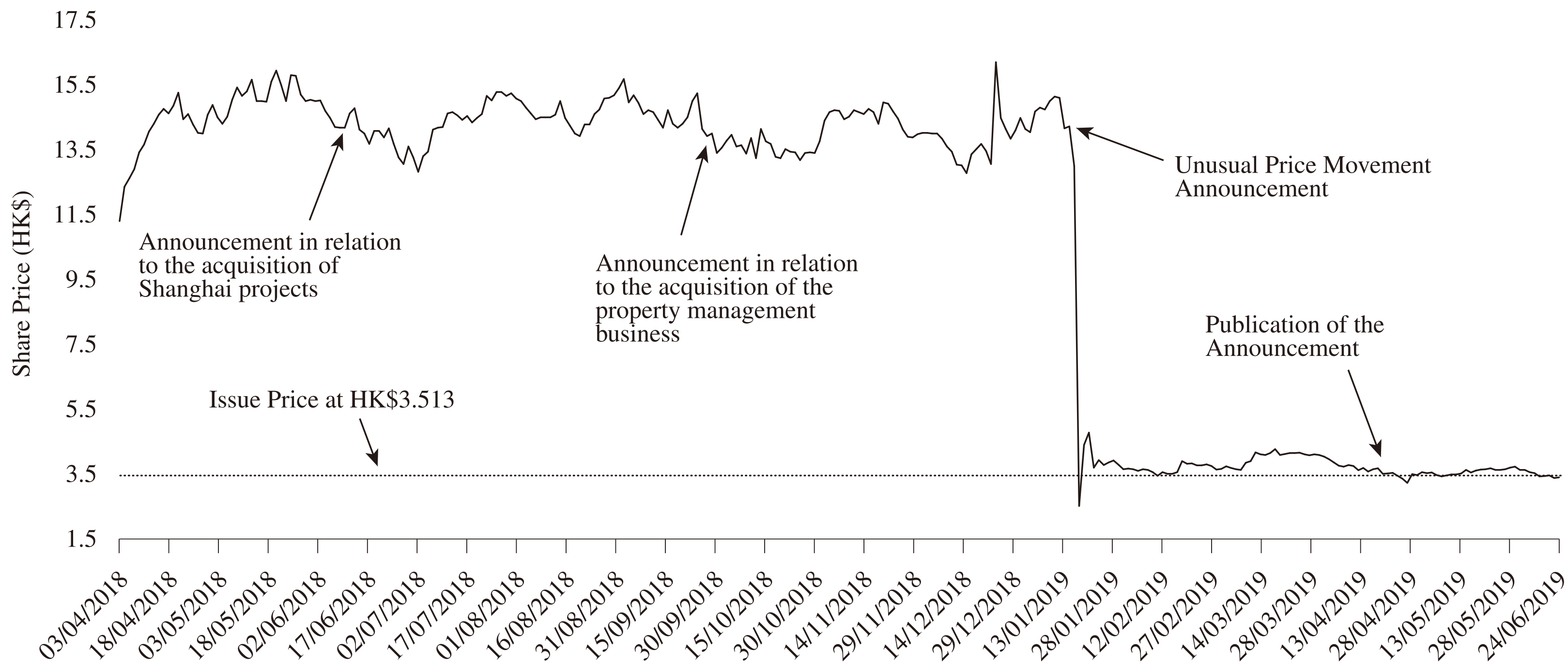
6. Evaluation of the Consideration Shares

6.1 Evaluation of the Issue Price

Pursuant to the Sale and Purchase Agreement, 1,377,959,475 Consideration Shares at the Issue Price of HK$3.513 each will be issued by the Company to settle the Consideration upon Completion.

(i) *Historical Share Performance*

Set out below is a chart reflecting movements in the closing prices of the Shares from 3 April 2018, being roughly twelve months before the date of the Sale and Purchase Agreement, up to and including the Latest Practicable Date, which represented a sufficient period of time to provide a general overview on the recent market performance of the Shares (the "**Review Period**").



Source: *Website of the Stock Exchange and Bloomberg*

From the chart above, the Shares price closed in a wide range between HK$2.52 and HK$16.20 per Share during the period from 3 April 2018 to 25 April 2019 (both dates inclusive), being approximately 12 months immediately before the publication of the announcement on 26 April 2019 in relation to the Acquisition and transactions contemplated thereunder (the "**Announcement**") (the "**Pre-Announcement Period**") with an average of approximately HK$11.83. The average Share closing price for the entire Review Period was approximately HK$10.76 per Share.

As shown in the chart above, the Shares closing price generally fluctuated within the range between HK$11.30 and HK$16.20 per Share with an average of approximately HK$14.32, during the period from 3 April 2018 up to 16 January 2019, being the last trading day immediately before the publication of the Unusual Price Movement Announcement (as defined below). Closing price of the Shares was in a general upward trend from HK$11.30 per Share on 3 April 2018 to around HK$15.94 each on 21 May 2018, and stabilised at price levels at or slightly above HK$15.00 each until 4 June 2018. On 5 June 2018 (after trading hours), the Company published the announcement in relation to the acquisition of Shanghai projects from Mr. Shum (the "**Shanghai Announcement**"). Subsequent to the publication of the Shanghai Announcement, the Company's Share price fell by approximately 1.5% from HK$14.70 as at 5 June 2018 (being the last trading day immediately before the publication of the Shanghai Announcement) to HK$14.48 on 6 June 2018. Closing price of the Shares dropped further in the next couple of trading days and closed at HK$12.82 each on 4 July 2018. Share closing price then showed a sign of recovery and since then and until 19 September 2018 fluctuated in the range between HK$13.30 and HK$15.68 per Share. On 20 September 2018 (before trading hours), the Company published an announcement in relation to the acquisition of property management projects from Mr. Shum. The Company's Share price gained approximately 3.4% and closed at HK$15.00 each on 20 September 2018 subsequent to the publication of such announcement prior to trading hours. The Share closing price then fluctuated between HK$12.78 and HK$16.20 between 21 September 2018 and 16 January 2019 and was HK$13.00 each on 16 January 2019.

As shown in the chart above, the Share closing price experienced a dramatic decline by approximately 80.6% from HK$13.00 per Share on 16 January 2019 to HK$2.52 each on 17 January 2019. The Company published an announcement in response to the Share price drop after market close on 17 January 2019 indicating that the Company noted the movements in its Share price and noted from certain financial media articles that the investment market may have concerns over a potential default in the repayment of its note which fell due on the same date (the "**Unusual Price Movement Announcement**"). The Company has clarified in the Unusual Price Movement Announcement that the Company has paid all the outstanding principal and interest payable upon the maturity of the said note and the business operation and financial condition of the Group is normal. Subsequent to the publication of the Unusual Price Movement and immediately prior to the publication of the Announcement (the "**Post-Incident Period**"), we note that the Company's Share price closed within a tight range of HK$3.45 and HK$4.78 with an average of around

HK$3.85 per Share. The closing price per Share increased by approximately 0.82% from HK$3.65 on 26 April 2019 to HK$3.68 on 29 April 2019 following the publication of the Announcement. Since then, the Share closing price fluctuated within a tight range between HK$3.23 and HK$3.73 per Share with an average Share closing price of around HK$3.53 each, for the period from the first trading day immediately following the publication of the Announcement up to and including the Latest Practicable Date (the "**Post-Announcement Period**").

As disclosed in the letter from the Board, the Issue Price of HK$3.513 per Consideration Share represents:

(a) a discount of approximately 3.76% to the closing price per Share of HK$3.65 as quoted on the Stock Exchange on 26 April 2019, being the date of the Sale and Purchase Agreement;

(b) a discount of approximately 4.65% to the average closing price per Share of HK$3.684 as quoted on the Stock Exchange for the last 5 consecutive trading days immediately preceding the date of the Sale and Purchase Agreement;

(c) a discount of approximately 7.00% to the average closing price per Share of HK$3.777 as quoted on the Stock Exchange for the last 10 consecutive trading days immediately preceding the date of the Sale and Purchase Agreement;

(d) a premium of approximately 3.32% over the closing price per Share of HK$3.40 as quoted on the Stock Exchange on the Latest Practicable Date; and

(e) a premium of approximately 0.37% over the equity attributable to owners of the Company per Share of approximately RMB3.00 (equivalent to approximately HK$3.50) as at 31 December 2018, based on the total number of issued Shares of 2,561,151,991 as at the Latest Practicable Date.

We note that the Issue Price represents a discount of around 70.30% as compared with the average closing price per Share for the Pre-Announcement Period of around HK$11.83. However, having taken into account that, as discussed in details above, the Share closing price dropped by over 80% upon the Incident and has been traded at around the current price levels for over 5 months since January 2019, and as at the Latest Practicable Date, there has not been sign of recovery in the Share price indicating an imminent rebound to the price levels before the Incident, we consider the average closing price per Share for longer period such as the Pre-Announcement Period which is predominantly attributable to the Share price performance prior to the Incident, less relevant for comparison purpose.

As shown above, the Issue Price represents discounts of no more than 7.00% to the near-term market price of the Shares. However, the Issue Price represents a discount of around 0.48% to the average Share closing price of HK$3.53 each for the Post-Incident Period and a premium of around 3.32% over the closing price per Share of HK$3.40 as at the Latest Practicable Date.

(ii) Comparison with recent issue of consideration shares

To further assess the fairness and reasonableness of the Issue Price, we have conducted a comparable analysis through identifying companies listed on the Main Board of the Stock Exchange (excluding companies under prolonged suspension or debt restructuring), which announced issues of consideration shares to vendors that are connected persons for acquisition(s) during the period from 1 December 2017 up to and including the Latest Practicable Date ("**Comparable Share Issues**"). We consider such list an exhaustive list of relevant comparable issues of consideration shares based on the said criteria above.

Despite the subject companies constituting the Comparable Share Issues may have different principal activities, market capitalisation, profitability and financial position as compared with those of the Company, and different reasons for their respective acquisitions and different reasons for issuing consideration shares for their transaction, we would still consider, in light of our selection criteria, capturing recent issue of consideration shares by listed companies to connected person(s) for acquiring assets/companies under similar market conditions and sentiments can provide us with a general reference on the recent market trend of this type of transaction in Hong Kong equity capital market. Based on the aforesaid, despite the large range of discount/premium represented by the respective issue price under the Comparable Share Issues, we regard the Comparable Share Issues meaningful and representative samples for assessing the fairness and reasonableness of the Issue Price.

Announcement Date	Stock Code	Listed Company	Issue Price *(HK$)*	Premium/(Discount) of the issue price over/to the closing price prior to/on last trading day *(%)*	Premium/(Discount) of the issue price over/to the average closing price over the last 5 consecutive trading days prior to/up to and including the last trading day *(%)*	Premium/(Discount) of the issue price over/to the average closing price over the last 10 consecutive trading days prior to/up to and including the last trading day *(%)*	Premium/(Discount) of the issue price over/to the average closing price over the last 30 consecutive trading days prior to/up to and including the last trading day *(%)*	Premium/(Discount) of the issue price over/to the average closing price over the last 60 consecutive trading days prior to/up to and including the last trading day *(%)*	Premium/(Discount) of the issue price over/to the average closing price over the last 90 consecutive trading days prior to/up to and including the last trading day *(%)*	Premium/(Discount) of the issue price over/to the average closing price over the last 180 consecutive trading days prior to/up to and including the last trading day *(%)*
4-Dec-17	445	CIMC-TianDa Holdings Company Limited (formerly known as China Fire Safety Enterprise Group Limited)	0.366	(20.43)	(16.82)	(16.82)	(14.88)	(16.82)	(17.19)	(12.69)
28-Dec-17	6828	Beijing Gas Blue Sky Holdings Limited	0.500	(1.96)	(4.94)	(4.76)	(3.29)	(3.85)	(4.58)	(8.42)
5-Jan-18	362	Xinyang Maojian Group Limited (formerly known as China Zenith Chemical Group Limited)	0.390	(10.34)	(2.01)	1.83	(10.55)	(15.58)	(9.51)	5.12
5-Jan-18	1177	Sino Biopharmaceutical Limited	12.730	(9.97)	(7.95)	(4.43)	6.88	18.01	29.81	53.74
18-Jan-18	1196	Realord Group Holdings Limited	4.738	(7.82)	(7.46)	(8.74)	(9.49)	(11.59)	(4.38)	3.71

Announcement Date	Stock Code	Listed Company	Issue Price *(HK$)*	Premium/(Discount) of the issue price over/to the closing price prior to/on last trading day *(%)*	Premium/(Discount) of the issue price over/to the average closing price over the last 5 consecutive trading days prior to/up to and including the last trading day *(%)*	Premium/(Discount) of the issue price over/to the average closing price over the last 10 consecutive trading days prior to/up to and including the last trading day *(%)*	Premium/(Discount) of the issue price over/to the average closing price over the last 30 consecutive trading days prior to/up to and including the last trading day *(%)*	Premium/(Discount) of the issue price over/to the average closing price over the last 60 consecutive trading days prior to/up to and including the last trading day *(%)*	Premium/(Discount) of the issue price over/to the average closing price over the last 90 consecutive trading days prior to/up to and including the last trading day *(%)*	Premium/(Discount) of the issue price over/to the average closing price over the last 180 consecutive trading days prior to/up to and including the last trading day *(%)*
23-Jan-18	1312	Tongfang Kontafarma Holdings Limited	0.500	–	–	(0.60)	(3.66)	(8.59)	(11.19)	(7.75)
14-Feb-18	1717	Ausnutria Dairy Corporation Ltd.	5.000	3.31	3.52	1.83	4.38	7.76	4.17	19.16
28-Mar-18	1341	Hao Tian International Construction Investment Group Limited	0.400	17.65	15.61	24.61	35.21	36.52	35.31	35.24
9-May-18	596	Inspur International Limited	2.650	(2.93)	(2.21)	(0.75)	2.71	7.29	10.42	16.23
30-May-18	108	GR Properties Limited	0.800	2.56	(2.44)	(5.88)	(5.88)	(11.11)	(15.79)	(24.53)
5-Jun-18	2768	Jiayuan International Group Limited	14.180	(3.54)	(5.79)	(7.49)	(5.43)	7.59	24.80	61.23

Announcement Date	Stock Code	Listed Company	Issue Price *(HK$)*	Premium/(Discount) of the issue price over/to the closing price prior to/on last trading day *(%)*	Premium/(Discount) of the issue price over/to the average closing price over the last 5 consecutive trading days prior to/up to and including the last trading day *(%)*	Premium/(Discount) of the issue price over/to the average closing price over the last 10 consecutive trading days prior to/up to and including the last trading day *(%)*	Premium/(Discount) of the issue price over/to the average closing price over the last 30 consecutive trading days prior to/up to and including the last trading day *(%)*	Premium/(Discount) of the issue price over/to the average closing price over the last 60 consecutive trading days prior to/up to and including the last trading day *(%)*	Premium/(Discount) of the issue price over/to the average closing price over the last 90 consecutive trading days prior to/up to and including the last trading day *(%)*	Premium/(Discount) of the issue price over/to the average closing price over the last 180 consecutive trading days prior to/up to and including the last trading day *(%)*
25-Jun-18	2688	ENN Energy Holdings Limited	80.000	(1.23)	4.49	3.33	2.96	7.79	14.16	26.54
5-Jul-18	164	China Baoli Technologies Holdings Limited	0.057	(22.58)	(15.00)	(18.39)	(27.94)	(43.94)	(51.08)	(54.13)
30-Jul-18	1328	International Elite Ltd.	0.119	(33.30)	(23.00)	(18.80)	(12.90)	(16.72)	(18.92)	(22.37)
13-Aug-18	772	China Literature Limited	80.000	19.40	19.49	21.08	13.68	11.43	13.43	4.93
28-Aug-18	698	Tongda Group Holdings Limited	1.600	30.08	22.89	21.67	7.82	(0.19)	(3.89)	(8.68)
19-Sep-18	2768	Jiayuan International Group Limited	13.730	(5.31)	(4.25)	(5.31)	(6.22)	(5.34)	(5.86)	11.31
21-Sep-18	910	China Sandi Holdings Limited	0.412	(9.45)	(9.85)	(9.75)	(8.65)	(8.65)	(9.52)	(6.07)

Announcement Date	Stock Code	Listed Company	Issue Price (HK$)	Premium/(Discount) of the issue price over/to the closing price prior to/on last trading day (%)	Premium/(Discount) of the issue price over/to the average closing price over the last 5 consecutive trading days prior to/up to and including the last trading day (%)	Premium/(Discount) of the issue price over/to the average closing price over the last 10 consecutive trading days prior to/up to and including the last trading day (%)	Premium/(Discount) of the issue price over/to the average closing price over the last 30 consecutive trading days prior to/up to and including the last trading day (%)	Premium/(Discount) of the issue price over/to the average closing price over the last 60 consecutive trading days prior to/up to and including the last trading day (%)	Premium/(Discount) of the issue price over/to the average closing price over the last 90 consecutive trading days prior to/up to and including the last trading day (%)	Premium/(Discount) of the issue price over/to the average closing price over the last 180 consecutive trading days prior to/up to and including the last trading day (%)
1-Nov-18	697	Shougang Concord International Enterprises Company Limited	0.250	42.05	45.86	46.11	38.73	33.82	31.38	20.97
1-Nov-18	3608	Yongsheng Advanced Materials Company Limited	2.480	–	0.81	3.33	1.22	–	(3.88)	4.20
7-Nov-18	6878	Differ Group Holding Company Limited	0.550	3.77	5.77	5.97	3.58	0.18	(3.17)	(3.17)
29-Nov-18	1933	OneForce Holdings Limited	0.680	21.43	21.86	22.08	28.99	15.14	4.93	(13.01)
17-Dec-18	1341	Hao Tian International Construction Investment Group Limited	0.360	–	(1.37)	1.12	16.50	31.39	39.53	47.54

Announcement Date	Stock Code	Listed Company	Issue Price *(HK$)*	Premium/(Discount) of the issue price over/to the closing price prior to/on last trading day *(%)*	Premium/(Discount) of the issue price over/to the average closing price over the last 5 consecutive trading days prior to/up to and including the last trading day *(%)*	Premium/(Discount) of the issue price over/to the average closing price over the last 10 consecutive trading days prior to/up to and including the last trading day *(%)*	Premium/(Discount) of the issue price over/to the average closing price over the last 30 consecutive trading days prior to/up to and including the last trading day *(%)*	Premium/(Discount) of the issue price over/to the average closing price over the last 60 consecutive trading days prior to/up to and including the last trading day *(%)*	Premium/(Discount) of the issue price over/to the average closing price over the last 90 consecutive trading days prior to/up to and including the last trading day *(%)*	Premium/(Discount) of the issue price over/to the average closing price over the last 180 consecutive trading days prior to/up to and including the last trading day *(%)*
21-Dec-18	1432	China Shengmu Organic Milk Limited	0.330	10.00	(0.60)	(0.90)	0.92	(4.26)	(5.17)	(48.71)
31-Dec-18	1632	Minshang Creative Technology Holdings Limited	1.100	(9.09)	5.36	5.47	(13.57)	(36.03)	(43.16)	(40.36)
27-Feb-19	123	Yuexiu Property Company Limited	2.000	20.48	23.00	25.39	29.00	34.56	40.27	39.00
3-Mar-19	526	Lisi Group (Holdings) Limited	1.000	14.94	17.92	15.87	12.32	8.62	6.93	5.75
25-Mar-19	3709	Koradior Holdings Limited	9.500	2.15	3.22	2.48	0.73	(0.23)	(0.88)	(0.97)

Announcement Date	Stock Code	Listed Company	Issue Price *(HK$)*	Premium/(Discount) of the issue price over/to the closing price prior to/on last trading day *(%)*	Premium/(Discount) of the issue price over/to the average closing price over the last 5 consecutive trading days prior to/up to and including the last trading day *(%)*	Premium/(Discount) of the issue price over/to the average closing price over the last 10 consecutive trading days prior to/up to and including the last trading day *(%)*	Premium/(Discount) of the issue price over/to the average closing price over the last 30 consecutive trading days prior to/up to and including the last trading day *(%)*	Premium/(Discount) of the issue price over/to the average closing price over the last 60 consecutive trading days prior to/up to and including the last trading day *(%)*	Premium/(Discount) of the issue price over/to the average closing price over the last 90 consecutive trading days prior to/up to and including the last trading day *(%)*	Premium/(Discount) of the issue price over/to the average closing price over the last 180 consecutive trading days prior to/up to and including the last trading day *(%)*
2-Apr-19	1022	Feiyu Technology International Company Ltd.	0.350	18.64	4.48	3.24	(2.28)	(0.94)	0.82	(13.18)
12-Apr-19	456	New City Development Group Limited	0.818	(12.04)	(10.31)	(10.11)	(12.54)	(11.23)	(12.06)	(7.95)
			Average	**1.88**	**2.68**	**3.09**	**2.28**	**0.83**	**1.19**	**2.76**
			Minimum	**(33.30)**	**(23.00)**	**(18.80)**	**(27.94)**	**(43.94)**	**(51.08)**	**(54.13)**
			Maximum	**42.05**	**45.86**	**46.11**	**38.73**	**36.52**	**40.27**	**61.23**
The Consideration Shares			**3.513**	**(3.76)**	**(4.65)**	**(7.00)**	**(10.75)**	**(8.24)**	**(51.42)**	**(60.84)**

Source: Website of the Stock Exchange and Bloomberg

Though the Issue Price represents discounts as compared to the average premiums of those under the Comparable Share Issues for all of the periods as illustrated in our table above, however, having considered (i) the discounts represented by the Issue Price being within the respective range of the premium/discount derived from the Comparable Share Issues for the closing price prior to/on the last trading date, the last 5, 10, 30 and 60 consecutive trading days prior to/on the last trading date; (ii) that, as discussed in section headed "6.1 Evaluation of the issue Price – (i) Historical Share Performance" above, we consider the average closing price per Share for longer period such as the Pre-Announcement Period which is predominantly attributable to the Share price performance prior to the Incident, less relevant for comparison purpose and accordingly, the discounts represented by the Issue Price to the average closing price over the last 90 and 180 consecutive trading days prior to/on the last trading day being out of the range of the discount/premium of those under the Comparable Share Issue are also less relevant for comparison purpose; (iii) as discussed in section headed "5. Evaluation of the Consideration", the 8.00% discount applied to the Adjusted NAV (or the Management Adjusted NAV) for calculating the consideration for the Acquisition; (iv) the fact that the Issue Price is above the NAV attributable to owners of the Company per Share of approximately RMB3.00 (equivalent to approximately HK$3.50) as at 31 December 2018, based on the total number of issued Shares of 2,561,151,991 as at the Latest Practicable Date; and (iv) the reasons for and benefits of entering into the Transactions as discussed under the section "3. Reasons for and benefits of the Sale and Purchase Agreement" above, we are of the view that the Issue Price is fair and reasonable and is in line with the market.

6.2 Effect on the shareholding structure of the Company

As disclosed in the Circular, the shareholding structure of the Company (i) as at the Latest Practicable Date and (ii) immediately after the Completion and the allotment and issue of the Consideration Shares in full as contemplated under the Sale and Purchase Agreement:

Shareholders	**As at the Latest Practicable Date**		**Immediately after Completion and the allotment and issue of the Consideration Shares in full**[(2)(5)]	
	Number of Shares	*approximately %* [(3)]	*Number of Shares*	*approximately %*[(3)]
Mr. Shum and his associate(s)[(4)]	1,353,851,249[(1)]	52.86	2,731,810,724	69.35
Public Shareholders	1,207,300,742	47.14	1,207,300,742	30.65
Total	2,561,151,991	100.00	3,939,111,466	100.00

Notes:

1. 1,334,284,849 *Shares are held by Mingyuan Investment, which is 100% owned by Mr. Shum, and 19,566,400 Shares are held by Mr. Shum in his personal capacity as a beneficial owner.*

2. The figures above assume that other than the Consideration Shares, no further Shares are issued or repurchased by the Company, and no Shares are sold or purchased by Mr. Shum or his associate(s), in each case on or after the Last Trading Date and up to the date the allotment and issue of the Consideration Shares.

3. The percentage figures included in this table are subject to rounding adjustment.

4. On 26 April 2019, the Company entered into a Sale and Purchase Agreement with Mr. Shum, pursuant to which the Company has conditionally agreed to acquire and Mr. Shum has conditionally agreed to sell the entire issued share capital of the Target Company, at the Initial Consideration of RMB4,155,168,787 (equivalent to approximately HK$4,840,771,637) (subject to adjustment), which will be settled by the allotment and issue of the 1,377,959,475 Consideration Shares by the Company to Mr. Shum or his nominee(s).

5. The allotment and issue of the Consideration Shares will not result in change in control of the Company.

As shown in the table above and assuming the completion of the Sale and Purchase Agreement, including the issuance of the Consideration Shares, the shareholding in the Company held by the public Shareholders will be diluted and reduced by approximately 16.49% from 47.14% to 30.65%.

Although the shareholding interest of the existing public Shareholders will be diluted, considering (i) the benefits of the Acquisition as discussed under the section under "3. Reasons for and benefits of the Sale and Purchase Agreement" above; and (ii) the terms of the Sale and Purchase Agreement, including the Consideration and the Issue Price, being fair and reasonable as discussed under sections headed "5. Evaluation of the Consideration" and "6. Evaluation of the Consideration Shares" above, we are of the view that the dilution effect on the shareholding of existing public Shareholders in the Company is acceptable.

7. Financial effects

Earnings

Upon the Completion, each of the Target Group companies will become a wholly-owned subsidiary of the Group and the financial result of the Target Group will be consolidated into the consolidated financial statements of the Group. Given the profitability of the Target Group historically, it is expected that the Group's earnings would be enhanced following the Acquisition.

Asset and liabilities

Based on the annual report of the Group for the year ended 31 December 2018, as at 31 December 2018, the Group had total assets, total liabilities and net assets of approximately RMB46,747.4 million, RMB37,804.3 million and RMB8,943.0 million, respectively. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to the Circular, if the Acquisition had been completed on 31 December 2018, the net assets of the Enlarged Group would have increased to approximately RMB10,061.4 million, and the total assets and total liabilities of the Enlarged Group would have increased to approximately RMB60,581.8 million and approximately RMB50,520.4 million respectively as a result of, among other things, properties, as well as the pre-sales deposits received of around RMB7,000.4 million and total bank and other borrowings of approximately RMB2,225.8 million of the Target Group, being acquired pursuant to the Acquisition.

We noted from note 7 to the pro forma financial information of the Enlarged Group as set out in Appendix III to the Circular, and as discussed in section headed "2.3 Financial information of the Target Group" above, that in February 2019, the Target Group declared the Special Dividend amounting to RMB794,025,000 from its retained profits for the year ended 31 December 2018, and in which Zhejiang Jiayuan was entitled to around RMB751,766,000. It is also stated in note 7 to the pro forma financial information of the Enlarged Group in Appendix III that, had the Special Dividend been taken into account, assuming the Acquisition was completed on 31 December 2018, the unaudited pro forma net assets of the Enlarged Group would have been RMB9,267,343,000. Based on the letter from the Board, we understand that the Special Dividend in the amount of around RMB751,766,000 payable to Zhejiang Jiayuan had been settled by offsetting against the amount due from Zhejiang Jiayuan and as such, no cash outflow of the Target Group had been resulted from the payment of such dividend to Zhejiang Jiayuan.

Working capital

Since the Consideration will be satisfied fully by the allotment and issue of Consideration Shares, save for the costs related to the Acquisition, the Acquisition would not result in other cash outflow and therefore would not have material adverse effect on the working capital of the Enlarged Group immediately upon completion of the Acquisition. It is also stated under the section headed "Working Capital" in Appendix I to the Circular that the Directors, after taking into account the financial resources available including the existing banking facilities of the Enlarged Group, internally generated funds and the effect of the Acquisition, are of the opinion that the Enlarged Group has sufficient working capital for its present requirements and for at least 12 months following the date of this Circular in the absence of any unforeseeable circumstances. In this regard, we have requested from the Company the working capital forecast of the Enlarged Group for the period from June 2019 up to and until June 2020 and according to the forecast, the Enlarged Group is expected to have sufficient working capital for at least the coming 12 months taken into account the completion of the Acquisition.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position/results of the Group will be upon completion of the Acquisition and the issue of the Consideration Shares pursuant to the Acquisition.

8. Discussion

Having considered, in particular:

(i) the reasons for entering into the Sale and Purchase Agreement and transactions being in line with the Group's business focus as discussed in detail in section headed "3. Reasons for and benefits of the Sale and Purchase Agreement" above;

(ii) the Initial Consideration and the Final Consideration, respectively, representing a discount of approximately 8.0% to the Adjusted NAV and the Management Adjusted NAV as detailed in section headed "5. Evaluation of the Consideration" above;

(iii) as discussed in sections headed "4.3 Consideration adjustment mechanism" and "5. Evaluation of the Consideration" above, the Consideration adjustment mechanism being considered appropriate to ensure that the Final Consideration is calculated based on the net assets value attributable to owners of the Target Group as at 31 May 2019 after taking into account, among others, all the financial effects resulting from the Reorganisation, which is considered a better representation of the financial position of the Target Group;

(iv) the Issue Price is considered generally in line with the market when compared with the Comparable Share Issues and is comparable to the NAV attributable to owners of the Company per Share as at 31 December 2018 as discussed in section headed "6.1 Evaluation of the Issue Price" above;

(v) the dilution factor, as detailed in section headed "6.2 Effect on the shareholding structure of the Company" above, being considered acceptable so far as the Company and the Independent Shareholders are concerned; and

(vi) as discussed in detail in section headed "7. Financial effects" above, no material adverse effect on the financial position and profitability of the Group being expected immediately upon Completion,

we are of the view that the terms of the Transactions are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

RECOMMENDATION

Having considered of the above principal factors and reasons, we consider that, though the Acquisition is not in the ordinary and usual course of the business of the Company, terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. We therefore advise that the Independent Shareholders, and the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Lyan Tam
Director

Ms. Lyan Tam is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Somerley to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and has over 17 years of experience in corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

The annual reports of the Group for the three years ended 31 December 2016, 2017 and 2018 are disclosed in the following documents which have been published on the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.jiayuanintl.com), and can be accessed by the direct hyperlinks below:

(1) annual report of the Company for the year ended 31 December 2016 published on 7 April 2017 (pages 52 to 152):
http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0407/LTN20170407083.pdf

(2) annual report of the Company for the year ended 31 December 2017 published on 16 April 2018 (pages 60 to 164):
http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0416/LTN201804161153.pdf

(3) annual report of the Company for the year ended 31 December 2018 published on 29 April 2019 (pages 76 to 208):
http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0429/LTN201904292447.pdf

2. WORKING CAPITAL

The Directors, after taking into account the financial resources available including the existing banking facilities of the Enlarged Group, internally generated funds and the effect of the Acquisition, are of the opinion that the Enlarged Group has sufficient working capital for its present requirements and for at least 12 months following the date of this circular in the absence of any unforeseeable circumstances.

3. INDEBTEDNESS

Borrowings

As at the close of business on 30 April 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the publication of this circular, the Enlarged Group had total indebtedness is set out below:

	RMB'000
Bank loans, secured, guaranteed	6,116,285
Bank loans, secured, unguaranteed	373,839
Trust loans, secured, guaranteed	4,877,450
Trust loans, secured, unguaranteed	340,800
Senior notes, secured, guaranteed	4,112,071
Other loans, secured, guaranteed	1,817,801
Other loans, secured, unguaranteed	95,000
Other loans, unsecured, guaranteed	23,754
Other loans, unsecured, unguaranteed	98,911
Amounts due to non-controlling interests unsecured, unguaranteed	694,921
Amounts due to related parties, unsecured, unguaranteed	764,561
	19,315,393

The aforesaid secured borrowings of approximately RMB17,733 million were secured by the Enlarged Group's investment properties, property and equipment, insurance policy, properties under development, properties held for sales, shares of subsidiaries and pledged bank deposits as at 30 April 2019.

As at 30 April 2019, the Enlarged Group had outstanding lease payments under lease liabilities of approximately RMB1 million, which was the undiscounted amount after taking into account all assessments under Hong Kong Financial Reporting Standard 16 "Leases".

As at 30 April 2019, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had outstanding guarantees of approximately RMB12,245 million to banks in favour of its customers in respect of the mortgage loans provided by the banks to these customers for the purpose of the Enlarged Group's properties under development. Save as disclosed above and apart from intra-group liabilities within the Group and the Target Group and normal trade business, the Group and the Target Group did not have, at the close of business on 30 April 2019, any other debt securities issued and outstanding or agreed to be issued, bank borrowings, other borrowings and indebtedness, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchases commitments, finance lease obligation, mortgages and charges, guarantees or material contingent liabilities.

Contingent liabilities

As at the close of business on 30 April 2019, the Enlarged Group had mortgage guarantees of RMB12,245 million. The Group provided guarantees in respect of mortgage bank loans granted to purchasers of the Group's properties. Guarantees are given to banks with respect of loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon the purchaser obtaining the relevant building ownership certificate and completion of the relevant mortgage registration.

Save as disclosed above and apart from intra-group liabilities and normal trade payables, at the close of business on 30 April 2019, the Enlarged Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position or prospects of the Group since 31 December 2018, being the date to which the latest published financial statements of the Company were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In 2019, the Group expects that the government will continue to implement differentiating control policies and speed up the establishment of a long-term mechanism for the real estate market to promote its steady and healthy development. However, the county and township dwellers have an ongoing desire to improve their living conditions since urbanisation is far from over. To embrace the challenges and opportunities brought by the change of the market, the Group will continue to strictly implement prudent financial policies and risk control measures, ensure construction quality and labour safety, strengthen its contracted sales and cash collection and apply strict cost control to strengthen operating cash flows and ensure investment returns.

In addition, the Group will continue to replenish its premium land bank by adopting pragmatic strategies for land acquisition, optimize the strategic layout of various key regions, and develop competitive premium properties to suit the different urbanisation stages of the PRC with a view to meet market preference in different regions. Going forward, while maintaining healthy development, the Group will make flexible adjustments according to market conditions, seek to achieve continuously high-quality and well-coordinated development for overall uplift of profitability, so as to maximise value for its shareholders.

6. MATERIAL ACQUISITION AFTER THE DATE OF THE LATEST PUBLISHED AUDITED ACCOUNTS

A sale and purchase agreement (as subsequently amended and supplemented) dated 19 September 2018 was entered into between the Company as the purchaser and Mr. Shum as the vendor, pursuant to which the Company has conditionally agreed to acquire and Mr. Shum has conditionally agreed to sell the entire issued share capital of Chuangyuan Holdings Limited, (創源控股有限公司) at a consideration of HK$688,974,000. The Independent Shareholder's approval for the acquisition was obtained on 15 January 2019.

Save as disclosed above, since 31 December 2018 (the date which the latest published audited consolidated financial statements of the Group have been made up), no member of the Group has acquired or agreed to acquired or is proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditor's report or next published audited consolidated financial statements of the Group.

The following is the text of a report set out on pages IIA-1 to IIA-92, received from the Target Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this investment circular.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF HUIYUAN INVESTMENT HOLDINGS LIMITED TO DIRECTORS OF JIAYUAN INTERNATIONAL GROUP LIMITED

Introduction

We report on the historical financial information of Huiyuan Investment Holdings Limited (the "**Target Company**") and its subsidiaries (together, the "**Combined Group**") set out on pages IIA-3 to IIA-92, which comprises the combined statements of financial position as at 31 December 2016, 2017 and 2018, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the three years ended 31 December 2018 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages IIA-3 to IIA-92 forms an integral part of this report, which has been prepared for inclusion in the investment circular of Jiayuan International Group Limited (the "**Company**") dated 25 June 2019 (the "**Circular**") in connection with the proposed major acquisition of the entire issued capital of the Target Company.

Sole Director's responsibility for the Historical Financial Information

The sole director of the Target Company is responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the sole director of the Target Company determines is necessary to enable the preparation of 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 the Circular in which the Historical Financial Information is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Combined Group's financial position as at 31 December 2016, 2017 and 2018 and of the Combined Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

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

Adjustments

The Historical Financial Information is stated after making such adjustments to the Underlying Financial Statements as defined on page IIA-3 as were considered necessary.

Dividends

We refer to note 14 to the Historical Financial Information which states that no dividends have been paid or declared by the Target Company and its subsidiaries in respect of the Relevant Periods.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

25 June 2019

HISTORICAL FINANCIAL INFORMATION OF THE COMBINED GROUP

Preparation of Historical Financial Information

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

The Historical Financial Information in this report was prepared based on the financial statements of Anhui Jiayuan Real Estate Group Co., Ltd. ("**Anhui Group**") (安徽佳源房地產集團有限公司), financial statements of Bengbu Mingyuan Real Estate Development Company Limited ("**Bengbu Mingyuan**") (蚌埠明源房地產開發有限公司) and financial statements of Lujiangxian Real Estate Development Company Limited ("**Lujiang Jiayuan**") (廬江縣佳源房地產開發有限公司) for the Relevant Periods prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (collectively the "**Underlying Financial Statements**").

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

HISTORICAL FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2016	**2017**	**2018**
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*6 & 7*	2,132,272	2,291,067	2,749,595
Cost of sales		(1,752,712)	(1,761,322)	(1,659,788)
Gross profit		379,560	529,745	1,089,807
Other income	*8*	554	10,472	10,412
Other gains and losses	*8*	(14,411)	78,761	462
Change in fair value of investment properties		87,066	1,111	10,894
Impairment allowances on expected credit losses on financial assets		–	–	(11,991)
Distribution and selling expenses		(29,939)	(72,770)	(56,690)
Administrative expenses		(55,942)	(105,178)	(103,670)
Finance costs	*9*	(3,756)	(43,666)	(85,276)
Share of results of a joint venture		(2,574)	(6,490)	38,964
Share of results of associates		(1,896)	(15,651)	46,392
Profit before taxation		358,662	376,334	939,304
Income tax expense	*10*	(114,072)	(246,778)	(525,218)
Profit and total comprehensive income for the year	*12*	244,590	129,556	414,086
Profit and total comprehensive income for the year attributable to:				
– Owners of Target Company		242,564	152,695	373,737
– Non-controlling interests		2,026	(23,139)	40,349
		244,590	129,556	414,086

COMBINED STATEMENTS OF FINANCIAL POSITION

	NOTES	2016 RMB'000	2017 RMB'000	2018 RMB'000
Non-current assets				
Property and equipment	15	9,429	9,719	12,448
Investment properties	16	455,000	683,200	1,572,900
Interests in associates	17	62,133	127,482	173,874
Interest in a joint venture	18	7,426	936	39,900
Available-for-sale ("**AFS**") investment	19	140,505	–	–
Deferred tax assets	20	1,162	6,108	111,112
Deposits for trust financing arrangement	22	62,315	53,124	3,909
Pledged bank deposits	23	358,000	500,465	–
		1,095,970	1,381,034	1,914,143
Current assets				
Inventories of properties	21	5,599,657	5,263,538	5,961,668
Trade and other receivables	22	359,213	507,640	625,871
Amounts due from related parties	35	47,643	52,743	12,008
Amount due from an associate	35	–	278,466	72,732
Amount due from a joint venture	35	23,981	–	–
Amounts due from non-controlling interests	35	67,000	117,000	281,990
Amount due from immediate holding company	35	1,602,371	4,221,062	3,544,146
Amount due from an intermediate holding company	35	–	–	247,300
Prepaid income tax		114,259	115,937	138,126
Restricted/pledged bank deposits	23	78,873	504,764	674,700
Bank balances and cash	23	599,508	521,396	659,562
		8,492,505	11,582,546	12,218,103

	NOTES	2016 RMB'000	2017 RMB'000	2018 RMB'000
Current liabilities				
Trade and other payables	24	790,997	1,320,659	1,667,175
Pre-sale deposits received	25	3,203,797	4,792,353	7,000,405
Amounts due to related parties	35	81,353	55,782	79,490
Amount due to an associate	35	–	–	76,000
Amount due to a joint venture	35	–	165,800	165,800
Amounts due to non-controlling interests	35	363,360	17,749	44,442
Amount due to an intermediate holding company	35	305,094	2,316,846	616,475
Tax payable		49,194	179,086	611,910
Bank and other borrowings	26	2,746,100	1,371,000	2,211,700
		7,539,895	10,219,275	12,473,397
Net current assets (liabilities)		952,610	1,363,271	(255,294)
Total assets less current liabilities		2,048,580	2,744,305	1,658,849
Capital and reserves				
Paid-in capital/share capital	27	183,250	183,250	283,250
Reserves		482,128	634,823	924,513
Equity attributable to owners of the Target Company		665,378	818,073	1,207,763
Non-controlling interests		109,740	131,601	206,366
Total equity		775,118	949,674	1,414,129
Non-current liabilities				
Bank and other borrowings	26	1,231,000	1,790,000	14,100
Deferred tax liabilities	20	42,462	4,631	4,120
Provision	28	–	–	226,500
		1,273,462	1,794,631	244,720
		2,048,580	2,744,305	1,658,849

COMBINED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE YEARS ENDED 31 DECEMBER 2018

	Attributable to owners of the Target Company							
	Paid-in capital/ Share capital *RMB'000*	Other reserve *RMB'000* *(Note b)*	Special reserve *RMB'000*	Statutory surplus reserve *RMB'000* *(Note a)*	Retained profits *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2016	141,250	–	149,500	13,118	126,446	430,314	8,964	439,278
Profit and total comprehensive income for the year	–	–	–	–	242,564	242,564	2,026	244,590
Capital injection from immediate holding company	42,000	–	–	–	–	42,000	–	42,000
Acquisition of a subsidiary under common control *(Note c)*	–	–	(49,500)	–	–	(49,500)	–	(49,500)
Acquisition of subsidiaries *(Note 29)*	–	–	–	–	–	–	40,750	40,750
Capital injection from non-controlling shareholder of a subsidiary	–	–	–	–	–	–	58,000	58,000
Transfer to reserve	–	–	–	18,545	(18,545)	–	–	–
At 31 December 2016	183,250	–	100,000	31,663	350,465	665,378	109,740	775,118
Profit (loss) and total comprehensive income (expense) for the year	–	–	–	–	152,695	152,695	(23,139)	129,556
Capital injection from non-controlling shareholder of a subsidiary	–	–	–	–	–	–	45,000	45,000
Transfer to reserve	–	–	–	16,807	(16,807)	–	–	–
At 31 December 2017	183,250	–	100,000	48,470	486,353	818,073	131,601	949,674
Effect arising from initial application of HKFRS 9 *(Note 3)*	–	–	–	–	(37,380)	(37,380)	–	(37,380)
At 1 January 2018 (restated)	183,250	–	100,000	48,470	448,973	780,693	131,601	912,294
Profit and total comprehensive income for the year	–	–	–	–	373,737	373,737	40,349	414,086
Capital injection from immediate holding company	100,000	–	–	–	–	100,000	–	100,000
Capital injection from non-controlling shareholder of a subsidiary	–	–	–	–	–	–	14,000	14,000
Acquisition of additional interest in a subsidiary from a non-controlling interest	–	(46,667)	–	–	–	(46,667)	(11,333)	(58,000)
Acquisition of a subsidiary *(Note 29)*	–	–	–	–	–	–	31,749	31,749
Transfer to reserve	–	–	–	65,142	(65,142)	–	–	–
At 31 December 2018	283,250	(46,667)	100,000	113,612	757,568	1,207,763	206,366	1,414,129

Notes:

(a) In accordance with the Articles of Association of all subsidiaries established in the People's Republic of China (the "**PRC**"), those subsidiaries are required to transfer 10% of the profit after taxation to the statutory surplus reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory surplus reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.

(b) On 19 December 2018, the Combined Group acquired 40% equity interest of 鳳台縣明源房地產開發有限公司 Fengtai County Mingyuan Real Estate Development Co., Ltd. ("**Fengtai Mingyuan**") held by non-controlling shareholder for a cash consideration of RMB58,000,000. The difference between the consideration paid and the adjustment to non-controlling interests in the subsidiary of RMB46,667,000 is charged to the other reserve.

(c) On 7 March 2016, the Combined Group acquired 99% equity interest of 廬江縣廣源置業發展有限公司 Lujiangxian Guangyuan Development Co., Ltd. ("**Lujiang Guangyuan**") held by Changxing Jiayuan Real Estate Development Co., Ltd. ("**Changxing Jiayuan**"), a related party controlled by Mr. Shum Tin Ching (the "Ultimate Controlling Shareholder"), for a cash consideration of RMB49,500,000.

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES			
Profit before taxation	358,662	376,334	939,304
Adjustments for:			
Interest income	(554)	(10,472)	(10,412)
Depreciation of property and equipment	1,300	2,338	3,768
Finance costs	3,756	43,666	85,276
Loss on disposal of property and equipment	1	4	–
Share of results of a joint venture	2,574	6,490	(38,964)
Share of results of associates	1,896	15,651	(46,392)
Change in fair value of investment properties	(87,066)	(1,111)	(10,894)
Gain of disposal of AFS investment	–	(78,780)	–
Allowance for doubtful debts	9,744	164	–
Impairment allowances on expected credit losses on financial assets	–	–	11,991
Operating cash flows before movements in working capital	290,313	354,284	933,677
Decrease in inventories of properties	104,884	804,558	335,395
Decrease (increase) in trade and other receivables	407,220	(139,400)	(55,811)
Increase (decrease) in amounts due to related parties	16,676	(3,417)	(5,520)
Increase (decrease) in trade and other payables	177,490	540,301	(7,333)
Increase in deposits received from pre-sale of properties	24,357	1,412,530	1,945,998
Cash generated from operations	1,020,940	2,968,856	3,146,406
Income taxes paid	(118,318)	(161,341)	(207,636)
NET CASH FROM OPERATING ACTIVITIES	902,622	2,807,515	2,938,770

	NOTE	Year ended 31 December 2016 RMB'000	2017 RMB'000	2018 RMB'000
INVESTING ACTIVITIES				
Purchase of property and equipment		(5,943)	(3,339)	(5,845)
Additions of investment properties		(267,191)	(108,234)	(575,870)
Acquisition of subsidiaries	29	(12,730)	–	(105,951)
Settlement of consideration payable on AFS investment		(45,571)	(20,770)	(40,597)
Disposal of AFS investment		–	219,285	–
Advances to related parties		(46,948)	(5,100)	(2,710)
Repayment from related parties		320,453	–	43,445
Advance to an associate		–	(278,466)	–
Repayment from an associate		11,320	–	204,999
Advance to a joint venture		(23,981)	–	–
Repayment from a joint venture		–	23,981	–
Advance to immediate holding company		(1,932,140)	(3,833,693)	(5,112,307)
Repayment from immediate holding company		677,826	1,215,002	5,753,383
Advance to an intermediate holding company		–	–	(249,798)
Advances to non-controlling interests		(67,000)	(59,000)	(173,606)
Repayment from non-controlling interests		–	9,000	–
Capital injection to associates		–	(81,000)	–
Capital injection to a joint venture		(10,000)	–	–
Placement of restricted/pledged bank deposits		(57,675)	(1,089,009)	(1,049,909)
Withdrawal of restricted/pledged bank deposits		46,004	520,653	1,380,438
Interest received		554	10,472	10,412
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(1,413,022)	(3,480,218)	76,084
FINANCING ACTIVITIES				
Proceeds from borrowings		3,316,900	1,930,000	535,900
Repayment of borrowings		(2,569,500)	(2,746,100)	(1,471,100)
Interest paid		(433,364)	(353,731)	(251,154)
Advances from related parties		42,523	12,277	72,878
Repayment to related parties		(153,093)	(34,431)	(47,790)
Advance from an intermediate holding company		299,490	1,921,387	457,355
Repayment to an intermediate holding company		–	–	(2,287,028)
Advance from an associate		–	–	76,000
Advance from a joint venture		–	165,800	–
Advances from non-controlling interests		363,360	–	–
Repayment to non-controlling interests		–	(345,611)	(17,749)
Acquisition of a subsidiary under common control		(49,500)	–	–
Acquisition of additional interest in a subsidiary from a non-controlling interest		–	–	(58,000)
Capital injection from immediate holding company		42,000	–	100,000
Capital injection from non-controlling shareholders of subsidiaries		58,000	45,000	14,000
NET CASH FROM (USED IN) FINANCING ACTIVITIES		916,816	594,591	(2,876,688)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		406,416	(78,112)	138,166
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		193,092	599,508	521,396
CASH AND CASH EQUIVALENTS AT END OF THE YEAR AND REPRESENTED BY				
Bank balances and cash		599,508	521,396	659,562

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION AND GROUP REORGANISATION

Huiyuan Investment Holdings Limited ("**Target Company**") is a limited liability company incorporated in the British Virgin Islands ("**BVI**") on 19 March 2019. It is wholly-owned by Mr. Shum Tin Ching, who is also the ultimate shareholder of the Target Company. The Target Company acts as an investment holding company and principal activities of the subsidiaries are set out in note 36.

Prior to the group reorganisation ("**Reorganisation**"), Anhui Group was wholly-owned by its immediate holding company Zhejiang Jiayuan Real Estate Group Co., Ltd. ("**Zhejiang Jiayuan**"). Zhejiang Jiayuan is ultimately owned by Mr. Shum Tin Ching.

The below are the major steps for the Reorganisation:

- On 19 March 2019, the Target Company, a BVI limited company was incorporated as the Target Company.
- On 21 March 2019, Huiyuan Property Development Limited ("**Huiyuan Property**"), a Hong Kong limited company was established and wholly-owned by the Target Company.
- On 26 April 2019, Anhui Mingyuan Enterprise Management Consulting Company Limited ("**Anhui Mingyuan**"), a PRC limited company was established and wholly-owned by Huiyuan Property.
- On 9 April 2019, Bengbu Mingyuan was acquired by Anhui Group from Zhejiang Jiayuan and became 82.48% owned by Anhui Group.
- On 7 May 2019, Lujiang Jiayuan was acquired by Anhui Group from Zhejiang Jiayuan and became 42% owned by Anhui Group.
- On 28 February 2019, 浙江佳源安徽房地產開發有限公司 Zhejiang Jiayuan Anhui Real Estates Development Co., Ltd. ("**Anhui Jiayuan**"), a wholly-owned subsidiary of Anhui Group and Zhejiang Jiayuan Commercial Management Group Co., Ltd. ("**Jiayuan Commercial**"), an independent third party, to the best knowledge of the sole director of the Target Company entered into a sale and purchase agreement, pursuant to which Anhui Jiayuan transferred all of its equity interest in 安徽萬博匯商業運營管理有限公司 Anhui Wanbohui Commercial Operation Management Co., Ltd. ("**Anhui Wanbohui**"), a PRC limited company ("**Disposal Company**") to Jiayuan Commercial.
- On 21 February 2019, 呼和浩特佳源房地產開發有限公司 Huhehaote Jiayuan Real Estate Development Co., Ltd. ("**Huhehaote Jiayuan**") was deregistered by Anhui Group. The Combined Group, after deregistration of Huhehaote Jiayuan and disposal of the Disposal Company, comprised a target group (the "**Target Group**").
- On 14 May 2019, Zhejiang Jiayuan and Anhui Mingyuan entered into a sales and purchase agreement pursuant to which Zhejiang Jiayuan transferred all of the equity interest in Anhui Group to Anhui Mingyuan.

Pursuant to the Reorganisation, the Target Company became the holding company of all the companies comprising the Combined Group on 21 May 2019. All the companies now comprising the Combined Group during the Relevant Periods or since their respective dates of incorporation/establishment acquisition were under common control of the Ultimate Controlling Shareholder before and after the Reorganisation and that control is not transitory. Hence, the Combined Group resulting from the Reorganisation as set out above is regarded as a continuing entity. The Historical Financial Information of the Combined Group has been prepared on the basis as if the Target Company had always been the holding company of the Combined Group using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Combined Group for the year ended 31 December

2016, 2017 and 2018 which include the results, changes in equity and cash flows of the companies now comprising the Combined Group have been prepared as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation or establishment, where this is a shorter period, except for the subsidiaries acquired by the Combined Group from independent third parties during the Relevant Periods as disclosed in note 29, which are included in the Historical Financial Information since the date of acquisition by the Combined Group.

The combined statements of financial position of the Combined Group as at 31 December 2016, 2017 and 2018 have been prepared to present the assets and liabilities of the companies now comprising the Combined Group as if the current group structure upon completion of the Reorganisation had been in existence as at those dates, taking into account the respective dates of incorporation/establishment/acquisition where applicable.

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Target Company.

The Historical Financial Information has been prepared in accordance with the accounting policies set out in note 4 which conform with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap. 622).

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

As at December 31, 2018, the Combined Group recorded net current liabilities of RMB255,294,000. In the management of liquidity risk, the sole director of the Target Company has reviewed the Combined Group's cash flow projections to ensure the Combined Group maintains a level of cash and cash equivalents adequate by the management to finance the Combined Group's operations and mitigate the effects of fluctuations in cash flows. Jiayuan Chuangsheng Holding Group Co., Ltd. ("Jiayuan Chuangsheng"), an intermediate holding company has agreed to provide adequate funds to enable the Combined Group to meet in full its financial obligations as they fall due for the next twelve months from the reporting date.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information of the Combined Group for the Relevant Periods, the Combined Group has consistently applied Hong Kong Accounting Standards ("**HKAS**"), Hong Kong Financial Reporting Standards, amendments and interpretations (collectively "**HKFRSs**") which are effective for its accounting period beginning on 1 January 2018 throughout the Relevant Periods except that the Combined Group adopted HKFRS 9 "Financial Instruments" on 1 January 2018 and HKAS 39 "Financial Instruments" before 1 January 2018. The accounting policies for financial instruments under HKFRS 9 are set out in note 4 below.

HKFRS 9 Financial Instruments

For the year ended 31 December 2018, the Combined Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for i) the classification and measurement of financial assets and financial liabilities, ii) expected credit losses ("**ECL**") for financial assets and other items (for example, contract assets and lease receivables) and iii) general hedge accounting.

The Combined Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Details of accounting policies resulting from application of HKFRS 9 are set out in note 4.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement including impairment of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Trade and other receivables	**Amount due from an associate**	**Amounts due from non-controlling interests**	**Amount due from immediate holding company**	**Deferred tax assets**	**Retained profits**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note a)	*(Note a)*	*(Note a)*	*(Note a)*		
Closing balance at 31 December 2017 – HKAS 39	239,324	278,466	117,000	4,221,062	6,108	486,353
Effect arising from initial application of HKFRS 9						
Remeasurement						
Impairment under ECL model *(Note b)*	(3,200)	(1,390)	(3,040)	(42,211)	12,461	(37,380)
Opening balance at 1 January 2018 – HKFRS 9	236,124	277,076	113,960	4,178,851	18,569	448,973

(a) *Loans and receivables*

From loans and receivables to amortised cost

Other receivable (including deposits for trust financing arrangements), amounts due from related parties, an associate, non-controlling interests and immediate holding company, restricted/pledged bank deposits, bank balances and cash previously classified as loans and receivables were reclassified to financial assets at amortised cost upon the application of HKFRS 9 because its cash flows do represent solely payments of principal and interest on the principal amount outstanding.

(b) *Impairment under ECL model*

Loss allowances for financial assets at amortised cost mainly comprise of other receivables, restricted/pledged bank deposits, bank balances and amounts due from related parties, an associate, non-controlling interests and immediate holding company are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRSs mentioned below, the sole director of the Target Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the financial statements of the Combined Group in the foreseeable future.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 *Revenue from Contracts with Customers* as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessee, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Combined Group currently presents upfront prepaid lease payments as investing cash flows in relation to those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Combined Group. Upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance with the nature, as appropriate.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Combined Group has no material non-cancellable operating lease commitment.

The application of new requirements may result in changes in measurement, presentation and disclosures as indicated above.

The Combined Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17. Therefore, the Combined Group has not reassessed whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Combined Group has elected the modified retrospective approach for the application of HKFRS 16 as lessee and recognised the cumulative effect of initial application to opening retained profits without restating comparative information.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all HKFRS Standards and will be mandatorily effective for the Combined Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Combined Group but may affect the presentation and disclosures in the financial statements of the Combined Group in future.

Amendments to HKFRS 3 Definition of a Business

The amendments clarify the definition of a business and provide additional guidance with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. Furthermore, an optional concentration test is introduced to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments will be mandatorily effective to the Combined Group prospectively for acquisition transactions completed on or after 1 January 2020.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information had been prepared in accordance with the accounting policies set out below which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for investment properties at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Combined Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these combined financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the assets in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

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

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

The principal accounting policies are set out below.

Basis of combination

The Historical Financial Information incorporates the financial statements of the Target Company and entities controlled by the Target Company and its subsidiaries. Control is achieved where the Target Company:

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

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

Combination of a subsidiary begins when the Combined Group obtains control over the subsidiary and ceases when the Combined Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the combined statement of profit or loss and other comprehensive income from the date of the Combined Group gains control until the date when the Combined Group ceases to control the subsidiary.

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

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

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

Changes in the Combined Group's ownership interests in existing subsidiaries

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

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

When the Combined Group losses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interest (if any) are derecognised, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for as if the Combined Group has directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specific/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 which applicable after 1 January 2018, or HKAS 39 which applicable before 1 January 2018, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Merger accounting for business combination involving businesses under common control

The Historical Financial Information incorporates the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The combined statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the combined financial statements are presented as if the businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Acquisition of a subsidiary not constituting a business

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

Investments in associates and a joint venture

An associate is an entity over which the Combined Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of the associates and a joint venture are incorporated in the Historical Financial Information using the equity method of accounting. The financial statements of an associate and joint venture used for equity accounting purposes is prepared using uniform accounting policies as those of the Combined Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate and joint venture is initially recognised in the combined statement of financial position at cost and adjusted thereafter to recognise the Combined Group's share of the profit or loss and other comprehensive income of the associate and joint venture. Changes in net assets of the associate and joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Combined Group. When the Combined Group's share of losses of an associate exceeds the Combined Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Combined Group's net investment in the associate or the joint venture), the Combined Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Combined Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in associates and a joint venture is accounted for using the equity method from the date on which the investee becomes an associate and a joint venture. On acquisition of the investment in an associate and a joint venture, any excess of the cost of the investment over the Combined Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Combined Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Combined Group assesses whether there is an objective evidence that the interests in associates or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Combined Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. The Combined Group discontinues the use of the equity method from the date when the investment ceases to be an associate or joint venture, or when the investment is classified as held for sale. When the Combined Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Combined Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Combined Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Combined Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When a group entity transacts with an associate or an joint venture of the Combined Group, profits and losses resulting from the transactions with the associate or the joint venture are recognised in the combined financial statements only to the extent of interests in the associate or the joint venture that are not related to the Combined Group.

Revenue from contracts with customers

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

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

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

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

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

A contract liability represents the Combined Group's obligation to transfer goods or services to a customer for which the Combined Group has received consideration (or an amount of consideration is due) from the customer. The contract liabilities are presented as pre-sale deposits received on the combined statements of financial position.

Existence of significant financing component

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

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

Property and equipment

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

Depreciation is recognised so as to write off the cost of items of property and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Combined Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

Property under construction or development for future use as an investment property is classified as investment property under development and is initially measured at cost and subsequently at fair values using the fair value model. If the fair value cannot be reliably determined, the investment property under development will be measured at cost until such time as fair value can be determined or development is completed, whichever is earlier, in which time any difference between the fair value and the carrying amount will be recognised in profit or loss in that period.

Properties under development and properties held for sales are transferred to investment property when there is a change of intention to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by inception of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Leasehold land and building

When the Combined Group makes payments for a property interest which includes both leasehold land and buildings elements, the Combined Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Combined Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the combined statements of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Properties under development for sales and properties held for sale

When the leasehold land and buildings are in the course of development for sale, the leasehold land component is amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of the costs of the properties under development.

Properties under development which are intended to be held for sale and properties held for sales are shown as current assets and carried at the lower of cost and net realisable value (the "NRV").

Cost includes the costs of land, development expenditure incurred and, where appropriate, borrowing costs capitalised. NRV represents the estimated selling price for the properties less all estimated costs of completion and costs necessary to make the sales.

Provision

Provisions are recognised when the Combined Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Combined Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Impairment losses on tangible assets

At the end of the reporting period, the Combined Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount of tangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Combined Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

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

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3)

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables (including deposits for trust financing arrangements), amounts due from related parties, non-controlling interests, an associate, a joint venture, immediate holding company and an intermediate holding company, restricted/pledged bank deposits and bank balances) and financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively.

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

(i) Significant increase in credit risk

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

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

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

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

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

For financial guarantee contracts, the date that the Combined Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Combined Group considers the changes in the risk that the specified receivable will default on the contract.

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

For a financial guarantee contract, the Combined Group is required to make payments only in the event of a default by the receivable in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Combined Group expects to receive from the holder, the receivable or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Combined Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped based on past due status.

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

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

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

Except for financial guarantee contracts, the Combined Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

The Combined Group's financial assets are classified as AFS financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchase or sales of financial assets that require delivery of assets that require delivery of assets within the time frame established by regulation or convention in the market place.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables

Loans and receivables (including other receivables (including deposits for trust financing arrangements), amounts due from related parties, an associate, a joint venture, non-controlling interests and immediate holding company, restricted/pledged bank deposits and bank balances and cash) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial asset, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contacts, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for indicators of impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Combined Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When a AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss.

Derecognition of financial assets

The Combined Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

On derecognition of AFS financial asset, the difference of cost less impairment and consideration received is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amounts due to related parties, non-controlling interests, a joint venture, an associate, an intermediate holding company and bank and other borrowings) are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified receivable fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9 (since 1 January 2018)/HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (before application of HKFRS 9 on 1 January 2018); and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

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

Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans and state-managed retirement benefit scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the combined statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Combined Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period.

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

In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

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

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

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

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

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

Foreign currencies

In preparing the financial statements of each individual Combined Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Combined Group's accounting policies, which are described in note 4, the management of the Combined Group are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that the sole director of the Target Company has made in the process of applying the Combined Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Deferred taxation on fair value of investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the management of the Combined Group has reviewed the Combined Group's investment property portfolios and concluded that the Combined Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Combined Group's deferred taxation on investment properties, the management of the Combined Group has determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Combined Group has recognised the deferred taxes on changes in fair value of investment properties as the Combined Group is subject to enterprise income tax ("**EIT**"). The carrying amount of deferred taxation on investment properties as at 31 December 2016, 2017 and 2018 was RMB21,767,000, RMB22,044,000 and RMB24,768,000 respectively.

Key sources of estimation uncertainty

The following 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.

Construction costs estimation for revenue recognition

Certain projects of the Combined Group are divided into several phases according to the development and delivery plans. The Combined Group recognises sales upon delivery of properties. Cost of sales including construction costs specific to the phases and common costs allocable to the phases are calculated based on management's best estimation of the total development costs for the whole project and the allocation to each phase at the time when the properties are delivered.

Impairment of inventories of properties

The Combined Group's inventories of properties are stated at the lower of cost and the NRV. The management of the Combined Group make significant judgment in determining the NRV of these inventories of properties and the estimation of future costs to completion of the development of these inventories of properties.

Based on the experience of the management of the Combined Group and the nature of the subject properties, the management of the Combined Group determines the NRV of these inventories of properties by reference to the estimated market prices of the inventories of properties, which takes into account a number of factors including the recent prices of similar property types in the same project or by similar properties, and market conditions in the prevailing real estate markets. The management of the Combined Group estimates the future costs to completion of the development of the inventories of properties by reference to the actual development cost of other similar completed projects of the Combined Group, adjusted by certain current market data.

If there is an increase in costs of completion or a decrease in estimated market prices, this may result in write-downs for these inventories of properties. Such write-downs require the use of judgment and estimates of the management of the Combined Group. The carrying amount of inventories of properties as at 31 December 2016, 2017 and 2018 was RMB5,599,657,000, RMB5,263,538,000 and RMB5,961,668,000 respectively. Based on the management's estimation of the NRV of the inventories of properties, no impairment was considered to be necessary.

Estimate of fair value of investment properties

At the end of the reporting period, investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates. In relying on the valuation report, the management has exercised their judgment and is satisfied that the assumptions used in valuation have reflected the current market conditions. The carrying amount of investment properties as at 31 December 2016, 2017 and 2018 was RMB455,000,000, RMB683,200,000 and RMB1,572,900,000 respectively.

Estimate of the PRC land appreciation tax ("LAT")

The PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land, borrowing costs and all property development expenditures.

The Combined Group is subject LAT in the PRC. The details of implementation have been announced by local tax bureaux in certain major cities, however, the Combined Group has not finalised its LAT calculation and payments with local tax bureaux in those cities in the PRC. Accordingly, significant judgments are required in determining the amount of land appreciation and its related taxes. The Combined Group recognises these liabilities based on management's best estimates according to the understanding of the tax rules. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determination is made. This amount of PRC LAT recognised in profit or loss for sale of properties for the year ended 31 December 2016, 2017 and 2018 was RMB18,154,000, RMB165,585,000 and RMB382,355,000 respectively.

6. REVENUE

Revenue mainly represents income from sales of properties during the Relevant Periods, net of discounts allowed, and is analysed as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Sales of properties	2,130,349	2,290,835	2,745,229
Consulting service	1,923	232	4,366
	2,132,272	2,291,067	2,749,595

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Types of goods or services			
Sales of residential apartments	2,027,169	2,185,995	2,679,971
Sales of retail shops	103,180	104,840	65,258
Consulting service	1,923	232	4,366
	2,132,272	2,291,067	2,749,595
Timing of revenue recognition			
At a point in time	2,132,272	2,291,067	2,749,595

Performance obligations for contracts with customers

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms and the legal environment in the PRC, the Combined Group concluded that the Combined Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Combined Group has present right to payment and collection of the consideration is probable.

The Combined Group receives certain percentage of the contract value as deposits from customers when they sign the sale and purchase agreement while construction work of property is still ongoing. Certain customers who use mortgage loans provided by the banks and the remaining amount of the total contract value will be paid to the Combined Group from the banks once the customers meet the requirements of the banks. Such advance payment schemes result in contract liabilities being recognised throughout the property construction period for the full amount of the contract price.

Transaction price allocated to the remaining performance obligations for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2016, 2017 and 2018 and the expected timing of recognising revenue are as follows for sales of properties:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	1,484,275	2,442,480	3,859,758
More than one year but not more than two years	1,968,982	3,304,127	3,365,573
More than two years	15,650	–	72,858
	3,468,907	5,746,607	7,298,189

7. SEGMENT INFORMATION

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Combined Group that are regularly reviewed by the sole director of the Target Company, being the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance.

The Combined Group's operating and reportable segments under HKFRS 8 are therefore as follows:

(i) Property development — development and sales of office premises, shopping arcade and residential properties

(ii) Property investment — leasing of hotel, office, shopping arcade and carparks

(iii) Others — commercial operation consulting

No segment revenue and results are presented for the property investment segment as all of the investment properties were under construction during the Relevant Periods. The Combined Group will continue to engage in the provision of property investment in the future.

No segment assets and liabilities are presented as they were not regularly provided to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Segment revenue and results

The following is an analysis of the Combined Group's revenue and results by operating and reportable segments for the years:

	Segment revenue			Segment profit		
	2016	**2017**	**2018**	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Property development	2,130,349	2,290,835	2,745,229	271,264	317,951	844,918
Others	1,923	232	4,366	1,299	(104)	(77)
Total	2,132,272	2,291,067	2,749,595	272,563	317,847	844,841
Other gains and losses				–	77,773	(230)
Interest income				16	92	141
Central administration costs				3,487	8,051	15,232
Change in fair value of investment properties				87,066	1,111	10,894
Finance costs				–	(6,399)	(16,930)
Share of results of a joint venture				(2,574)	(6,490)	38,964
Share of results of associates				(1,896)	(15,651)	46,392
Profit before taxation				358,662	376,334	939,304

Segment profit represents the profit earned by each segment without allocation of central administration costs, other gains and losses, interest income, change in fair value of investment properties, finance costs and share of results of a joint venture and associates. This is the measure reported to the chief operating decision maker, for the purposes of resources allocation and performance assessment.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the years reported.

Other segment information

	Property development		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Amount included in the measure of segment profit or loss:			
Depreciation of property and equipment	1,300	2,338	3,768
Loss on disposals of property and equipment	1	4	–

Geographical information

The Combined Group's revenue from external customers is derived solely from its operations rendered in the PRC, and operation and location of non-current assets of the Combined Group are substantially located in the PRC.

Information about major customers

During the years ended 31 December 2016, 2017 and 2018, there was no revenue from transactions with a single external customer amounted to 10% or more of the Combined Group's total revenue.

8. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Other income			
Bank interest income	554	10,472	10,412
Other gains and losses			
Gain on disposal of AFS investment	–	78,780	–
Allowance for doubtful debts	(9,744)	(164)	–
Others	(4,667)	145	462
	(14,411)	78,761	462

9. FINANCE COSTS

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Interests on bank and other borrowings	440,027	363,862	260,364
Interests on amounts due to an intermediate holding company and a related party	5,604	90,365	133,442
Imputed interest expense on pre-sale deposits received	171,934	176,026	262,053
	617,565	630,253	655,859
Less: Capitalised in investment properties under construction/properties under development	(613,809)	(586,587)	(570,583)
	3,756	43,666	85,276

Finance costs have been capitalised for investment properties under construction and properties under development at average rate of 8.69%, 7.18% and 7.69% per annum for the year ended 31 December 2016, 2017 and 2018 respectively.

10. INCOME TAX EXPENSE

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
PRC Enterprise Income Tax ("**EIT**")	69,195	123,970	235,917
LAT	18,154	165,585	382,355
	87,349	289,555	618,272
Deferred tax *(note 19)*	26,723	(42,777)	(93,054)
	114,072	246,778	525,218

No provision for taxation has been recognised for company incorporated in the BVI and Hong Kong as they have no taxable income during the Relevant Periods.

Under the Law of the People's Republic of China on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

According to the requirements of the Provisional Regulations of the PRC on LAT effective from 1 January 1994 and amended on 8 January 2013, and the Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995 (collectively referred to the "**LAT Regulations**"), all gains arising from the sale or transfer of real estate in the PRC with effect from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including payments made for acquisition of land use rights, costs and expenses for the development of the land or for construction of new buildings and supporting facilities, or the assessed value for old buildings and structures, tax payable relating to transfer of the real estate and other deductible items prescribed by the Ministry of Finance. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land use rights and the costs of land development and construction of new buildings or related facilities.

The income tax expense for the year can be reconciled to the profit before taxation as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	358,662	376,334	939,304
Tax at the PRC EIT rate of 25%	89,666	94,084	234,826
Tax effect of share of results of a joint venture and associates	1,118	5,535	(21,339)
Tax effect of expenses not deductible for tax purpose *(Note)*	9,673	22,970	24,965
LAT	18,154	165,585	382,355
Tax effect of LAT	(4,539)	(41,396)	(95,589)
Income tax expense for the year	114,072	246,778	525,218

Note: During the years ended 31 December 2016, 2017 and 2018, expenses not deductible mainly included imputed interest expense and welfare and entertainment expenses which exceeding the tax deduction limits under the EIT Law.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Mr. Shum Tin Ching is the sole director of the Target Company since the date of incorporation. No director's emoluments were paid by the Combined Group during the Relevant Periods.

The five individuals with the highest emoluments in the Combined Group did not include the sole director during the Relevant Periods. The emoluments of the five highest paid individuals are as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and allowances	1,631	2,698	2,710
Retirement benefit contributions	29	61	65
	1,660	2,759	2,775

Their emoluments individually were all below HK$1,000,000.

During the Relevant Periods, no emoluments had been paid by the Combined Group to the sole director of the Target Company or the five highest paid individuals as inducement to join the Combined Group or as compensation for loss of office.

12. PROFIT FOR THE YEAR

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year has been arrived at after charging (crediting):			
Cost of properties held for sale recognised as expenses	1,752,712	1,761,322	1,659,788
Depreciation of property and equipment	1,305	3,045	4,006
Less: Capitalised in properties under development	(5)	(707)	(238)
	1,300	2,338	3,768
Loss on disposal of property and equipment	1	4	–
Auditors' remuneration	204	796	1,399
Directors' emoluments	–	–	–
Other staff costs			
Salaries and other benefits	12,913	28,861	47,370
Retirement benefit costs	835	1,384	2,419
Total staff costs	13,748	30,245	49,789
Less: Capitalised in properties under development	(2,426)	(4,496)	(8,280)
	11,322	25,749	41,509

13. EARNINGS PER SHARE

No earnings per share for the Relevant Periods is presented as its inclusion is considered not meaningful for the purpose of this report.

14. DIVIDENDS

No dividend was paid or declared by the Combined Group for the Relevant Periods.

15. PROPERTY AND EQUIPMENT

	Office equipment *RMB'000*	**Motor vehicles** *RMB'000*	**Leasehold improvements** *RMB'000*	**Total** *RMB'000*
COST				
At 1 January 2016	804	3,069	–	3,873
Additions	4,639	1,304	–	5,943
Acquisition of subsidiaries *(note 29)*	861	901	1,698	3,460
Disposals	(12)	–	–	(12)
At 31 December 2016	6,292	5,274	1,698	13,264
Additions	1,157	2,182	–	3,339
Disposals	–	(120)	–	(120)
At 31 December 2017	7,449	7,336	1,698	16,483
Additions	4,553	1,292	–	5,845
Acquisition of subsidiaries *(note 29)*	–	890	–	890
At 31 December 2018	12,002	9,518	1,698	23,218
DEPRECIATION				
At 1 January 2016	556	1,985	–	2,541
Provided for the year	508	797	–	1,305
Disposals	(11)	–	–	(11)
At 31 December 2016	1,053	2,782	–	3,835
Provided for the year	1,249	1,230	566	3,045
Disposals	–	(116)	–	(116)
At 31 December 2017	2,302	3,896	566	6,764
Provided for the year	1,727	1,713	566	4,006
At 31 December 2018	4,029	5,609	1,132	10,770
CARRYING VALUES				
At 31 December 2016	5,239	2,492	1,698	9,429
At 31 December 2017	5,147	3,440	1,132	9,719
At 31 December 2018	7,973	3,909	566	12,448

The above items of property and equipment are depreciated on a straight-line basis at the following period:

Office equipment	3 to 5 years
Motor vehicles	3 to 5 years
Leasehold improvements	Over the shorter of relevant lease term or 3 to 5 years

16. INVESTMENT PROPERTIES

	Investment properties under construction *RMB'000*
FAIR VALUE	
At 1 January 2016	–
Addition	367,934
Acquisition of a subsidiary	25,474
Net change in fair value recognised in profit or loss	61,592
At 31 December 2016	455,000
Addition	227,089
Net change in fair value recognised in profit or loss	1,111
At 31 December 2017	683,200
Addition	850,960
Acquisition of a subsidiary	27,846
Net change in fair value recognised in profit or loss	10,894
At 31 December 2018	1,572,900

All of the Combined Group's property interests in the PRC developed for the purpose of holding to earn rentals under operating lease in future or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Combined Group's investment properties at 31 December 2016, 2017 and 2018 have been arrived at on the basis of valuations on those dates, carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a firm of independent qualified professional valuers not connected with the Group, who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The valuations of investment properties under construction ("**IP under construction**") were arrived at with adoption of direct comparison approach or residual approach. Direct comparison approach is adopted when IP under construction is at its preliminary state by reference to comparable market transactions and suppose that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowance for variable factors. Residual approach is adopted when IP under construction is close to completion state based on market observable transactions of completed properties with the basis that they will be developed and completed in accordance with the latest development proposals and taken into account the accrued construction costs that will be expended to complete the development to reflect the quality of the completed development and developer's profit.

The valuations of the IP under construction for which signed rental contracts are available for the purpose of valuation were arrived at with adoption of income capitalisation approach after considering the capitalised rental income derived from the existing tenancies with due provision for any reversionary income potential of the respective properties.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

There were no transfers into or out of Level 3 during the years reported. The following table gives information about how the fair values of the major investment properties are determined (in particular, the valuation techniques and inputs used).

Investment properties held by the Combined Group in the combined statements of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity
Properties in Hefei – IP under construction	Level 3	Residual approach for IP under construction The key inputs are: (1) Gross development value (2) Developer's profit (3) Further cost for completion	Gross development value on completion basis, taking into account of location and individual factors such as frontage and size, between the comparables and the property, of RMB10,702, RMB11,139 and RMB9,951 per sq.m at 31 December 2016, 2017 and 2018 respectively.	The higher the gross development value, the higher the fair value.
			Developer’s profit, taking into account of the comparables land transactions and progress of the property, at 10%, 10% and 10% at 31 December 2016, 2017 and 2018 respectively.	The higher the developer’s profit, the lower the fair value.
			Further costs for completion are estimated to be RMB760,000,000, RMB637,000,000 and RMB24,000,000 at 31 December 2016, 2017 and 2018 respectively.	The higher the further costs for completion, the lower the fair value.
	Level 3	Income capitalisation approach for IP under construction (for IP under construction for which signed rental contracts are available for the purpose of valuation) The key inputs are: (1) Term yield (2) Reversionary yield (3) Monthly term rental (4) Reversionary rental	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and vacancy rate adjustment to reflect the market risk for the term value, from 1.5 to 5.0% at 31 December 2018.	The higher the term yield, the lower the fair value.
			Reversionary yield, taking into account of yield generated by market average selling price, the market average rental from comparable properties and vacancy rate adjustment to reflect the conditions of the properties, from 5% to 7% at 31 December 2018.	The higher the reversionary yield, the lower the fair value.
			Monthly term rental for each unit is derived from the rental as stated in the existing rental agreements with an average of RMB30/sq.m./month to RMB421/sq.m./month at 31 December 2018.	The higher the monthly term rental, the higher the fair value.
			Reversionary rental is derived from the market rentals from comparable properties or the rental as stated in the new rental agreements with an average of RMB47/sq.m./month to RMB225/sq.m./month at 31 December 2018.	The higher the reversionary rental, the higher the fair value.

Investment properties held by the Combined Group in the combined statements of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity
Properties in Maanshan – IP under construction	Level 3	Direct comparison approach for IP under construction Based on market observable transactions or similar lands and adjusted to reflect the condition of the subject lands.	The weighted averaged comparable land prices at 31 December 2016, 2017 and 2018 are RMB846, RMB878 and RMB907 per sq.m. respectively.	The higher the comparable land price, the higher the fair value.
Properties in Haozhou – IP under construction	Level 3	Direct comparison approach for IP under construction Based on market observable transactions or similar lands and adjusted to reflect the condition of the subject lands.	The weighted averaged comparable land price at 31 December 2018 is RMB546 per sq.m..	The higher the comparable land price, the higher the fair value.

17. INTERESTS IN ASSOCIATES

	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Cost of unlisted investment	71,000	152,000	152,000
Share of post-acquisition (losses) profits and other comprehensive (expense) income, net of dividend received	(8,867)	(24,518)	21,874
	62,133	127,482	173,874

Details of the Combined Group's associates at 31 December 2016, 2017 and 2018 are as follows:

Name of entity	Place of incorporation/ registration	Proportion of ownership interest held by the Combined Group			Proportion of voting right held by the Combined Group			Principal activity
		2016	2017	2018	2016	2017	2018	
Mengcheng Biguiyuan Real Estate Development Company Limited 蒙城縣碧桂園房地產開發有限公司 ("**Biguiyuan**")	PRC	–	30%	30%	–	30%	30%	Property development
Pinghu City Jiayuan Tourism Development Company Limited 平湖市佳源旅遊開發有限公司 ("**Pinghu Jiayuan**")	PRC	22%	22%	22%	22%	22%	22%	Property development

Name of entity	Place of incorporation/ registration	Proportion of ownership interest held by the Combined Group			Proportion of voting right held by the Combined Group			Principal activity
		2016	2017	2018	2016	2017	2018	
Guoyang Mingbang Development Company Limited 渦陽縣名邦置業有限公司 ("**Guoyang Mingbang**") *(Note)*	PRC	–	50%	50%	–	50%	50%	Property development
Changxing Jiayuan Real Estate Development Company Limited 長興佳源房地產開發有限公司 ("**Changxing Jiayuan**")	PRC	30%	30%	30%	30%	30%	30%	Property development

Note: Although the Target Company has 50% voting right in the capacity of shareholder in the shareholders' meetings. The Target Company is only able to appoint two directors on the board of directors of Guoyang Mingbang while the other equity holder is able to appoint three directors, of which all board resolutions are required over 50% of the board of directors to approve in the meetings of board of directors. The management assessed that the Combined Group has significant influence instead of control over Guoyang Mingbang.

Summarised financial information in respect of Biguiyuan and Guoyang Mingbang, the Combined Group's material associates, are set out below. The financial information below represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs.

Biguiyuan

	At 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	–	197	145
Current assets	–	724,759	1,461,971
Current liabilities	–	(630,537)	(1,173,256)
Non-current liabilities	–	–	(220,000)
	–	94,419	68,860

	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Other income	–	–	928
Expenses	–	(5,581)	(26,487)
Loss and total comprehensive expense for the year	–	(5,581)	(25,559)

Reconciliation of the above summarised financial information to the carrying amount of interest in the associate recognised in the combined financial statements:

	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Net assets of the associate	–	94,419	68,860
Proportion of the Combined Group's ownership interest in the associate	–	30%	30%
Net assets shared by the Combined Group and the carrying amount of the Combined Group's interest in the associate	–	28,326	20,658

Guoyang Mingbang

		At 31 December	
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	–	3,574	1,305
Current assets	–	925,250	1,314,091
Current liabilities	–	(837,707)	(1,111,039)
	–	91,117	204,357

	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Revenue	–	–	483,287
Cost of sales	–	–	(312,425)
Other income	–	–	326
Expenses	–	(8,883)	(57,948)
(Loss) profit and total comprehensive (expense) income for the year	–	(8,883)	113,240

Reconciliation of the above summarised financial information to the carrying amount of interest in the associate recognised in the combined financial statements:

	2016 *RMB'000*	2017 *RMB'000*	2018 *RMB'000*
Net assets of the associate	–	91,117	204,357
Proportion of the Combined Group's ownership interest in the associate *(Note)*	–	50%	50%
Net assets shared by the Combined Group and the carrying amount of the Combined Group's interest in the associate	–	45,559	102,179

Aggregate information of associates that are not individually material

	2016 *RMB'000*	2017 *RMB'000*	2018 *RMB'000*
The Combined Group's share of loss and total comprehensive expenses for the year	(1,896)	(9,535)	(2,560)
Aggregate carrying amount of the Combined Group's interests in these associates	62,133	53,597	51,037

18. INTEREST IN A JOINT VENTURE

	2016 *RMB'000*	2017 *RMB'000*	2018 *RMB'000*
Cost of unlisted investment	10,000	10,000	10,000
Share of post-acquisition (losses) profits and other comprehensive (expenses) income, net of dividend received	(2,574)	(9,064)	29,900
	7,426	936	39,900

Details of the Combined Group's joint venture at 31 December 2016, 2017 and 2018 are as follows:

Name of entity	Place of incorporation/ interest held registration	Proportion of ownership by the Combined Group	Proportion of voting right held by the Combined Group	Principal activity
盧江碧源房地產開發有限公司 ("**Lujiang Biyuan**")	PRC	50%	50%	Property development

Summarised financial information in respect of Lujiang Biyuan is set out below. The financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

	At 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	–	23	13
Current assets	527,191	1,065,934	1,393,912
Current liabilities	(512,340)	(1,064,086)	(1,314,125)
	14,851	1,871	79,800

	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	–	–	978,099
Cost of sales	–	–	(659,642)
Other income	–	160	109
Expenses	(5,149)	(13,140)	(240,637)
(Loss) profit and total comprehensive (expense) income for the year	(5,149)	(12,980)	77,929

Reconciliation of the above summarised financial information to the carrying amount of interest in the joint venture recognised in the combined financial statements:

	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Net assets of the joint venture	14,851	1,871	79,800
Proportion of the Combined Group's ownership interest in the joint venture	50%	50%	50%
Net assets shared by the Combined Group and the carrying amount of the Combined Group's interest in the joint venture	7,426	936	39,900

19. AFS INVESTMENT

	At 31 December	
	2016	**2017**
	RMB'000	*RMB'000*
Unlisted equity investment	140,505	–

The above unlisted equity investment represented an investment in an unlisted private entity incorporated in the PRC. It is measured at cost less impairment as at 31 December 2016 because the range of reasonable fair value estimates is so significant that the sole director of the Target Company is of the opinion that the fair value cannot be measured reliably.

20. DEFERRED TAXATION

The followings are the major deferred tax assets (liabilities) recognised and movements thereon during the Relevant Periods:

	Tax losses	LAT	Loss allowance	Timing differences in deductible expense	Fair value of investment properties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	–	(15,311)	734	–	–	(14,577)
Credit (charge) to profit or loss	1,253	(8,589)	2,320	60	(21,767)	(26,723)
31 December 2016	1,253	(23,900)	3,054	60	(21,767)	(41,300)
Credit (charge) to profit or loss	12,311	29,980	41	722	(277)	42,777
31 December 2017	13,564	6,080	3,095	782	(22,044)	1,477
Effect arising from initial application of HKFRS 9	–	–	12,461	–	–	12,461
1 January 2018 (restated)	13,564	6,080	15,556	782	(22,044)	13,938
Credit (charge) to profit or loss	3,782	88,434	2,998	564	(2,724)	93,054
At 31 December 2018	17,346	94,514	18,554	1,346	(24,768)	106,992

For the presentation purposes on the combined statements of financial position, certain deferred tax assets (liabilities) have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets	1,162	6,108	111,112
Deferred tax liabilities	(42,462)	(4,631)	(4,120)
	(41,300)	1,477	106,992

At 31 December 2016, 2017 and 2018, the Combined Group had unused tax losses of RMB5,012,000, RMB54,256,000 and RMB69,384,000 respectively available to offset against future profit, all of which have been recognised as deferred tax asset.

21. INVENTORIES OF PROPERTIES

The Combined Group's inventories of properties are situated in the PRC as at 31 December 2016, 2017 and 2018. All of the inventories of properties are stated at the lower of cost and net realisable value. As at 31 December 2016, 2017 and 2018, properties under development of RMB1,396,118,000, RMB1,267,665,000 and RMB2,326,245,000 is expected to be realised after twelve months from 31 December 2016, 2017 and 2018 respectively.

	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Properties held for sale	625,650	771,478	898,968
Properties under development	4,974,007	4,492,060	5,062,700
	5,599,657	5,263,538	5,961,668

22. TRADE AND OTHER RECEIVABLES

	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables *(Note a)*	–	–	13,230
Advances to independent third parties *(Note b)*	74,800	99,914	188,335
Prepaid construction costs	85,009	136,733	50,254
Prepaid business and other taxes	131,877	195,445	264,089
Prepaid operating expenses	46,455	1,609	2,324
Deposit and payments on behalf of residents	1,144	6,496	9,345
Projects related deposits	14,903	48,358	53,215
Deposits for trust financing arrangements *(Note c)*	64,315	68,460	56,170
Other receivables *(Note d)*	15,243	16,096	18,647
	433,746	573,111	655,609
Less: impairment allowances *(Note e)*	(12,218)	(12,347)	(25,829)
Deposits for trust financing arrangements (non-current)	(62,315)	(53,124)	(3,909)
	359,213	507,640	625,871

Notes:

The amount represents rental receivables for leasing of office premises, hotel, shopping arcade and carparks.

(a) The amounts represent trade receivable from 蚌埠市城市開發建設有限公司 about real estate sales. The trade receivable will be settled upon the purchaser obtaining the relevant building ownership certificates. The aging of the amount is within 30 days.

(b) The amounts represents temporary advances to independent third parties with no interest bearing and are repayable on demand.

(c) The amounts are deposited in trust financing companies for raising trust loans for the Combined Group. The deposits will be refunded to the Combined Group upon final repayments of the trust loans or repayable on demand.

(d) Other receivables mainly represent temporary payments made to contractors and advances to contractors.

(e) Included in the impairment allowances are individually impaired other receivables. Movements in the impairment allowance are as follows:

	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Balance at the end of previous year	2,474	12,218	12,347
Effect arising from initial application of HKFRS 9 *(note 3)*	–	–	3,200
Balance at the beginning of the year (restated)	2,474	12,218	15,547
Impairment allowances for doubtful debts	9,744	164	–
Impairment allowances on expected credit loss on financial assets *(note 38)*	–	–	10,944
Written off during the year	–	(35)	(662)
Balance at the end of the year	12,218	12,347	25,829

No loss allowance was recognised on trade receivable as having considered by the management of the Combined Group on the payment arrangement, collaterals and historical settlement records, the ECL on trade receivables is considered immaterial.

23. RESTRICTED/PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Pledged bank deposits	399,576	904,252	608,302
Restricted bank deposits	37,297	100,977	66,398
	436,873	1,005,229	674,700
Less: Pledged bank deposits (non-current)	(358,000)	(500,465)	–
	78,873	504,764	674,700

Note:

Pledged bank deposits are denominated in RMB and comprise (i) deposits pledged to banks as at 31 December 2016, 2017 and 2018, to secure the mortgage guarantees provided to purchasers, amounting to RMB41,576,000, RMB45,787,000 and RMB78,302,000 respectively which will be released upon obtaining building ownership certificates by purchasers and the mortgages are properly registered; and (ii) deposits pledged to banks as at 31 December 2016, 2017 and 2018, to secure bank and other borrowings raised by the Combined Group, amounting to RMB358,000,000, RMB858,465,000 and RMB530,000,000 respectively.

Restricted bank deposits represent deposits which, in accordance with the applicable government regulations prevailing as at 31 December 2016, 2017 and 2018, placed in banks, amounting to RMB37,297,000, RMB100,977,000 and RMB66,398,000 respectively, which can only be applied in designated Property Development Projects.

The range of effective interests rates per annum of pledged/restricted bank deposits at the end of each reporting period were as follows:

	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Pledged bank deposits	0.3% to 2.52%	0.3% to 2.52%	0.3% to 0.39%
Restricted bank deposits	0.3% to 0.39%	0.3% to 0.39%	0.3% to 0.39%

The bank balances carry interest at variable rate with an average interest rate of 0.35% per annum at 31 December 2016, 2017 and 2018.

24. TRADE AND OTHER PAYABLES

	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables *(Note a)*	527,075	999,389	1,487,076
Business and other taxes payable	2,017	4,374	3,559
Accrued charges	271	4,672	5,577
Deposits received *(Note b)*	70,482	64,778	41,940
Advance from independent third parties *(Note c)*	65,753	137,090	15,102
Interests payable	6,663	10,131	9,210
Other payable *(Note d)*	94,934	74,164	33,567
Receipts on behalf of residents	16,293	16,613	57,769
Others	7,509	9,448	13,375
	790,997	1,320,659	1,667,175

Notes:

(a) Trade payables comprise construction costs and other project-related expenses which are payable based on project progress measured by the Combined Group. The average credit period of trade payables is 30 days.

The following is an aged analysis of trade payables, presented based on the invoice date, at the end of the reporting period:

	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
0 to 60 days	280,681	270,088	431,073
61 to 180 days	194,273	132,404	478,436
181 to 365 days	2,258	503,634	385,818
Over 1 year	49,863	93,263	191,749
	527,075	999,389	1,487,076

(b) Deposits received mainly represent various deposits received from contractors in relation to tendering and execution of construction contracts.

(c) Advanced from independent third parties mainly represent temporary payment from third parties with no interest bearing or contractual repayment date.

(d) The amount represents payable to Tianjin Weichen Investment Co., Ltd. ("Tianjin Weichen"), an independent third party for the real estate project investment in Anhui Liuzhuang Zhiye Co., Ltd ("Liuzhuang Zhiye"), a subsidiary of Tianjin Weichen. The investment was accounted for as AFS investment by the Combined Group as at 31 December 2016.

25. PRE-SALE DEPOSITS RECEIVED

	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Sales of properties	3,203,797	4,792,353	7,000,405

As at 1 January 2016, there was RMB2,467,505,000 pre-sale deposits received.

The following table shows how much of the revenue recognised in the current year relates to brought forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	1,911,482	1,961,405	2,122,843

The Combined Group receives 30%-100% of the contract value as deposits from customers when they sign the sale and purchase agreement. The deposits and advance payment schemes result in contract liabilities being recognised throughout the property construction period until the customer obtains control of the completed property.

26. BANK AND OTHER BORROWINGS

	2016 *RMB'000*	2017 *RMB'000*	2018 *RMB'000*
Bank loans, secured	350,000	350,000	–
Trust loan, secured	1,171,000	2,591,000	2,130,800
Entrust loan, secured	2,251,000	–	–
Other loans, secured	100,000	220,000	95,000
Other loans, unsecured	105,100	–	–
Total	3,977,100	3,161,000	2,225,800
Within one year	2,746,100	1,371,000	2,211,700
More than one year, but not exceeding two years	1,231,000	1,790,000	14,100
	3,977,100	3,161,000	2,225,800
Less: Amounts due within one year shown under current liabilities	(2,746,100)	(1,371,000)	(2,211,700)
Amounts shown under non-current liabilities	1,231,000	1,790,000	14,100

Note:

Bank and other borrowings amounting to RMB3,672,000,000, RMB2,976,000,000 and RMB2,175,800,000 as at 31 December 2016, 2017 and 2018 respectively are secured by the pledge of assets as set out in note 31, out of which RMB3,022,000,000, RMB2,361,000,000 and RMB2,180,800,000 are also guaranteed by Mr. Shum Tin Ching or related parties which beneficial owner is Mr. Shum Tin Ching, director and shareholder of the Target Company.

All the Combined Group's borrowings are denominated in RMB.

The range of effective interests rates per annum of borrowings at the end of each reporting period were as follows:

	2016 *RMB'000*	2017 *RMB'000*	2018 *RMB'000*
Bank loans	4.75%	4.75% to 9.5%	N/A
Trust loans	6% to 11.18%	6.4% to 11.18%	6.4% to 11.65%
Entrust loan	9.04%	N/A	N/A
Other loans	15% to 26%	15%	15% to 20.16%

Details of pledge of the Combined Group's assets are set out in note 31.

27. PAID-IN CAPITAL/SHARE CAPITAL

The Combined Group

The paid-in capital of the Combined Group as at relevant reporting dates represented the combined paid-in capital of Anhui Group and Target Company's attributable portion of the paid-in capital of Bengbu Mingyuan and Lujiang Jiayuan.

	At 1 January 2016 *RMB'000*	At 31 December 2016 *RMB'000*	At 31 December 2017 *RMB'000*	At 31 December 2018 *RMB'000*
Anhui Group *(Note a)*	–	–	–	100,000
Bengbu Mingyuan *(Note b)*	141,250	141,250	141,250	141,250
Lujiang Jiayuan *(Note c)*	–	42,000	42,000	42,000
	141,250	183,250	183,250	283,250

The amount as at 1 January 2016, 31 December 2016 and 2017 represents the Target Company's portion of share capital of Bengbu Mingyuan and Lujiang Jiayuan. The Target Company was incorporated in the BVI on 19 March 2019 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each.

Notes:

(a) On 7 May 2018, Zhejiang Jiayuan, a related company of the Target Company, injected RMB100,000,000 to Anhui Group in cash.

(b) On 5 September 2012, 29 July 2015 and 30 October 2015, Zhejiang Jiayuan injected RMB14,000,000, RMB90,000,000 and RMB37,250,000 to Bengbu Mingyuan respectively. After injection, Bengbu Mingyuan was 82.48% owned by Zhejiang Jiayuan.

(c) On 1 August 2016, Zhejiang Jiayuan injected RMB42,000,000 to Lujiang Jiayuan. After injection, Lujiang Jiayuan was 42% owned by Zhejiang Jiayuan.

28. PROVISION

	2018 *RMB'000*
At 1 January 2018	–
Acquisition of a subsidiary *(note 29)*	226,500
At 31 December 2018	226,500

In 2018, the Combined Group acquired 渦陽縣星港置業有限公司 Guoyang Xinggang Development Co., Ltd. ("Guoyang Xinggang") from an independent third party. Pursuant to the sales and purchase agreement, the Combined Group agreed with the former equity holder of Guoyang Xinggang that after the property project construction completed by the Combined Group, the Combined Group is required to transfer about 50,000 sq.m. of the completed property of the property project to the former equity holder of Guoyang Xinggang.

The potential amount of the costs (including development expenditure and other attributable expenses of the construction of properties) to be incurred to complete for this 50,000 sq.m. of completed property to be delivered to the former equity holder of Guoyang Xinggang is accounted for as a provision. No movement occurred from initial recognition to the year ended 31 December 2018 because the properties can only be delivered after meeting the agreed standards.

29. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY

Subsidiaries acquired in 2016

(a) On 29 September 2016, the Combined Group acquired the 78.5% equity interest of 和縣佳源房地產開發有限公司 Hexian Jiayuan Real Estate Development Co., Ltd. ("**Hexian Jiayuan**"), for a cash consideration of RMB39,250,000. This acquisition has been accounted for as purchase of assets and liabilities. Hexian Jiayuan is engaged in the property development and was acquired from independent third parties so as to continue the expansion of the Combined Group's property development operations.

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Non-current assets	
Property and equipment	3,460
Investment properties	25,474
Current assets	
Inventories of properties	1,140,116
Other receivables	86,118
Bank balances and cash	71,328
Current liabilities	
Trade and other payables	(157,746)
Pre-sale deposits received	(540,050)
Bank and other borrowings	(578,700)
Net assets	50,000
Less: Non-controlling interests (21.5%)	(10,750)
	39,250

Consideration transferred

	RMB'000
Cash paid	39,250

Net cash flows on acquisition of a subsidiary

	RMB'000
Consideration paid in cash	39,250
Less: Bank balances and cash acquired	(71,328)
Net cash inflows	(32,078)

(b) On 22 December 2016, the Combined Group acquired the 60% equity interest of 利辛縣明源房地產開發有限公司 Lixin County Mingyuan Real Estate Development Co., Ltd. ("**Lixin Mingyuan**"), for a cash consideration of RMB45,000,000. This acquisition has been accounted for as purchase of assets and liabilities. Lixin Mingyuan is engaged in the property development, and was acquired from independent third parties so as to continue the expansion of the Combined Group's property development operations.

Assets acquired and liability recognised at the date of acquisition

	RMB'000
Current assets	
Inventories of properties	71,431
Other receivables	6,005
Bank balances and cash	192
Current liability	
Other payables	(2,628)
Net assets	75,000
Less: Non-controlling interests (40%)	(30,000)
	45,000

Consideration transferred

	RMB'000
Cash paid	45,000

Net cash flows on acquisition of a subsidiary

	RMB'000
Consideration paid in cash	45,000
Less: Bank balances and cash acquired	(192)
Net cash outflows	44,808

Subsidiaries acquired in 2018

(a) On 16 April 2018, the Combined Group acquired the 70% equity interest of 六安新華信置業有限公司 Liuan Xinhuaxin Development Co., Ltd. ("**Liuan Xinhuaxin**"), for a cash consideration of RMB74,081,000. This acquisition has been accounted for as purchase of assets and liabilities. Liuan Xinhua is engaged in the property development, and was acquired from independent third parties so as to continue the expansion of the Combined Group's property development operations.

Assets acquired and liability recognised at the date of acquisition

	RMB'000
Current assets	
Inventories of properties	166,378
Other receivables	16
Bank balances and cash	4
Current liability	
Other payables	(60,568)
Net assets	105,830
Less: Non-controlling interests (30%)	(31,749)
	74,081

Consideration transferred

	RMB'000
Cash paid	29,639
Amounts due to non-controlling interests *(note 35 (b))*	44,442
Total consideration	74,081

Net cash flows on acquisition of a subsidiary

	RMB'000
Consideration paid in cash	29,639
Less: Bank balances and cash acquired	(4)
Net cash outflows	29,635

(b) On 6 August 2018, the Combined Group acquired the entire 100% equity interest in Guoyang Xinggang, for a cash consideration of RMB79,610,000. In addition, as part of the consideration, the Combined Group is required to transfer about 50,000 sq.m. of the completed properties of the property project owned by Guoyang Xinggang. This acquisition has been accounted for as purchase of assets and liabilities. Guoyang Xinggang is engaged in the property development, and was acquired from independent third parties so as to continue the expansion of the Combined Group's property development operations.

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Non-current assets	
Property and equipment	890
Investment properties	27,846
Current assets	
Inventories of properties	571,416
Other receivables	27,333
Bank balances and cash	3,294
Current liability	
Other payables	(324,669)
Net assets	306,110

Consideration transferred

	RMB'000
Cash paid	79,610
Provision *(note 28)*	226,500
Total consideration	306,110

Net cash flows on acquisition of a subsidiary

	RMB'000
Consideration paid in cash	79,610
Less: Bank balances and cash acquired	(3,294)
Net cash outflows	76,316

30. RECONCILIATION OF LIABILITIES ARRIVING FROM FINANCIAL ACTIVITIES

The table below details changes in the Combined Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flow will be, classified in the Combined Group's combined financial statements of cash flows from financing activities.

	Bank and other borrowings	Interest payable on bank and other borrowings*	Amounts due to non-controlling interests	Amounts due to related parties	Amount due to a joint venture	Amount due to an associate	Amount due to an intermediate holding company	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	2,651,000	–	–	175,247	–	–	–	2,826,247
Financing cash flows	747,400	(433,364)	363,360	(110,570)	–	–	299,490	866,316
Finance cost recognised	–	440,027	–	–	–	–	5,604	445,631
Acquisition of subsidiaries *(note 29)*	578,700	–	–	–	–	–	–	578,700
At 31 December 2016	3,977,100	6,663	363,360	64,677	–	–	305,094	4,716,894
Financing cash flows	(816,100)	(360,394)	(345,611)	(22,154)	165,800	–	1,921,387	542,928
Finance cost recognised	–	363,862	–	–	–	–	90,365	454,227
At 31 December 2017	3,161,000	10,131	17,749	42,523	165,800	–	2,316,846	5,714,049
Financing cash flows	(935,200)	(261,285)	(17,749)	25,088	–	76,000	(1,829,673)	(2,942,819)
Finance cost recognised	–	260,364	–	4,140	–	–	129,302	393,806
Acquisition of subsidiaries *(note 29)*	–	–	44,442	–	–	–	–	44,442
At 31 December 2018	2,225,800	9,210	44,442	71,751	165,800	76,000	616,475	3,209,478

* Included in trade and other payable

31. PLEDGE OF ASSETS

The following assets were pledged to secure the mortgage guarantees provided to customers and certain banking and other facilities granted to the Combined Group at the end of each reporting period:

	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Pledged bank deposits	399,576	904,252	608,302
Properties under development	1,764,026	1,528,559	1,211,509
Properties held for sale	–	–	133,429
	2,163,602	2,432,811	1,953,240

32. RETIREMENT BENEFIT PLANS

According to the relevant laws and regulations in the PRC, the Target Company's PRC subsidiaries are required to participate in defined contribution retirement schemes administrated by the local municipal government. The Target Company's PRC subsidiaries contribute funds which are calculated on certain percentage of the employee salary as required by local municipal government to the schemes to fund the retirement benefits of the employees. The principal obligation of the Combined Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The total expense recognised in profit or loss of RMB835,000, RMB1,384,000 and RMB2,419,000 for the years ended 31 December 2016, 2017 and 2018 respectively represents contribution payable to these plans by the Combined Group at rates specified in the rules of the plans.

33. COMMITMENTS

At the end of each reporting period, the Combined Group had the following commitments:

	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Contracted but not provided for in the combined financial statements:			
Expenditure in respect of projects classified as properties under development for sales	1,102,154	1,401,609	2,532,918
Expenditure in respect of projects classified as investment properties under construction	87,507	541,801	116,402

34. CONTINGENT LIABILITIES

	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Mortgage guarantees	2,262,773	3,034,150	4,911,359
Pledge of properties held for sale for a related party *(note 35(c)(viii))*	–	–	123,283
	2,262,773	3,034,150	5,034,642

The Combined Group provided guarantees in respect of mortgage bank loans granted to purchasers of the Combined Group's properties. Guarantees are given to banks with respect of loans procured by the purchasers of the Combined Group's properties. Such guarantees will be released by banks upon the purchasers obtaining the relevant building ownership certificate and completion of the relevant mortgage registration.

In the opinion of the management of Combined Group, the fair values of the above financial guarantee contracts of the Combined Group are insignificant at initial recognition and the sole director of the Target Company consider that the possibilities of default by the purchasers of the Combined Group's properties are remote, accordingly, no value has been recognised at the inception of the guarantee contracts and at end of each reporting period.

During the year ended 31 December 2018, the Combined Group pledged certain properties held for sale to a bank for the bank borrowings of a related party. The pledged of properties has been released subsequent to the end of the Relevant Periods and no transfer of the pledged properties from the Combined Group to any party occurred.

35. RELATED PARTY DISCLOSURES

(a) Names and relationships with related parties during the Relevant Periods are as follows:

Name of company*	**Principal activities**	**Relationship**
浙江西谷數字技術股份有限公司 Zhejiang Xigu Digital Technology Co., Ltd. ("**Zhejiang Xigu**")	Technology service	Under control of close family member of Mr. Shum Tin Ching
浙江佳源物業服務集團有限公司 Zhejiang Jiayuan Property Group Co., Ltd. ("**Jiayuan Property**")	Property management	Under control of Mr. Shum Tin Ching
江蘇五星電器有限公司 Jiangsu Five Star Co., Ltd. ("**Jiangsu Five Star**")	Electrical appliances retailer	Under control of Mr. Shum Tin Ching
安徽五星電器有限公司 Anhui Five Star Co., Ltd. ("**Anhui Five Star**")	Electrical appliances retailer	Under control of Mr. Shum Tin Ching
江蘇五星舒適家居合肥有限公司 Jiangsu Five Star Household Hefei Co., Ltd. ("**Five Star Hefei**")	Household retailer	Under control of Mr. Shum Tin Ching
Jiayuan Chuangsheng	Investment	Intermediate holding company
嘉興市博源建築設計有限公司 Jiaxing City Boyuan Architecture Design Co., Ltd. ("**Jiaxing Boyuan**")	Architectural design	Under control of Mr. Shum Tin Ching
嘉興市德宇電子科技有限公司 Jiaxing City Deyu Electronics Technology Co., Ltd. ("**Jiaxing Deyu**")	Electronics technology	Under control of close family member of Mr. Shum Tin Ching
嘉興市嘉誠工程管理服務有限公司 Jiaxing City Jiacheng Project Management Service Co., Ltd. ("**Jiaxing Jiacheng**")	Project management service	Under control of key management
浙江勝源裝飾工程有限公司 Zhejiang Shengyuan Decorative Construction Co., Ltd. ("**Zhejiang Shengyuan**")	Decorative construction	Under control of key management
Zhejiang Jiayuan	Property development	Immediate holding company
南京路馳環境科技有限公司 Nanjing Luchi Environment Technology Co., Ltd. ("**Nanjing Luchi**")	Environment technology	Under control of Mr. Shum Tin Ching
浙江佳源申城房地產集團有限公司 Zhejiang Jiayuan Shencheng Property Development Limited ("**Zhejiang Shencheng**")	Property development	Under control of Mr. Shum Tin Ching
浙江佳源醫養健康管理有限公司 Zhejiang Jiayuan Medical Health Management Co., Ltd. ("**Jiayuan Medical**")	Medical health	Under control of Mr. Shum Tin Ching

Name of company*	Principal activities	Relationship
浙江佳源杭城房地產集團有限公司 Zhejiang Jiayuan Hangcheng Real Estate Group Co., Ltd. ("**Zhejiang Hangcheng**")	Property development	Under control of Mr. Shum Tin Ching
寧港佳源投資諮詢集團有限公司 Ninggang Jiayuan Investment Consulting Group Co., Ltd. ("**Ninggang Jiayuan**")	Investment	Under control of Mr. Shum Tin Ching

* *The English name is for identification purpose only.*

(b) Related party balances

At the end of each reporting period, the Combined Group have the following significant balances with related parties:

	At 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
The Combined Group			
Non-trade nature (Note (i))			
Amounts due from related parties *(Note (ii))*	47,643	52,743	12,008
Amount due from an associate	–	278,466	72,732
Amount due from a joint venture	23,981	–	–
Amounts due from non-controlling interests	67,000	117,000	281,990
Amount due from immediate holding company	1,602,371	4,221,062	3,544,146
Amount due from an intermediate holding company	—	—	247,300
Non-trade nature (Note (i))			
Amounts due to related parties *(Note (ii))*	64,677	42,523	71,751
Amount due to an associate	–	–	76,000
Amount due to a joint venture	–	165,800	165,800
Amounts due to non-controlling interests	363,360	17,749	44,442
Amount due to an intermediate holding company	305,094	2,316,846	616,475
Trade Nature			
Amounts due to related parties *(Note (iii))*	16,676	13,259	7,739

Notes:

(i) The amount due to an intermediate holding company, amounting to RMB299,490,000, RMB2,220,877,000 and RMB391,204,000 as at 31 December 2016, 2017 and 2018, respectively, bore interest rates ranged from 6.2% to 8.5% per annum with fixed repayment dates within one year. The amount due to a related party amounting to RMB67,611,000 as at 31 December 2018 bore an interest rate of 7.2% per annum and was repayable within one year. Other balances are unsecured, interest-free, repayable on demand.

(ii) Mr. Shum Tin Ching, director and shareholder of the Target Company, is the beneficial owner of the below related companies.

	At 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties			
Zhejiang Shencheng	46,948	46,948	–
Jiayuan Medical	695	–	–
Jiayuan Commercial	–	5,795	12,008
	47,643	52,743	12,008
Amounts due to related parties			
Zhejiang Hangcheng	42,524	42,523	–
Jiayuan Property Management	22,123	–	–
Ninggang Jiayuan	30	–	–
Nanjing Luchi	–	–	71,751
	64,677	42,523	71,751

(iii) The following is the details and aging analysis of trade amounts due to related parties, presented based on respective date of invoice:

	At 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Jiayuan Property Management	13,725	5,266	–
Jiayxing Deyu	878	942	591
Jiaxing Boyuan	361	295	1,059
Jiaxing Jiacheng	799	781	781
Zhejiang Shengyuan	690	1,579	1,717
Zhejiang Xigu	223	2,019	530
Anhui Five Star	–	2,362	3,046
Five Star Hefei	–	15	15
	16,676	13,259	7,739

	At 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
0 to 60 days	3,650	5,206	6,563
61 to 180 days	2,613	625	40
181 to 365 days	1,280	266	606
Over 1 year	9,133	7,162	530
	16,676	13,259	7,739

(c) Related parties transactions

During the Relevant Periods, the Combined Group entered into the following significant transactions with related parties as follows:

(i) Procurement of intelligent system equipment

	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Zhejiang Xigu	1,300	2,341	855
Jiaxing Deyu	92	204	4,418
	1,392	2,545	5,273

(ii) Architectural design and construction fee

	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Jiayuan Boyuan	5,119	3,200	3,875
Zhejiang Shengyuan	1,132	1,563	3,262
Jiayuan Architectural	–	–	4,098
	6,251	4,763	11,235

(iii) Property management fee

	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Jia Yuan Property Management	7,319	5,512	9,737

(iv) Interest expense

	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Jiayuan Chuangsheng	5,604	90,365	129,302
Nanjing Luchi	–	–	4,140
	5,604	90,365	133,442

(v) ***Consulting fee***

	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Zhejiang Jiayuan	33,172	40,019	25,700

(vi) ***Procurement of Electrical Appliances***

	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Anhui Five Star	35	2,598	5,016
Five Star Hefei	–	255	–
Jiangsu Five Star	–	–	26
	35	2,853	5,042

(vii) Financial guarantees provided by Mr. Shum Tin Ching or related parties which beneficial owner is Mr. Shum Tin Ching, director and shareholder of the Target Company, for other borrowings of the Combined Group:

	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Bank and other borrowings guaranteed by a director of Zhejiang Jiayuan and related parties	3,022,000	2,361,000	2,180,800

(viii) Pledge of properties held for sales provided to a related company for bank borrowing:

	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Jiangsu Five Star	–	–	123,283

36. INTERESTS IN SUBSIDIARIES

(a) Particulars of the subsidiaries

At the date of this report, the Target Company has equity interests in the following subsidiaries and their particulars are as follows:

Name of subsidiary	Place and date of establishment/ incorporation	Paid up registered capital/issued and fully paid share capital	Effective equity interest attributable to the Combined Group At 31 December			Date of this report	Principal activities	Name of auditor
			2016	2017	2018			
Disposal Company								
Anhui Wanbohui	PRC 29 December 2015	RMB0	100%	100%	100%	–	Commercial operation management	*Note a*
Huhehaote Jiayuan	PRC 16 July 2018	RMB0	N/A	N/A	70%	–	Property development	*Note b*
Target Group								
Anhui Group	PRC 25 August 2016	RMB20,000,000	100%	100%	100%	100%	Investment	*Note a*
Anhui Jiayuan	PRC 10 January 2013	RMB369,686,388	100%	100%	100%	100%	Property development	*Note a*
Hexian Jiayuan	PRC 14 March 2014	RMB39,250,000	78.5%	78.5%	78.5%	78.5%	Property development	*Note a*
Lixin Mingyuan	PRC 25 October 2016	RMB45,000,000	60%	60%	60%	60%	Property development	*Note a*
Fengtai Mingyuan	PRC 4 January 2018	RMB79,000,000	N/A	N/A	100%	100%	Property development	*Note a*
Liuan Xinhuaxin	PRC 21 November 2012	RMB133,324,800	N/A	N/A	70%	70%	Property development	*Note a*

Name of subsidiary	Place and date of establishment/ incorporation	Paid up registered capital/issued and fully paid share capital	Effective equity interest attributable to the Combined Group At 31 December 2016	2017	2018	Date of this report	Principal activities	Name of auditor
Guoyang Xinggang	PRC 17 October 2017	RMB69,931,852	N/A	N/A	100%	100%	Property development	*Note a*
Lujiang Guangyuan	PRC 06 June 2008	RMB118,129,641	99%	99%	99%	99%	Property development	*Note a*
Bengbu Mingyuan	PRC 20 September 2012	RMB100,000,000	82.48%	82.48%	82.48%	82.48%	Property development	*Note a*
Lujiang Jiayuan *(Note c)*	PRC 11 July 2016	RMB100,000,000	42%	42%	42%	42%	Property development	*Note a*
舒城佳源房地產開發有限公司 Shucheng Jiayuan Real Estate Development Co., Ltd. ("**Shucheng Jiayuan**")	PRC 1 January 2017	RMB100,000,000	N/A	55%	55%	55%	Property development	*Note b*

Notes:

(a) The auditor of the PRC subsidiaries for the years ended 31 December 2016, 2017 and 2018 is 亞太(集團)會計師事務所(特殊普通合夥)杭州分所.

(b) As at the date of this report, no statutory financial statements have been prepared for these PRC subsidiaries as they are not required to do so in their respective regions in the PRC.

(c) The Combined Group is able to appoint three directors on the board while the other equity holders are able to appoint two directors of which all board resolutions are required over 50% of the board of directors to approve. Pursuant to the article and association, the Combined Group can control Lujiang Jiayuan.

(b) Details of non-wholly owned subsidiaries of the Target Company that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Target Company that have material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling			Profit (loss) allocated to non-controlling interests			Accumulated non-controlling interests		
		31/12/2016	31/12/2017	31/12/2018	2016	2017	2018	31/12/2016	31/12/2017	31/12/2018
		%	%	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Hexian Jiayuan	PRC	21.5	21.5	21.5	3,373	7,339	8,938	14,123	21,462	30,401
Lixin Mingyuan	PRC	40	40	40	–	(2,660)	(11,924)	30,000	27,340	15,416
Lujiang Jiayuan	PRC	58	58	58	(1,030)	(21,372)	45,656	56,970	35,597	81,254
Bengbu Mingyuan	PRC	17.52	17.52	17.52	(281)	(3,989)	8,395	7,498	3,509	11,903
Lujiang Guangyuan	PRC	1	1	1	(36)	(86)	(25)	1,149	1,064	1,039
Liuan Xinhuaxin *(Note i)*	PRC	N/A	N/A	30	–	–	(1,351)	–	–	30,398
Fengtai Mingyuan *(Note ii)*	PRC	N/A	N/A	0	–	–	(2,667)	–	–	–
Shucheng Jiayuan *(Note iii)*	PRC	N/A	45	45	–	(2,371)	(6,673)	–	42,629	35,955
Total					2,026	(23,139)	40,349	109,740	131,601	206,366

Notes:

(i) The subsidiary was acquired in 2018.

(ii) The subsidiary is established in 2018 by Anhui Group with an independent third party. On 19 December 2018, Anhui Group acquired 40% equity interest of the subsidiary from non-controlling shareholder and became the sole shareholder of the subsidiary.

(iii) The subsidiary was established in 2017.

Summarised financial information in respect of Hexian Jiayuan and Lujiang Jiayuan that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Hexian Jiayuan

	At 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	27,812	27,682	27,418
Current assets	1,091,588	1,016,134	912,775
Current liabilities	(731,875)	(939,361)	(797,936)
Non-current liabilities	(321,835)	(4,631)	(859)
Total equity	65,690	99,824	141,398
Equity attributable to the owners of the Target Company	51,567	78,362	110,997
Non-controlling interests	14,123	21,462	30,401

	For the year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	296,908	465,413	324,318
Expenses	(281,218)	(431,280)	(282,744)
Profit and total comprehensive income for the year	15,690	34,133	41,574
Profit attributable to owners of the Target Company	12,317	26,794	32,636
Profit and total comprehensive income attributable to the non-controlling interests	3,373	7,339	8,938
Net cash (used in) from operating activities	(380,397)	395,868	326,450
Net cash used in investing activities	(118,796)	(192,737)	(3,193)
Net cash from (used in) financing activities	474,095	(223,749)	(326,903)
Net cash outflow	(25,098)	(20,618)	(3,646)

Lujiang Jiayuan

	At 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	579	1,353	465
Current assets	1,353,545	2,222,793	1,750,429
Current liabilities	(434,900)	(2,162,771)	(1,607,540)
Non-current liabilities	(821,000)	–	(3,261)
Total equity	98,224	61,375	140,093
Equity attributable to the owner of the Target Company	41,254	25,778	58,839
Non-controlling interests	56,970	35,597	81,254

	For the year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	–	–	430,793
Expenses	(1,776)	(36,849)	(352,076)
(Loss) profit and total comprehensive (expense) income for the year	(1,776)	(36,849)	78,717
(Loss) profit and total comprehensive (expense) income attributable to owners of the Target Company	(746)	(15,477)	33,061
(Loss) profit and total comprehensive (expense) income attributable to the non-controlling interests	(1,030)	(21,372)	45,656
Net cash (used in) from operating activities	(497,672)	47,800	423,538
Net cash (used in) from investing activities	(358,068)	(997)	358,088
Net cash from (used in) financing activities	920,984	(3,033)	(835,198)
Net cash inflow (outflow)	65,244	43,770	(53,572)

37. CAPITAL RISK MANAGEMENT

The Combined Group manages its capital to ensure that entities in the Combined Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Combined Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Combined Group consists of net debts, including amounts due to related parties, a joint venture, an associate, non-controlling interests and an intermediate holding company and bank and other borrowings, net of bank balances and cash and equity attributable to owners of the Target Company comprising paid-in capital/share capital and reserves.

The management of the Combined Group reviews the capital structure periodically. The management of the Combined Group consider the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debts or the redemption of existing debts.

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	2,947,781	6,435,220	–
AFS investment	140,505	–	–
Financial assets at amortised cost	–	–	5,831,380
	3,088,286	6,435,220	5,831,380
Financial liabilities			
Amortised cost	5,515,616	7,028,790	4,866,046

(b) Financial risk management objectives and policies

The Combined Group's financial instruments include trade and other receivables, amounts due from immediate holding company, an intermediate holding company, a joint venture, an associate. non-controlling interests and related parties, restricted/pledged bank deposits bank balances and cash, trade and other payables, amounts due to a joint venture, an associate, non-controlling interests, an intermediate holding company and related parties and bank and other borrowings. Details of these financial instruments are disclosed in respective notes.

The management of the Combined Group monitors and manages the financial risks relating to the operations of the Combined Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below and remained unchanged during the Relevant Periods. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Combined Group is exposed to fair value interest rate risk in relation to fixed-rate amount due from a related company and bank and other borrowings. The management of Combined Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The fair value rate risk on bank deposits is insignificant.

The Combined Group is also exposed to cash flow interest rate in relation to variable-rate bank balances.

The Combined Group's exposures to interest rate risk on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The management considered that interest rate risk of bank balances is insignificant.

Credit risk and impairment assessment

As at 31 December 2016, 2017 and 2018, the Combined Group's maximum exposure to credit risk which would cause a financial loss to the Combined Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position and the amount of mortgage guarantees disclosed in note 34.

Trade receivables

In order to minimise the credit risk, the management of the Combined Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Combined Group performs impairment assessment under ECL model upon application of HKFRS 9 on financial assets at amortised cost from 1 January 2018 individually. In this regard, the management of the Combined Group considers that the Combined Group's credit risk is effectively managed.

Other receivables, amounts due from immediate holding company, non-controlling interests, related parties, an intermediate holding company and an associate, bank balances and restricted/pledged bank deposits

The credit risk of other receivables, amounts due from immediate holding company, non-controlling interests, related party, an intermediate holding company and an associate is managed through an internal process. The credit quality of each counterparty is investigated before an advance is made. The Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. At the end of each reporting period, the Combined Group reviews the recoverable amount of these receivables and the financial capability of the debtors as well as the future prospect of the industry in which the debtors operate.

The credit risks on bank balances and restricted/pledged bank deposits are limited because the counterparties are banks and financial institutions with high credit ratings assigned by international credit-rating agencies.

Financial guarantee contracts

For the financial guarantee contracts provided by the Combined Group to banks in connection with the purchasers' borrowing of mortgage loans to finance their purchase of properties, the Combined Group 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. The management of the Combined Group considered that the loss allowances on financial guarantee contracts at 31 December 2016, 31 December 2017, 1 January 2018 and 31 December 2018 were insignificant to the Combined Group. For properties which have been pre-sold, or for the completed properties that sold but the building ownership certificate not yet issued, the Combined Group typically provides guarantees to banks in connection with the purchasers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of guarantee, the bank holding the mortgage may demand the Combined Group to repay the outstanding amount of the loan and any accrued interest thereon. Under such circumstances, the Combined Group is able to retain the purchasers' sales deposit and sell the property to recover any amounts paid by the Combined Group to the bank. In this regard, the management of the Combined Group consider that the Combined Group's credit risk is significantly reduced.

For other financial guarantee contract, the director of the Target Company has performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Details of the financial guarantee contracts are set out in note 34.

Other financial assets at amortised cost

The Combined Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Moderate risk	Debtors frequently repay after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Combined Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Combined Group's financial assets, which are subject to ECL assessment:

At 31 December 2018	*Notes*	**Internal credit rating**	**12-month or lifetime ECL**	**Gross carrying amount**
				RMB'000
Financial assets at amortised cost				
Restricted/pledged bank deposits	*23*	Note A	12m ECL	674,700
Bank balances	*23*	Note A	12m ECL	659,562
Trade receivables	*22*	Note B	Lifetime ECL – not credit impaired – (provision matrix)	13,230
Other receivables	*22*	Note C	12m ECL	339,856
Amounts due from non-controlling interests	*35*	Note C	12m ECL	290,605
Amount due from immediate holding company	*35*	Note C	12m ECL	3,579,986
Amounts due from related parties	*35*	Note C	12m ECL	12,008
Amount due from an intermediate holding company	*35*	Note C	12m ECL	249,798
Amount due from an associate	*35*	Note C	12m ECL	73,467
				5,893,212
Financial guarantee contracts	*34*	Note D	12m ECL	4,911,359
				10,804,571

Notes:

A. For restricted/pledged bank deposits and bank balances, the Combined Group determines the expected credit losses by referring to external credit rating of the related banks. The ECL on restricted/pledged bank deposits is considered immaterial.

B. For trade receivables, the Combined Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Combined Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status.

C. For the purposes of internal credit risk management, the Combined Group uses past due information and financial capability of the debtors to assess whether credit risk has increased significantly since initial recognition. The balance of the receivables are not past due.

D. For financial guarantee contracts, the gross carrying amount represents the maximum amount the Combined Group has guaranteed under the respective contracts.

The following tables show reconciliation of loss allowances that has been recognised for other receivables, amounts due from an immediate holding company, an intermediate holding company, non-controlling interests and an associate.

	Trade and other receivables 12m ECL	Amounts due from non-controlling interests 12m ECL	Amount due from an associate 12m ECL	Amount due from an intermediate holding company 12m ECL	Amount due from immediate holding company 12m ECL	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2018	–	–	–	–	–	–
Changes due to financial instruments recognised at 1 January 2018:						
– Impairment losses recognised	3,200	3,040	1,390	–	42,211	49,841
As at 1 January 2018 (restated)	3,200	3,040	1,390	–	42,211	49,841
– Impairment losses recognised	10,944	5,575	(655)	2,498	(6,371)	11,991
As at 31 December 2018	14,144	8,615	735	2,498	35,840	61,832

No impairment allowance was made on amounts due from related parties, restricted/pledged bank deposits, bank balances and financial guarantee contracts at the end of each reporting period as the director of the Target Company considers the effect is minimal.

Liquidity risk

As at December 31, 2018, the Combined Group recorded net current liabilities of RMB255,294,000. In the management of liquidity risk, the sole director of the Target Company has reviewed the Combined Group's cash flow projections to ensure the Combined Group maintains a level of cash and cash equivalents adequate by the management to finance the Combined Group's operations and mitigate the effects of fluctuations in cash flows. Jiayuan Chuangsheng, an intermediate holding company has agreed to provide adequate funds to enable the Combined Group to meet in full its financial obligations as they fall due for the next twelve months from the reporting date.

The following tables detail the Combined Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Combined Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

	Weighted average	On demand and less than 1 year	Between 2 and 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2016					
Trade and other payables	–	788,709	–	788,709	788,709
Amounts due to related parties	–	81,353	–	81,353	81,353
Amounts due to non-controlling interests	–	363,360	–	363,360	363,360
Amount due to an intermediate holding company	6.52%	324,987	–	324,987	305,094
Bank and other borrowings – fixed rate	8.59%	2,982,644	1,336,746	4,319,390	3,977,100
		4,541,053	1,336,746	5,877,799	5,515,616
Financial guarantee – Mortgage guarantees		2,262,773	–	2,262,773	–
		6,803,826	1,336,746	8,140,572	5,515,616
As at 31 December 2017					
Trade and other payables	–	1,311,613	–	1,311,613	1,311,613
Amounts due to related parties	–	55,782	–	55,782	55,782
Amount due to a joint venture	–	165,800	–	165,800	165,800
Amounts due to non-controlling interests	–	17,749	–	17,749	17,749
Amount due to an intermediate holding company	8.41%	2,511,693	–	2,511,693	2,316,846
Bank and other borrowings – fixed rate	7.18%	1,598,025	1,832,853	3,430,878	3,161,000
		5,660,662	1,832,853	7,493,515	7,028,790
Financial guarantee – Mortgage guarantees		3,034,150	–	3,034,150	–
		8,694,812	1,832,853	10,527,665	7,028,790

	Weighted average	On demand and less than 1 year	Between 2 and 5 years	Total undiscounted cash flows	Total
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2018					
Trade and other payables	–	1,658,039	–	1,658,039	1,658,039
Amount due to a related party (non-trade)	7.2%	75,589	–	75,589	71,751
Amounts due to related parties (trade)	–	7,739	–	7,739	7,739
Amount due to a joint venture	–	165,800	–	165,800	165,800
Amount due to an associate	–	76,000	–	76,000	76,000
Amounts due to non-controlling interests	–	44,442	–	44,442	44,442
Amount due to an intermediate holding company	6,91%	659,074	–	659,074	616,475
Bank and other borrowings – fixed rate	7.69%	2,382,793	15,524	2,398,317	2,225,800
		5,069,476	15,524	5,085,000	4,866,046
Financial guarantee					
– Mortgage guarantees		4,911,359	–	4,911,359	–
		9,980,835	15,524	9,996,359	4,866,046

39. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) Disposal of subsidiaries

As at 31 December 2018, the Combined Group is mainly engaged in property development and investment, while a subsidiary, Anhui Wanbohui is engaged in commercial operation management. Pursuant to the sale and purchase agreement (as subsequently amended and supplemented) between Jiayuan International Group Limited and Mr. Shum Tin Ching dated 26 April 2019, Mr. Shum agreed to procure the Reorganisation, pursuant to which the Target Group will comprise companies conducting property development and investment business only. As part of the Reorganisation, in May 2019, the Combined Group transferred all of its equity interests in Anhui Wanbohui, a company controlled by Anhui Jiayuan, to Jiayuan Commercial. Subsequent to 31 December 2018, Huhehaote Jiayuan was deregistered and the effect on the deregistration was insignificant to the Combined Group.

The Historical Financial Information comprises the financial positions, results and cash flows of the Combined Group throughout the Relevant Periods. The financial information of the Disposal Company has been included in the Historical Financial Information throughout the Relevant Periods as they formed an integral part of the businesses of the Combined Group prior to the transfer of these companies to its related party by way of disposal of equity interests before the Acquisition. The financial information of the Target Group and the Disposal Company disclosed below was prepared by the director of the Target Company as additional information and was prepared on a combined basis before elimination of transactions and balances between the Target Group and the Disposal Company.

Financial performance

For the year ended 31 December 2016

	Target Group *RMB'000*	**Disposal Company** *RMB'000*	**Intergroup elimination** *RMB'000*	**Combined Group** *RMB'000*
Revenue	2,130,340	1,932	–	2,132,272
Cost of sales	(1,752,712)	–	–	(1,752,712)
Gross profit	377,628	1,932	–	379,560
Other income	554	–	–	554
Other gains and losses	(14,423)	12	–	(14,411)
Change in fair value of investment properties	87,066	–	–	87,066
Distribution and selling expenses	(29,939)	–	–	(29,939)
Administrative expenses	(55,920)	(22)	–	(55,942)
Finance costs	(3,756)	–	–	(3,756)
Shares of results of a joint venture	(2,574)	–	–	(2,574)
Shares of results of associates	(1,896)	–	–	(1,896)
Profit before taxation	356,740	1,922	–	358,662
Income tax expense	(113,591)	(481)	–	(114,072)
Profit and total comprehensive income for the year	243,149	1,441	–	244,590
Other information				
Revenue from goods and services	2,130,340	1,932	–	2,132,272
Other income				
Bank interest income	554	–	–	554
Finance costs				
Interests on bank and other borrowings	440,028	–	–	440,028
Interest on amount due to an intermediate holding company	5,604	–	–	5,604
Imputed interest expense on pre-sale deposits received	171,934	–	–	171,934
	617,566	–	–	617,566
Less: Capitalised in investment properties under construction/properties under development	(613,810)	–	–	(613,810)
	3,756	–	–	3,756
Attributable to:				
Owners of the Target Company	241,123	1,441	–	242,564
Non-controlling interests	2,026	–	–	2,026
	243,149	1,441	–	244,590

For year ended 31 December 2017

	Target Group *RMB'000*	Disposal Company *RMB'000*	Intergroup elimination *RMB'000*	Combined Group *RMB'000*
Revenue	2,290,835	232	–	2,291,067
Cost of sales	(1,761,322)	–	–	(1,761,322)
Gross profit	529,513	232	–	529,745
Other income	10,472	–	–	10,472
Other gains and losses	78,747	14	–	78,761
Change in fair value of investment properties	1,111	–	–	1,111
Distribution and selling expenses	(72,767)	(3)	–	(72,770)
Administrative expenses	(104,831)	(347)	–	(105,178)
Finance costs	(43,666)	–	–	(43,666)
Shares of results of a joint venture	(6,490)	–	–	(6,490)
Shares of results of associates	(15,651)	–	–	(15,651)
Profit (loss) before taxation	376,438	(104)	–	376,334
Income tax expense	(246,797)	19	–	(246,778)
Profit (loss) and total comprehensive income (expense) for the year	129,641	(85)	–	129,556
Other information				
Revenue from goods and services	2,290,835	232	–	2,291,067
Other income				
Bank interest income	10,472	–	–	10,472
Finance costs				
Interests on bank and other borrowings	363,862	–	–	363,862
Interest on amount due to an intermediate holding company	90,365	–	–	90,365
Imputed interest expense on pre-sale deposits received	176,026	–	–	176,026
	630,253	–	–	630,253
Less: Capitalised in investment properties under construction/properties under development	(586,587)	–	–	(586,587)
	43,666	–	–	43,666
Attributable to:				
Owners of the Target Company	152,780	(85)	–	152,695
Non-controlling interests	(23,139)	–	–	(23,139)
	129,641	(85)	–	129,556

For the year ended 31 December 2018

	Target Group *RMB'000*	Disposal Company *RMB'000*	Intergroup elimination *RMB'000*	Combined Group *RMB'000*
Revenue	2,745,229	4,366	–	2,749,595
Cost of sales	(1,659,788)	–	–	(1,659,788)
Gross profit	1,085,441	4,366	–	1,089,807
Other income	10,412	–	–	10,412
Other gains and losses	457	5	–	462
Change in fair value of investment properties	10,894	–	–	10,894
Impairment allowance on expected credit losses on financial assets	(11,991)	–	–	(11,991)
Distribution and selling expense	(55,739)	(951)	–	(56,690)
Administrative expenses	(100,174)	(3,496)	–	(103,670)
Finance costs	(85,276)	–	–	(85,276)
Shares of results of a joint venture	38,964	–	–	38,964
Shares of results of associates	46,392	–	–	46,392
Profit (loss) before tax	939,380	(76)	–	939,304
Income tax expense	(525,202)	(16)	–	(525,218)
Profit (loss) and total comprehensive income (expense) for the year	414,178	(92)	–	414,086
Other information				
Revenue from goods and services	2,745,229	4,366	–	2,749,595
Other income				
Bank interest income	10,412	–	–	10,412
Finance costs				
Interests on bank and other borrowings	260,364	–	–	260,364
Interests on amounts due to an intermediate holding company and a related party	133,442	–	–	133,442
Imputed interest expense on pre-sale deposits received	262,053	–	–	262,053
	655,859	–	–	655,859
Less: Capitalised in investment properties under construction/properties under development	(570,583)	–	–	(570,583)
	85,276	–	–	85,276
Attributable to:				
Owners of the Target Company	373,829	(92)	–	373,737
Non-controlling interests	40,349	–	–	40,349
	414,178	(92)	–	414,086

Financial position

As at 31 December 2016

	Target Group RMB'000	Disposal Company RMB'000	Intergroup elimination RMB'000	Combined Group RMB'000
NON-CURRENT ASSETS				
Property and equipment	9,429	–	–	9,429
Investment properties	455,000	–	–	455,000
Interests in an associates	62,133	–	–	62,133
Interest in a joint venture	7,426	–	–	7,426
AFS investment	140,505	–	–	140,505
Deferred tax assets	1,162	–	–	1,162
Deposits for trust financing arrangement	62,315	–	–	62,315
Pledged bank deposits	358,000	–	–	358,000
	1,095,970	–	–	1,095,970
CURRENT ASSETS				
Inventories of properties	5,599,657	–	–	5,599,657
Trade and other receivables	359,213	–	–	359,213
Amounts due from related parties	44,043	40,624	(37,024)	47,643
Amount due from a joint venture	23,981	–	–	23,981
Amounts due from non-controlling interests	67,000	–	–	67,000
Amount due from immediate holding company	1,602,371	–	–	1,602,371
Prepaid income tax	114,259	–	–	114,259
Pledged bank deposits	78,873	–	–	78,873
Bank balances and cash	598,548	960	–	599,508
	8,487,945	41,584	(37,024)	8,492,505
CURRENT LIABILITIES				
Trade and other payables	790,882	115	–	790,997
Pre-sales deposits received	3,203,797	–	–	3,203,797
Amounts due to related parties	118,377	–	(37,024)	81,353
Amounts due to non-controlling interests	363,360	–	–	363,360
Amount due to an intermediate holding company	305,094	–	–	305,094
Tax payable	49,167	27	–	49,194
Bank and other borrowings	2,746,100	–	–	2,746,100
	7,576,777	142	(37,024)	7,539,895
NET CURRENT ASSETS	911,168	41,442	–	952,610
TOTAL ASSETS LESS CURRENT LIABILITIES	2,007,138	41,442	–	2,048,580

	Target Group *RMB'000*	Disposal Company *RMB'000*	Intergroup elimination *RMB'000*	Combined Group *RMB'000*
CAPITAL AND RESERVES				
Paid-in capital/share capital	183,250	–	–	183,250
Reserves	480,686	1,442	–	482,128
Equity attributable to owners of Target Company	663,936	1,442	–	665,378
Non-controlling interests	109,740	–	–	109,740
	773,676	1,442	–	775,118
NON-CURRENT LIABILITIES				
Bank and other borrowings	1,191,000	40,000	–	1,231,000
Deferred tax liabilities	42,462	–	–	42,462
	1,233,462	40,000	–	1,273,462
	2,007,138	41,442	–	2,048,580

As at 31 December 2017

	Target Group *RMB'000*	Disposal Company *RMB'000*	Intergroup elimination *RMB'000*	Combined Group *RMB'000*
NON-CURRENT ASSETS				
Property and equipment	9,706	13	–	9,719
Investment properties	683,200	–	–	683,200
Interests in an associate	127,482	–	–	127,482
Interest in a joint venture	936	–	–	936
Deferred tax assets	6,089	19	–	6,108
Deposits for trust financing arrangement	53,124	–	–	53,124
Pledged bank deposits	500,465	–	–	500,465
	1,381,002	32	–	1,381,034
CURRENT ASSETS				
Inventories of properties	5,263,538	–	–	5,263,538
Trade and other receivables	507,640	–	–	507,640
Amounts due from related parties	47,600	42,147	(37,004)	52,743
Amount due from an associate	278,466	–	–	278,466
Amounts due from non-controlling interests	117,000	–	–	117,000
Amount due from immediate holding company	4,221,062	–	–	4,221,062
Prepaid income tax	115,919	18	–	115,937
Restricted/pledged bank deposits	504,764	–	–	504,764
Bank balances and cash	521,032	364	–	521,396
	11,577,021	42,529	(37,004)	11,582,546
CURRENT LIABILITIES				
Trade and other payables	1,319,454	1,205	–	1,320,659
Pre-sales deposits received	4,792,353	–	–	4,792,353
Amounts due to related parties	92,786	–	(37,004)	55,782
Amount due to a joint venture	165,800	–	–	165,800
Amounts due to non-controlling interests	17,749	–	–	17,749
Amount due to an intermediate holding company	2,316,846	–	–	2,316,846
Tax payable	179,086	–	–	179,086
Bank borrowings	1,331,000	40,000	–	1,371,000
	10,215,074	41,205	(37,004)	10,219,275
NET CURRENT ASSETS	1,361,947	1,324	–	1,363,271
TOTAL ASSETS LESS CURRENT LIABILITIES	2,742,949	1,356	–	2,744,305

	Target Group *RMB'000*	Disposal Company *RMB'000*	Intergroup elimination *RMB'000*	Combined Group *RMB'000*
CAPITAL AND RESERVES				
Paid-in capital/share capital	183,250	–	–	183,250
Reserves	633,467	1,356	–	634,823
Equity attributable to owners of the Target Company	816,717	1,356	–	818,073
Non-controlling interests	131,601	–	–	131,601
	948,318	1,356	–	949,674
NON-CURRENT LIABILITIES				
Bank and other borrowings	1,790,000	–	–	1,790,000
Deferred tax liabilities	4,631	–	–	4,631
	1,794,631	–	–	1,794,631
	2,742,949	1,356	–	2,744,305

As at 31 December 2018

	Target Group *RMB'000*	**Disposal Company** *RMB'000*	**Intergroup elimination** *RMB'000*	**Combined Group** *RMB'000*
NON-CURRENT ASSETS				
Property and equipment	12,351	97	–	12,448
Investment properties	1,572,900	–	–	1,572,900
Interest in associates	173,874	–	–	173,874
Interest in a joint venture	39,900	–	–	39,900
Deferred tax assets	111,053	59	–	111,112
Deposits for trust financing arrangement	3,909	–	–	3,909
	1,913,987	156	–	1,914,143
CURRENT ASSETS				
Inventories of properties	5,961,668	–	–	5,961,668
Trade and other receivables	625,742	129	–	625,871
Amounts due from related parties	4,137	8,809	(938)	12,008
Amount due from an associate	72,732	–	–	72,732
Amounts due from non-controlling interests	281,990	–	–	281,990
Amount due from immediate holding company	3,544,146	–	–	3,544,146
Amount due from an intermediate holding company	247,300	–	–	247,300
Prepaid income tax	138,126	–	–	138,126
Pledged/restricted bank deposits	674,700	–	–	674,700
Bank balances and cash	659,116	446	–	659,562
	12,209,657	9,384	(938)	12,218,103
CURRENT LIABILITIES				
Trade and other payables	1,659,137	8,038	–	1,667,175
Pre-sales deposits received	7,000,405	–	–	7,000,405
Amounts due to related parties	80,228	200	(938)	79,490
Amount due to a joint venture	165,800	–	–	165,800
Amount due to an associate	76,000	–	–	76,000
Amounts due to non-controlling interests	44,442	–	–	44,442
Amount due to an intermediate holding company	616,475	–	–	616,475
Tax payable	611,872	38	–	611,910
Bank and other borrowings	2,211,700	–	–	2,211,700
	12,466,059	8,276	(938)	12,473,397
NET CURRENT (LIABILITIES) ASSETS	(256,402)	1,108	–	(255,294)
TOTAL ASSETS LESS CURRENT LIABILITIES	1,657,585	1,264	–	1,658,849

	Target Group *RMB'000*	**Disposal Company** *RMB'000*	**Intergroup elimination** *RMB'000*	**Combined Group** *RMB'000*
CAPITAL AND RESERVES				
Paid-in capital/share capital	283,250	–	–	283,250
Reserves	923,249	1,264	–	924,513
Equity attributable to owners of the Target Company	1,206,499	1,264	–	1,207,763
Non-controlling interests	206,366	–	–	206,366
	1,412,865	1,264	–	1,414,129
NON-CURRENT LIABILITIES				
Bank and other borrowings	14,100	–	–	14,100
Deferred tax liabilities	4,120	–	–	4,120
Provision	226,500	–	–	226,500
	244,720	–	–	244,720
	1,657,585	1,264	–	1,658,849

Cash flows

For the year ended 31 December 2016

	Target Group *RMB'000*	Disposal Company *RMB'000*	Intergroup elimination *RMB'000*	Combined Group *RMB'000*
OPERATING ACTIVITIES				
Profit before taxation	356,740	1,922	–	358,662
Adjustments for:				
Interest income	(554)	–	–	(554)
Depreciation of property and equipment	1,300	–	–	1,300
Finance costs	3,756	–	–	3,756
Loss on disposal of property and equipment	1	–	–	1
Share of results of a joint venture	2,574	–	–	2,574
Share of results of an associate	1,896	–	–	1,896
Change in fair value change of investment properties	(87,066)	–	–	(87,066)
Allowance for doubtful debts	9,744	–	–	9,744
Operating cash flows before movements in working capital	288,391	1,922	–	290,313
Decrease in inventories of properties	104,884	–	–	104,884
Decrease in trade and other receivables	407,219	1	–	407,220
Increase in amounts due to related parties	16,676	–	–	16,676
Increase in trade and other payables	177,375	115	–	177,490
Increase in deposits received from pre-sale of properties	24,357	–	–	24,357
Cash generated from operations	1,018,902	2,038	–	1,020,940
Income taxes paid	(117,864)	(454)	–	(118,318)
NET CASH FROM OPERATING ACTIVITIES	901,038	1,584	–	902,622
INVESTING ACTIVITIES				
Purchase of property and equipment	(5,943)	–	–	(5,943)
Additions of investment properties	(267,191)	–	–	(267,191)
Acquisition of subsidiaries	(12,730)	–	–	(12,730)
Settlement of consideration payable on AFS investment	(45,571)	–	–	(45,571)
Repayment from (advance to) related parties	(43,348)	(40,624)	37,024	(46,948)
Repayment from related parties	320,453	–	–	320,453
Repayment from an associate	11,320	–	–	11,320
Advance to a joint venture	(23,981)	–	–	(23,981)

	Target Group *RMB'000*	Disposal Company *RMB'000*	Intergroup elimination *RMB'000*	Combined Group *RMB'000*
Advance to an immediate holding company	(1,932,140)	–	–	(1,932,140)
Repayment from an immediate holding company	677,826	–	–	677,826
Advance to non-controlling interests	(67,000)	–	–	(67,000)
Capital injection to a joint venture	(10,000)	–	–	(10,000)
Placement of restricted/pledged bank deposits	(57,675)	–	–	(57,675)
Withdrawal of restricted/pledged bank deposits	46,004	–	–	46,004
Interest received	554	–	–	554
NET CASH USED IN INVESTING ACTIVITIES	(1,409,422)	(40,624)	37,024	(1,413,022)
FINANCING ACTIVITIES				
Proceeds from borrowings	3,276,900	40,000	–	3,316,900
Repayment of borrowings	(2,569,500)	–	–	(2,569,500)
Interest paid	(433,364)	–	–	(433,364)
Advance from related parties	79,547	–	(37,024)	42,523
Repayment to related parties	(153,093)	–	–	(153,093)
Advances from an intermediate holding company	299,490	–	–	299,490
Acquisition of a subsidiary under common control	(49,500)	–	–	(49,500)
Advance from non-controlling interests	363,360	–	–	363,360
Capital injection from immediate holding company	42,000	–	–	42,000
Capital injection from a non-controlling shareholder of a subsidiary	58,000	–	–	58,000
NET CASH FROM FINANCING ACTIVITIES	913,840	40,000	(37,024)	916,816
NET INCREASE IN CASH AND CASH EQUIVALENTS	405,456	960	–	406,416
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	193,092	–	–	193,092
CASH AND CASH EQUIVALENTS AT END OF THE YEAR AND REPRESENTED BY				
Bank balances and cash	598,548	960	–	599,508

For the year ended 31 December 2017

	Target Group *RMB'000*	Disposal Company *RMB'000*	Intergroup elimination *RMB'000*	Combined Group *RMB'000*
OPERATING ACTIVITIES				
Profit before taxation	376,438	(104)	–	376,334
Adjustments for:	–	–	–	–
Interest income	(10,472)	–	–	(10,472)
Depreciation of property and equipment	2,338	–	–	2,338
Finance costs	43,666	–	–	43,666
Loss on disposal of property and equipment	4	–	–	4
Share of results of a joint venture	6,490	–	–	6,490
Share of results of an associate	15,651	–	–	15,651
Change in fair value change of investment properties	(1,111)	–	–	(1,111)
Gain of disposal of AFS investment	(78,780)	–	–	(78,780)
Allowance for doubtful debts	164	–	–	164
Operating cash flows before movements in working capital	354,388	(104)	–	354,284
Decrease in inventories of properties	804,558	–	–	804,558
Decrease in trade and other receivables	(139,400)	–	–	(139,400)
Decrease in amounts due to related parties	(3,417)	–	–	(3,417)
Increase in trade and other payables	539,212	1,089	–	540,301
Increase in deposits received from pre-sale of properties	1,412,530	–	–	1,412,530
Cash generated from operations	2,967,871	985	–	2,968,856
Income taxes paid	(161,295)	(46)	–	(161,341)
NET CASH FROM OPERATING ACTIVITIES	2,806,576	939	–	2,807,515

	Target Group RMB'000	Disposal Company RMB'000	Intergroup elimination RMB'000	Combined Group RMB'000
INVESTING ACTIVITIES				
Purchase of property and equipment	(3,326)	(13)	–	(3,339)
Additions of investment properties	(108,234)	–	–	(108,234)
Settlement of consideration payables on AFS investment	(20,770)	–	–	(20,770)
Disposal of AFS investment	219,285	–	–	219,285
Advances to related parties	(3,598)	(1,522)	20	(5,100)
Advance to an associate	(278,466)	–	–	(278,466)
Repayment from a joint venture	23,981	–	–	23,981
Advance to immediate holding company	(3,833,693)	–	–	(3,833,693)
Repayment from immediate holding company	1,215,002	–	–	1,215,002
Advances to non-controlling interests	(59,000)	–	–	(59,000)
Repayment from non-controlling parties	9,000	–	–	9,000
Capital injection to associates	(81,000)	–	–	(81,000)
Placement of restricted/pledged bank deposits	(1,089,009)	–	–	(1,089,009)
Withdrawal of restricted/pledged bank deposits	520,653	–	–	520,653
Interest received	10,472	–	–	10,472
NET CASH USED IN INVESTING ACTIVITIES	(3,478,703)	(1,535)	20	(3,480,218)
FINANCING ACTIVITIES				
Proceeds from borrowings	1,930,000	–	–	1,930,000
Repayment of borrowings	(2,746,100)	–	–	(2,746,100)
Interest paid	(353,731)	–	–	(353,731)
Advances from related parties	12,297	–	(20)	12,277
Repayment to related parties	(34,431)	–	–	(34,431)
Advances from an intermediate holding company	1,921,387	–	–	1,921,387
Repayment to non-controlling interests	(345,611)	–	–	(345,611)
Advance from a joint venture	165,800	–	–	165,800
Capital injection from non-controlling shareholder of subsidiary	45,000	–	–	45,000
NET CASH FROM FINANCING ACTIVITIES	594,611	–	(20)	594,591
NET DECREASE IN CASH AND CASH EQUIVALENTS	(77,516)	(596)	–	(78,112)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	598,548	960	–	599,508
CASH AND CASH EQUIVALENTS AT END OF THE YEAR AND REPRESENTED BY				
Bank balances and cash	521,032	364	–	521,396

For the year ended 31 December 2018

	Target Group *RMB'000*	Disposal Company *RMB'000*	Intergroup elimination *RMB'000*	Combined Group *RMB'000*
OPERATING ACTIVITIES				
Profit before taxation	939,381	(77)	–	939,304
Adjustments for:				
Interest income	(10,412)	–	–	(10,412)
Depreciation of property and equipment	3,768	–	–	3,768
Finance costs	85,276	–	–	85,276
Share of results of a joint venture	(38,964)	–	–	(38,964)
Share of results of associates	(46,392)	–	–	(46,392)
Change in fair value change of investment properties	(10,894)	–	–	(10,894)
Impairment allowances on expected credit losses on financial assets	11,991	–	–	11,991
Operating cash flows before movements in working capital	933,754	(77)	–	933,677
Decrease in inventories of properties	335,395	–	–	335,395
Increase in trade and other receivables	(55,682)	(129)	–	(55,811)
Decrease in amounts due to related parties	(5,520)	–	–	(5,520)
(Decrease) increase in trade and other payables	(14,167)	6,834	–	(7,333)
Increase in deposits received from pre-sale of properties	1,945,998	–	–	1,945,998
Cash generated from operations	3,139,778	6,628	–	3,146,406
Income taxes paid	(207,636)	–	–	(207,636)
NET CASH FROM OPERATING ACTIVITIES	2,932,142	6,628	–	2,938,770

	Target Group *RMB'000*	Disposal Company *RMB'000*	Intergroup elimination *RMB'000*	Combined Group *RMB'000*
INVESTING ACTIVITIES				
Purchase of property and equipment	(5,761)	(84)	–	(5,845)
Additions of investment properties	(575,870)	–	–	(575,870)
Settlement of consideration payable on AFS investment	(40,597)	–	–	(40,597)
Acquisition of subsidiaries	(105,951)	–	–	(105,951)
Advances to related parties	(2,710)	–	–	(2,710)
Repayment from related parties	11,045	33,338	(938)	43,445
Advances to an associate	–	–	–	–
Repayment from an associate	204,999	–	–	204,999
Repayment from immediate holding company	5,753,383	–	–	5,753,383
Advance to immediate holding company	(5,112,307)	–	–	(5,112,307)
Advance to an intermediate holding company	(249,798)	–	–	(249,798)
Advances to non-controlling interests	(173,606)	–	–	(173,606)
Placement of restricted/pledged bank deposits	(1,049,909)	–	–	(1,049,909)
Withdrawal of restricted/pledged bank deposits	1,380,438	–	–	1,380,438
Interest received	10,412	–	–	10,412
NET CASH FROM INVESTING ACTIVITIES	43,768	33,254	(938)	76,084
FINANCING ACTIVITIES				
Proceeds from borrowings	535,900	–	–	535,900
Repayment of borrowings	(1,431,100)	(40,000)	–	(1,471,100)
Interest paid	(251,154)	–	–	(251,154)
Advances from related parties	71,740	200	938	72,878
Repayment to related parties	(47,790)	–	–	(47,790)
Advance from an intermediate holding company	457,355	–	–	457,355
Repayment to an intermediate holding company	(2,287,028)	–	–	(2,287,028)
Repayment to non-controlling interests	(17,749)	–	–	(17,749)
Advance from an associate	76,000	–	–	76,000
Acquisition of additional interest in a subsidiary from a non-controlling interests	(58,000)	–	–	(58,000)
Capital injection from immediate holding company	100,000	–	–	100,000
Capital injection from a non-controlling shareholder of a subsidiary	14,000	–	–	14,000
NET CASH USED IN FINANCING ACTIVITIES	(2,837,826)	(39,800)	938	(2,876,688)

	Target Group *RMB'000*	Disposal Company *RMB'000*	Intergroup elimination *RMB'000*	Combined Group *RMB'000*
NET INCREASE IN CASH AND CASH EQUIVALENTS	138,084	82	–	138,166
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	521,032	364	–	521,396
CASH AND CASH EQUIVALENTS AT END OF THE YEAR AND REPRESENTED BY				
Bank balances and cash	659,116	446	–	659,562

(b) Declaration of special dividend

Subsequent to the end of the reporting period, on 20 February 2019, Lujiang Guangyuan, Lujiang Jiayuan and Bengbu Mingyuan declared special dividends amounting to RMB652,000, RMB56,932,000 and RMB49,015,000 to their respective shareholders, which represented an aggregated amount of RMB64,340,000 paid to Zhejiang Jiayuan and RMB42,259,000 paid to non-controlling interests of the Combined Group. On 28 February 2019, Anhui Group declared a special dividend amounting to RMB687,426,000 to Zhejiang Jiayuan.

*Set out below is the management discussion and analysis of the Combined Group for the financial years ended 31 December 2016, 2017 and 2018 (the "**Relevant Periods**"). The following financial information is based on the Accountants' Report on the Combined Group as set out in Appendix IIA to this circular.*

MANAGEMENT DISCUSSION AND ANALYSIS ON THE COMBINED GROUP

General information

The Target Company is a company newly incorporated in the BVI with limited liability. The Target Company will be the holding company of the Combined Group upon completion of the Reorganisation. The Combined Group will own equity interests in all of the Property Development Project companies in Anhui Province, the PRC upon completion of the Reorganisation.

After the Reorganisation, the Combined Group will include Property Development Projects located in the municipalities of Hefei, Maanshan and Bengbu of Anhui Province, the PRC, mainly consisting of large-scale residential complex projects and integrated commercial complex projects, as well as apartments, offices, shopping arcades, hotels and other supporting facilities.

Business and financial review

The Combined Group is principally engaged in the development, sale and investment of properties in the PRC. No segment analysis was presented other than the combined disclosure.

Set out below is the combined financial performance of the Combined Group for the Relevant Periods as extracted from the accountants report of the Combined Group as set out in Appendix IIA to this circular.

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	2,132,272	2,291,067	2,749,595
Profit before tax	358,662	376,334	939,304
Profit and total comprehensive income for the year	244,590	129,556	414,086

Revenue

The Combined Group recorded revenue for the year ended 31 December 2016 of approximately RMB2,132.27 million; for the year ended 31 December 2017 of approximately RMB2,291.07 million and for the year ended 31 December 2018 of approximately RMB2,749.60 million. The increase in revenue was due to the revenue generated from the property projects acquired during the Relevant Periods, the major contributor being the subsidiary Zhejiang Jiayuan Anhui Real Estate Development Co., Ltd.* (浙江佳源安徽房地產開發有限公司).

Profit and total comprehensive income for the year

For the financial year ended 31 December 2016, 2017 and 2018, the Combined Group generated profit after tax of approximately RMB244.59 million, RMB129.56 million and RMB414.09 million, respectively. As set out in the accountants report of the Combined Group in Appendix IIA to this circular, such gains were contributed by increase in gross profit, during the Relevant Periods.

Assets and liabilities

Set out below is the combined financial position of the Combined Group at the end of each of the Relevant Periods as extracted from the accountants report as set out in Appendix IIA to this circular.

Consolidate statements of financial position

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	1,095,970	1,381,034	1,914,143
Current assets	8,492,505	11,582,546	12,218,103
Total assets	9,588,475	12,963,580	14,132,246
Current liabilities	7,539,895	10,219,275	12,473,397
Non-current liabilities	1,273,462	1,794,631	244,720
Total liabilities	8,813,357	12,013,906	12,718,117
Net assets	775,118	949,674	1,414,129

(i) As at 31 December 2017

As stated above, the total assets of the Combined Group as at 31 December 2017 amounted to approximately RMB12,963.58 million is an aggregate value of (i) non-current asset amounted to approximately RMB1,381.03 million; and (ii) current assets amounted to approximately RMB11,582.55 million. The increase in total assets of the Combined Group as at 31 December 2017 as compared to that of 31 December 2016 (i.e. approximately RMB9,588.48 million) by approximately RMB3,375.11 million was mainly due to the increase of investment properties, interest in associates, deferred tax assets, amounts due from an intermediate holding company and restricted/pledged bank deposits. On the other hand, the total liabilities of the Combined Group were increased by approximately RMB3,200.55 million from approximately RMB8,813.36 million as at 31 December 2016 to approximately RMB12,013.91 million as at 31 December 2017. Such increase was mainly due to an increase in the trade and other payables, pre-sales deposits received and amounts due to an intermediate holding company. As a result of the above, the net assets of the Combined Group as at 31 December 2017 was amounted to approximately RMB949.67 million.

(ii) As at 31 May 2018

As stated above, the total assets of the Combined Group as at 31 December 2018 amounted to approximately RMB14,132.25 million is an aggregate value of (i) non-current asset amounted to approximately RMB1,914.14 million; and (ii) current assets amounted to approximately RMB12,218.10 million. The increase in total assets of the Combined Group as at 31 December 2018 as compared to that of 31 December 2017 (i.e. approximately RMB12,963.58 million) by approximately RMB1,168.67 million was mainly due to the increase of investment properties, interest in associates, interest in a joint venture, deferred tax assets, and amounts due from non-controlling interests. On the other hand, the total liabilities of the Combined Group were increased by approximately RMB704.21 million from approximately RMB12,013.91 million as at 31 December 2017 to approximately RMB12,718.12 million as at 31 December 2018. Such increase was mainly due to an increase in the pre-sales deposit received and Bank and other borrowings. As a result of the above, the net assets of the Combined Group as at 31 December 2018 was amounted to approximately RMB1,414.13 million.

Gearing ratio

As at 31 December 2016, 31 December 2017 and 31 December 2018, the gearing ratio of the Combined Group was 551.73%, 566.71% and 189.84%.

Capital structure

As at 31 December 2018, the Combined Group had bank and other borrowings of approximately RMB2,225.80 million (including the amount of approximately RMB2,211.70 million as classified as current liabilities and approximately RMB14.10 million as classified as non-current liabilities).

As at 31 December 2018, the Combined Group's contracted capital commitments amounted to RMB2,649.32 million. Apart from the amount of approximately RMB2,225.80 million bank and other borrowings and interest-bearing borrowings from related parties of approximately RMB458.82 million, the Combined Group did not have any interest-bearing loan as at 31 December 2018 and it has not used any derivatives or other instruments for managing its interest rate risk and currency risk, or for hedging purposes during the Relevant Periods.

The Combined Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Combined Group may issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

Segment information

The Combined Group has determined that it has (i) one operating segment which is the development, sales and investment of properties and (ii) one geographical segment as the Combined Group's revenue is primarily derived from and its assets are mainly located in the PRC.

Pledge of asset

The following assets were pledged to secure the mortgage guarantees provided to customers and certain banking and other facilities granted to the Combined Group at the end of the reporting period:

	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Pledged bank deposits	399,576	904,252	608,302
Properties under development	1,764,026	1,528,559	1,211,509
Properties held for sale	–	–	133,429
	2,163,602	2,432,811	1,953,240

Contingent liabilities

	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Mortgage guarantees	2,262,773	3,034,150	4,911,359
Pledge of properties held for sale for a related party	–	–	123,283
	2,262,773	3,034,150	5,034,642

The Combined Group provided guarantees in respect of mortgage bank loans granted to purchasers of the Combined Group's properties. Guarantees are given to banks with respect of loans procured by the purchasers of the Combined Group's properties. Such guarantees will be released by banks upon the purchasers obtaining the relevant building ownership certificate and completion of the relevant mortgage registration.

Capital commitments

At the end of the reporting period, the Combined Group had the following commitments:

	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Contracted but not provided for in the combined financial statements:			
Expenditure in respects of projects classified as properties under development for sales	1,102,154	1,401,609	2,532,918
Expenditure is respect of projects classified as investment properties under construction	87,507	541,801	116,402

Foreign exchange exposure

During the Relevant Periods, the Combined Group operated in the PRC with most of their transactions denominated and settled in RMB. In this respect, there is no significant currency mismatch in their operational cashflows and the Combined Group is not exposed to any significant foreign currency exchange risk in its operations. The Combined Group did not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities during the Relevant Periods.

Employees and remuneration policies

As at for the years ended 31 December 2016, 2017 and 2018, the Combined Group employed 311 permanent staffs in the PRC. Staff costs for the year ended 31 December 2016, 2017 and 2018 were approximately RMB13.75 million, approximately RMB30.25 million and approximately RMB49.79 million. The Combined Group reviews staff remuneration once a year, or as its management consider appropriate. Employee remuneration was determined by reference to market terms and the performance, qualification and experience of individual employee.

Material acquisition or disposal of subsidiary or associated company

During the Relevant Periods, the Combined Group acquired (i) 78.5% equity interest of Hexian Jiayuan Real Estate Development Co., Ltd. (和縣佳源房地產開發有限公司); (ii) 50% equity interest of Guoyang County Mingbang Real Estate Co., Ltd. (渦陽縣名邦置業有限公司); (iii) 60% equity interest of Lixin County Mingyuan Real Estate Development Co., Ltd. (利辛縣明源房地產開發有限公司); (iv) 70% equity interest of Liuan Xinhuaxin Real Estate Co., Ltd. (六安新華信置業有限公司); (v) 100% equity interest of Guoyang County Xinggang Real Estate Co., Ltd. (渦陽縣星港置業有限公司); and (vi) 30% equity interest of Mengcheng County Country Garden Real Estate Development Co., Ltd. (蒙城縣碧桂園房地產開發有限公司). Apart from the above mentioned there was neither material acquisition nor disposal of subsidiaries or associated company by the Combined Group.

Significant investment held

During the Relevant Periods, save for the acquisition of the entire interest in the Property, there was no significant investments by the Combined Group.

Future plans for material investments and capital assets

As at the date of this circular, the Combined Group did not have any future plans for material investments and capital assets.

Future prospect

Prospects

Principally engaged in the property development, sales and property investment businesses in Anhui, the PRC, the Combined Group owned 13 subsidiaries as of 31 March 2019, and currently has an accumulated number of more than 10 properties under the development projects and a developed area of over 6.0 million sq.m.. The annual sale is approximately RMB15 billion.

In the future, the Combined Group will focus on residential development, followed by commercial real estate, concentrating on the provincial capital Hefei and key cities. By rapidly promoting development, recouping the costs and creating cash flows, the Combined Group will be able to form its brand influence in target cities and undergo expansion in scale with guaranteed efficiency.

The Combined Group adheres to the core value of “Quality is an unyielding principle”, with the corporate culture and business ideals featuring the principle of “Quality Brightens Up Life”. It is also committed to the mission of “Demonstrating Quality Life and Creating City Pride” as well as the vision of “Being the Leader of Quality Life”. Focusing on the overall development strategy of Jiayuan, the Combined Group will adhere to the goal of optimizing economic efficiency and adopt the business models of “Co-investment and Accountability”, to create products that meet the market demand and with high cost-performance ratio. Meanwhile, emphasis will be placed on innovation and enhancement, and products will actively be upgraded according to the demand with the aim of moving with the times and becoming the market leader. Besides, the foundation of the Combined Group will be built on products, with the emphasis on supporting services and products’ value enhancement. The Combined Group is committed to providing quality products, life and services with Jiayuan characteristics, creating a platform for its employees, excellent way of life for its customers, values for society as well as to contributing to the growth and prosperity of Jiayuan.

Disclosure required under the listing rules

As required under Rule 5.07 of the Listing Rules, the statement below sets forth the reconciliation of the aggregate value of certain properties as reflected in the consolidated financial statements as at 31 December 2018 as set out in Appendix IIA to this circular with the valuation of these property interests as at 30 April 2019 as set out in Appendix IV this circular.

	RMB
Net book value of Property Development Projects as at 31 December 2018 included in the Valuation Report	
Aggregated Amount (Investment properties and Inventories of properties as set out in Appendix IIA)	7,534,568,000
Plus: the inventories of properties included in valuation value but excluded in net book value	
Guoyang County Mingbang Real Estate Co., Ltd. *(Note 1)*	750,538,740
Mengcheng County Country Garden Real Estate Development Co., Ltd. *(Note 1)*	770,622,928
Minus: the inventories of properties included in net book value but excluded in valuation value	
Guoyang County Xinggang Real Estate Co., Ltd *(Note 2)*	(226,500,000)
Qijiang County Guangyuan Real Estate Development Co., Ltd. *(Note 3)*	(1,151,756)
Sub-total	8,828,077,912
Movement in net book value from 31 December 2018 to 30 April 2019	
Movement in construction cost	869,135,997
Movement in sales	(69,765,118)
Adjustments for the valuation of investment properties	110,061,328
Net book value as at 30 April 2019	9,737,510,119
Valuation surplus	5,757,689,881
Valuation as at 30 April 2019 as per Appendix IV	15,495,200,000

Note:

1. Guoyang Country Mingbang Real Estate Co., Ltd and Mengcheng County Country Garden Real Estate Development Co., Ltd are associates of the Combined Group thus the net book value of these Property Development Projects are excluded.

2. A commercial building attributable to the non-controlling interest is excluded in the valuation process but included in net book value.

3. As advised by the Combined Group, Qijiang County Guangyuan Real Estate Development Co., Ltd. is under liquidation, the amount of RMB1,151,756 represents the changes in different revaluation method used. Therefore, Qijiang County Guangyuan Real Estate Development Co., Ltd. is excluded from the valuation process but included in net book value.

The information set out in this Appendix does not form part of the Accountants' Reports on the Combined Group issued by Deloitte Touche Tohmatsu, the Company's reporting accountants, as set out in "Appendix IIA — Financial Information of the Combined Group" and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with "Financial Information of the Group" set out in Appendix I and"Management Discussion and Analysis of the Combined Group" set out in Appendix IIB.

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

(I) Basis of Preparation of the Unaudited Pro Forma Combined Financial Information of the Enlarged Group

The unaudited pro forma financial information is prepared to provide information on the Enlarged Group as a result of the completion of the Acquisition on the basis of notes set out below for illustrating the effect of the Acquisition, as if the Acquisition had taken place on 31 December 2018 for the preparation of the unaudited pro forma combined statement of financial position.

The unaudited proforma financial information is prepared for illustrative purposes only and because of its hypothetical nature, it does not purport to represent what the financial position of the Enlarged Group would have been upon completion of the Acquisition in as at 31 December 2018 or on any future dates.

The unaudited pro forma combined statement of financial position as at 31 December 2018 is prepared based on (i) the audited consolidated statement of financial position of the Group as at 31 December 2018 as extracted from the audited consolidated financial statements set out in the latest published Annual Report of the Group for the year ended 31 December 2018 and (ii) the combined statement of financial position of the Combined Group as at 31 December 2018 as extracted from the Accountants' Report on the Combined Group set out in Appendix IIA to this Circular, after making pro forma adjustments to the Acquisition, as if the Acquisition had been completed on 31 December 2018.

(II) Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group

	The Group as at 31 December 2018	The Target Group as at 31 December 2018	Pro-forma adjustments			Unaudited pro forma for the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	
NON-CURRENT ASSETS						
Property and equipment	113,539	12,351				125,890
Investment properties	5,998,818	1,572,900				7,571,718
Interests in associates	31,691	173,874	(49,821)			155,744
Interest in a joint venture	–	39,900				39,900
Financial assets at fair value through profit or loss	80,871	–				80,871
Deposits paid for acquisition of subsidiaries	1,935,423	–				1,935,423
Deferred tax assets	446,337	111,053				557,390
Deposits for trust financing arrangement	–	3,909				3,909
	8,606,679	1,913,987				10,470,845
CURRENT ASSETS						
Inventories of properties	26,119,077	5,961,668				32,080,745
Trade and other receivables, deposits and prepayments	5,602,933	625,742				6,228,675
Amounts due from related parties	1,878	4,137	71,000	3,486,796		3,563,811
Amount due from an associate	–	72,732				72,732
Amounts due from non-controlling interests	–	281,990				281,990
Amount due from immediate holding company	–	3,544,146	(304,650)	(3,239,496)		–
Amount due from an intermediate holding company	–	247,300		(247,300)		–
Financial assets at fair value through profit or loss	707,499	–				707,499
Prepaid income tax	375,722	138,126				513,848
Restricted/pledged bank deposits	1,427,072	674,700				2,101,772
Bank balances and cash	3,906,504	659,116			(5,770)	4,559,850
	38,140,685	12,209,657				50,110,922

	The Group as at 31 December 2018	The Target Group as at 31 December 2018	Pro-forma adjustments			Unaudited pro forma for the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	
CURRENT LIABILITIES						
Trade and other payables and accrued expenses	2,871,353	1,659,137				4,530,490
Pre-sale deposits received	10,153,352	7,000,405				17,153,757
Amounts due to related parties	381,756	80,228		616,475		1,078,459
Amount due to a joint venture	–	165,800				165,800
Amount due to an associate	–	76,000				76,000
Amounts due to non-controlling interests	799,388	44,442				843,830
Amount due to an intermediate holding company	–	616,475		(616,475)		–
Tax payable	2,507,291	611,872	5,295			3,124,458
Bank and other borrowings	4,801,296	2,211,700				7,012,996
Senior notes	4,477,446	–				4,477,446
	25,991,882	12,466,059				38,463,236
NET CURRENT ASSETS (LIABILITIES)	12,148,803	(256,402)				11,647,686
TOTAL ASSETS LESS CURRENT LIABILITIES	20,755,482	1,657,585				22,118,531
NON-CURRENT LIABILITIES						
Bank and other borrowings	7,773,825	14,100				7,787,925
Senior notes	2,735,063	–				2,735,063
Deferred income	647,722	–				647,722
Deferred tax liabilities	655,833	4,120				659,953
Provision	–	226,500				226,500
	11,812,443	244,720				12,057,163
NET ASSETS	8,943,039	1,412,865				10,061,368

Notes:

1. The amounts are extracted from the audited consolidated financial position of the Group as at 31 December 2018 as set out in the published annual report of the Company for the year ended 31 December 2018.

2. The amounts are extracted from the combined statement of financial position of the Target Group as set out in the note 39 of the Accountants' Report on the Combined Group as set out in Appendix IIA to this Circular excluding financial information pertaining to the Disposal Companies.

3. On 26 April 2019, the Group entered into the Sale and Purchase Agreement (as subsequently amended and supplemented) with Mr. Shum, who is the ultimate controlling shareholder of the Company and pursuant to which the Group has conditionally agreed to acquire the entire issued share capital of the Target Company at an Initial Consideration of HK$4,840,772,000 (equivalent to RMB4,155,169,000), which will be fully settled by the allotment and issue of the 1,377,959,475 ordinary shares of the Company ("**Consideration Shares**") to Mr. Shum or his nominee(s) at the Issue Price of HK$3.513 per Consideration Share. As stated in the Sale and Purchase Agreement (as subsequently amended and supplemented), as prerequisite of the Acquisition, the Target Group to be acquired would not include the Disposal Company and two associates of the Target Group, namely Changxing Jiayuan Real Estate Development Company Limited ("Changxing Jiayuan") and Pinghu City Jiayuan Tourism Development Company Limited ("Pinghu Jiayuan"). Accordingly, the Target Company entered into disposal agreements with two related parties to dispose of the two associates in February and March 2019 respectively and entered into a disposal agreement with an independent third party to dispose of the Disposal Company, Anhui Wanbohui Commercial Operation Management Co., Ltd., in February 2019.

   As stated in the Sale and Purchase Agreement (as subsequently amended and supplemented), the Target Group to be acquired would include Bengbu Mingyuan Real Estate Development Company Limited ("**Bengbu Mingyuan**") (蚌埠明源房地產開發有限公司) and Lujiangxian Real Estate Development Company Limited ("**Lujiang Jiayuan**") (廬江縣佳源房地產開發有限公司). The Target Company entered into acquisition agreements in February 2019 with Zhejiang Jiayuan Real Estate Group Co., Ltd ("**Zhejiang Jiayuan**") (浙江佳源房地產集團有限公司), pursuant to which Anhui Jiayuan Real Estate Group Co., Ltd., a subsidiary of the Target Company, acquired the entire equity interests of Bengbu Mingyuan and Lujiang Jiayuan from Zhejiang Jiayuan, and Bengbu Mingyuan and Lujiang Jiayuan became the indirectly owned subsidiaries of the Target Company since then.

   As both the Company and the Target Company are under common control by Mr. Shum and the control is not transitionary, the Company has applied merger accounting under Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants to account for the Acquisition.

   As there will be no consideration to be received for the disposal of Anhui Wanbohui Commercial Operation Management Co., Ltd., the disposal of Anhui Wanbohui Commercial Operation Management Co., Ltd. results in no pro forma adjustment on the financial position of the Enlarged Group, assuming the Acquisition was completed on 31 December 2018.

   The consideration receivable by the Target Group for the disposal of Changxing Jiayuan and Pinghu Jiayuan amounting to RMB71,000,000 is recognised as amounts due from related parties. The difference between the consideration receivable and the carrying amounts of these interests in associates of RMB49,821,000 would be credited to special reserve of the Enlarged Group, and the relevant impact on enterprise income tax of RMB5,295,000 would be charged to special reserve of the Enlarged Group, assuming the Acquisition was completed on 31 December 2018.

Assuming the acquisitions of Benghu Mingyuan and Lujiang Jiayuan were completed on 31 December 2018, the total consideration for the acquisitions amounting to RMB304,650,000 would be credited to the amount due from immediate holding company. The sum of paid-in capital of Bengbu Mingyuan and Lujiang Jiayuan amounted to RMB183,250,000. The difference between the consideration and the sum of share capital, amounting to RMB121,400,000, would be recognised in the special reserve of the Enlarged Group, assuming the Acquisition was completed on 31 December 2018.

Assuming the Acquisition was completed on 31 December 2018, an amount equal to the difference between the consideration for the Acquisition and the share capital of the Target Company would be recognised as special reserve of the Enlarged Group. The fair value of the Consideration Shares of the Company at 31 December 2018 of RMB4,055,891,000 was determined, based on the closing share price of the Company as at 31 December 2018. Par value of HK$0.01 per share of the Company was credited to the share capital and the remaining was credited to the share premium of the Company.

4. The adjustment represents the reclassification of the related party balances of the Target Group as at 31 December 2018 upon the completion of the Acquisition.

5. The adjustment represents expenditures incurred directly in connection with the Acquisition including financial advisor fees, legal fees, printing costs, reporting accountants' fees, and other related expenses to be borne by the Group of approximately RMB5,770,000.

6. Except for the Acquisition and provision of estimated amount paid for legal and professional fees, no adjustments have been made to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2018.

7. The unaudited pro forma combined statement of financial position does not take into account a total amount of the special dividends of RMB751,766,000 paid to Zhejiang Jiayuan and RMB42,259,000 paid to non-controlling interests, respectively, declared by the Target Group in February 2019, as it was not the prerequisite of the Acquisition based on the Sale and Purchase Agreement. Had such special dividends of RMB794,025,000 been taken into account, assuming the Acquisition was completed on 31 December 2018, the unaudited pro forma net assets of the Enlarged Group would have been RMB9,267,343,000.

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

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

Deloitte. 德勤

To the Directors of Jiayuan International Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Jiayuan International Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 31 December 2018 and related notes as set out on pages III-1 to III-5 of the circular issued by the Company dated 25 June 2019 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages III-1 to III-5 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed major acquisition of the entire equity interests in Huiyuan Investment Holding Limited (the "**Acquisition**") on the Group's financial position as at 31 December 2018 as if the Acquisition had taken place at 31 December 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2018 on which an auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 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 a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2018 would have been as presented.

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

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' 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 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 25 June 2019

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this Circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer and consultant, in connection with its valuation as at 30 April 2019 of the property interests held by the Target Group.

JLL
仲量聯行

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

25 June 2019

The Board of Directors
Jiayuan International Group Limited (the "**Company**")
Suite 1403
9 Queen's Road Central
Central
Hong Kong

Dear Sirs,

The Board of the Company announced that on 26 April 2019 (after trading hours), the Company, entered into the Sale and Purchase Agreement (as subsequently amended and supplemented) with Mr. Shum Tin Ching (the "**Vendor**"), pursuant to which, the Company has conditionally agree to acquire and the Vendor has conditionally agreed to sell the entire issued share capital of a company to be incorporated in the British Virgin Islands, which will own, through its direct and/or indirect subsidiaries, equity interests in all the Property Development Project companies in Anhui Province, the PRC (the "**Target Company**") at a consideration of HK$4,840,771,637, which will be settled by the allotment and issue of the 1,377,959,475 Consideration Shares by the Company to the Vendor or its nominee(s) at the Issue Price of HK$3.513 per Consideration Share.

In accordance with your instructions to value the property interests held by the Target Company and its subsidiaries (hereinafter together referred to as the "**Target Group**") in the People's Republic of China ("**the PRC**"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 30 April 2019 (the "**valuation date**").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We have valued the property interests in Group I which are held for sale by the Target Group, portions of the property interests in Group IV which are held for investment by the Target Group and the property interests in Group III which are held for future development by the Target Group by comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

For the purpose of our valuation, real estate developments for sale are those the Construction Work Completion and Inspection Certificate/Tables/Reports or Building Ownership Certificates/Real Estate Title Certificates thereof are issued by the relevant local authorities or are in the process of application, this also includes those property interests which have been contracted to be sold, but the formal assignment procedures of which have not yet been completed; and real estate developments for future development are those the Construction Work Commencement Permits are not issued while the State-owned Land Use Rights Certificates have been obtained.

We have valued portions of the property interests in Group IV which are held for investment by the Target Group and portions of the property No. 4 in Group I by the income approach by taking into account the rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sales transactions as available in the relevant market.

In valuing the property interests in Group II which are currently under development by the Target Group and the remaining portions of the property interests in Group IV which are held for investment by the Target Group, we have assumed that they will be developed and completed in accordance with the latest development proposals provided to us by the Target Group. In arriving at our opinion of values, we have adopted the comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development. We have relied on the accrued construction cost and professional fees information provided by the Target Group according to the different stages of construction of the properties as at the valuation date, and we did not find any material inconsistency from those of other similar developments.

For the purpose of our valuation, real estate developments under development are those for which the Construction Works Commencement Permits have been issued while the Construction Works Certified Reports or Certificates of Completion of the buildings have not been issued.

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

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

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards 2017 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

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

We have been shown copies of title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates, Real Estate Title Certificates and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal adviser — Jingtian & Gongcheng, concerning the validity of the property interests in the PRC.

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

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

Inspection of the properties was carried out in March 2019 by about 7 technical staff including Mr. Stone Chen, Mr. Tony Xu, Mr. Kevin Liu, Ms. Joan Zhu, Ms. Queena Qiao, Ms. Silvia Ma and Ms. Elisa Yu. They are China Real Estate Appraiser/China Qualified Land Valuer or have more than 1 to 3 years' experience in the valuation of properties in the PRC.

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

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

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

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Senior Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 25 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Abbreviation:
Group I: Properties held for sale by the Target Group in the PRC
Group II: Properties held under development by the Target Group in the PRC
Group III: Properties held for future development by the Target Group in the PRC
Group IV: Properties held for investment by the Target Group in the PRC
–: Not Available or Not Applicable

No.	Property	Market value in existing state as at the valuation date *RMB*	Market value in existing state as at the valuation date *RMB*	Market value in existing state as at the valuation date *RMB*	Market value in existing state as at the valuation date *RMB*	The total market value in existing state as at the valuation date *RMB*	Interest attributable to the Target Group	Market value attributable to the Target Group as at the valuation date *RMB*
		Group I:	Group II:	Group III:	Group IV:			
1.	Portions of Jiayuan Ba Li Du Shi located at the junction of Hubei Road and Dongtinghu Road Bin Hu New Area Hefei City Anhui Province The PRC (合肥•佳源巴黎都市)	1,961,100,000	3,440,200,000	–	1,562,200,000	6,963,500,000	100.00%	6,963,500,000
2.	Portions of Jiayuan Dongfang Dushi located at the eastern side of South Chaoyang Road and the southern side of Huangshan Avenue Bengbu City Anhui Province The PRC (蚌埠•佳源東方都市)	77,600,000	518,700,000	–	–	596,300,000	82.48%	491,800,000
3.	Jiayuan Hua Fu located at Wuxing Village and Xinhe Village Cheng Bei Jin An District Lu'an City Anhui Province The PRC (六安•佳源華府)	–	607,400,000	–	–	607,400,000	70.00%	425,200,000

No.	Property	Market value in existing state as at the valuation date *RMB* Group I:	Market value in existing state as at the valuation date *RMB* Group II:	Market value in existing state as at the valuation date *RMB* Group III:	Market value in existing state as at the valuation date *RMB* Group IV:	The total market value in existing state as at the valuation date *RMB*	Interest attributable to the Target Group	Market value attributable to the Target Group as at the valuation date *RMB*
4.	Portions of Jiayuan Dongfang Dushi located at the western side of Inner Ring East Road, the northern side of Chenguang Road, the southeast corner of the junction of Denghu Road and Chengdong Avenue Lujiang County Hefei City Anhui Province The PRC (廬江 • 佳源東方都市)	116,700,000	1,447,500,000	–	–	1,564,200,000	42.00%	657,000,000
5.	Jiayuan Dushi located at the junction of Xinhu Road and Mingzhu Avenue Fengtai County Huainan City Anhui Province The PRC (鳳台 • 佳源都市)	–	406,500,000	–	–	406,500,000	100.00%	406,500,000
6.	Jiayuan Dushi located at the western side of Heping Road, the northern side of Jinlong International New Town, the eastern side of Jianshe north Road and the southern side of Zixu Avenue Lixin County Bozhou City Anhui Province The PRC (利辛 • 佳源都市)	–	582,700,000	–	–	582,700,000	60.00%	349,600,000
7.	Portions of Jiayuan Hexian Central City located at the junction of Hezhou Road and Tongjiang Road Economic Development District Hexian Town Maanshan City Anhui Province The PRC (馬鞍山 • 佳源中央城)	48,500,000	819,600,000	227,600,000	27,400,000	1,123,100,000	78.50%	881,600,000

No.	Property	Market value in existing state as at the valuation date *RMB*	Market value in existing state as at the valuation date *RMB*	Market value in existing state as at the valuation date *RMB*	Market value in existing state as at the valuation date *RMB*	The total market value in existing state as at the valuation date *RMB*	Interest attributable to the Target Group	Market value attributable to the Target Group as at the valuation date *RMB*
		Group I:	**Group II:**	**Group III:**	**Group IV:**			
8.	Jiayuan Xinggangcheng located at the northern side of Shigongshan Road, the eastern side of Funing Road and the northern side of Jishan Road Guoyang County Bozhou City Anhui Province The PRC (渦陽 • 都市星港城)	–	709,300,000	–	16,900,000	726,200,000	100.00%	726,200,000
9.	Portions of Mingbang Xuefu located at the northern side of Fanhua Avenue and the western side of Tian Jing Gong Road Guoyang County Bozhou City Anhui Province The PRC (渦陽 • 名邦學府)	11,700,000	1,248,500,000	–	–	1,260,200,000	51.00%	642,700,000
10.	Mengcheng Biguiyuan located at the junction of Zhangzhuang Road and Pushui Road Mengcheng County Bozhou City Anhui Province The PRC (亳州 • 蒙城碧桂園)	–	1,093,300,000	–	–	1,093,300,000	30.00%	328,000,000
11.	Bolin Chuntian located at the southern side of Sanlihe Road, the western side of North Gulou Road and the northern side of Weiyi Road Shucheng County Lu'an City Anhui Province The PRC (舒城 • 柏林春天)	–	571,800,000	–	–	571,800,000	55.00%	314,500,000
	Total:					15,495,200,000		12,186,600,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
1.	Portions of Jiayuan Ba Li Du Shi located at the junction of Hubei Road and Dongtinghu Road Bin Hu New Area Hefei City Anhui Province The PRC (合肥•佳源巴黎都市)	Jiayuan Ba Li Du Shi is located at the junction of Hubei Road and Dongtinghu Road in Hefei City. The locality of the project is a mature developed area including many residential and commercial developments. Jiayuan Ba Li Du Shi occupies four parcels of land with a total site area of approximately 416,996.79 sq.m., which is being developed into a residential and commercial development. Portions of the project were completed between 2015 and 2018, and the unsold portion of that (the "**unsold units**") was vacant for sale or held for investment as at the valuation date. The remaining portion of the project was under construction (the "**CIP**") as at the valuation date and is scheduled to be completed between 2019 and 2021. As advised by the Target Group, upon completion, the CIP will have a planned gross floor area of approximately 424,729.42 sq.m. As at the valuation date, the property comprised the unsold units and CIP of Jiayuan Ba Li Du Shi with a total planned gross floor area of approximately 799,997.01 sq.m. The classification, usage and gross floor area details of the property were set out in note 9.	As at the valuation date, the unsold portion of the property was vacant for sale or held for investment and the remaining portion of the property was under construction.	6,963,500,000 (100% interest attributable to the Target Group: RMB6,963,500,000)

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
		As advised by the Target Group, the development cost (including the land cost) of the CIP of the property is estimated to be approximately RMB2,731,800,000, of which approximately RMB1,297,300,000 had been incurred as at the valuation date. The land use rights of the property have been granted for the terms expiring on 19 April 2083, 20 April 2083, 21 April 2083 and 22 April 2083 for residential use and 21 April 2053 for commercial use.		

Notes:

1. Pursuant to 4 State-owned Land Use Rights Grant Contracts and a Supplemental Agreement — He Di Bin Hu Jing Ying (2013) Nos. 17, 20, 23 and 26, the land use rights of 4 parcels of land with a total site area of approximately 416,996.79 sq.m. (including the land use rights of the property) were contracted to be granted to Zhejiang Jiayuan Anhui Real Estate Development Co., Ltd. (浙江佳源安徽房地產開發有限公司, "Anhui Jiayuan", a wholly-owned subsidiary of the Target Company) for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The total land premium was RMB3,347,579,882.

2. Pursuant to 4 Construction Land Planning Permits — Di Zi Di Nos. 340101201390025, 340101201390026, 340101201390027 and 340101201590009, permissions towards the planning of the aforesaid 4 land parcels with a total site area of approximately 416,996.79 sq.m. (including the property) have been granted to Anhui Jiayuan.

3. Pursuant to 4 State-owned Land Use Rights Certificates — He Bao He Guo Yong (2013) Di No. 043, He Bao He Guo Yong (2014) Di No. 31, He Bao He Guo Yong (2014) Di No. 41 and He Bao He Guo Yong (2015) Di No. 027, the land use rights of the aforesaid 4 land parcels with a total site area of approximately 416,996.79 sq.m. (including the land use rights of the property) have been granted to Anhui Jiayuan for the terms expiring on 19 April 2083, 20 April 2083, 21 April 2083 and 22 April 2083 for residential use and 21 April 2053 for commercial use.

4. Pursuant to 29 Construction Work Planning Permits in favour of Anhui Jiayuan, Jiayuan Ba Li Du Shi with a gross floor area of approximately 1,793,601.01 sq.m. (including the property) has been approved for construction.

5. Pursuant to 21 Construction Work Commencement Permits in favour of Anhui Jiayuan, permissions by the relevant local authority were given to commence the construction of Jiayuan Ba Li Du Shi with a gross floor area of approximately 1,814,187.42 sq.m. (including the property).

6. Pursuant to 71 Pre-sale Permits in favour of Anhui Jiayuan, the Target Group is entitled to sell portions of Jiayuan Ba Li Du Shi (representing a total gross floor area of approximately 1,147,525.35 sq.m. including portions of the property) to purchasers.

7. Pursuant to 62 Construction Work Completion and Inspection Certificates in favour of Anhui Jiayuan, the construction of Jiayuan Ba Li Du Shi with a gross floor area of approximately 1,176,084.09 sq.m. (including portions of the property) has been completed and passed the inspection acceptance.

8. Pursuant to 81 Real Estate Title Certificates, portions of the property with a total gross floor area of approximately 17,414.96 sq.m are owned by Anhui Jiayuan and the corresponding land use rights have been granted for a term of 40 years expiring on 21 April 2053 for commercial use.

9. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	**Usage**	**Gross Floor Area/Planned Gross Floor Area** *(sq.m.)*	**No. of car parking space**
Group I – held for sale by the Target Group	Residential	34,374.08	
	Commercial	39,385.99	
	Ancillary	7,246.81	
	Basement (inclusive of car parking spaces)	77,820.92	2,512
	Sub-total:	**158,827.80**	
Group II – held under development by the Target Group	Residential	147,270.26	
	Commercial	223,184.12	
	Basement (inclusive of car parking spaces)	54,275.04	1,811
	Sub-total:	**424,729.42**	
Group IV (a) – held for investment by the Target Group	Commercial	158,802.89	
	Ancillary	9,561.50	205
	Basement (inclusive of car parking spaces)	41,733.36	1,115
	Sub-total:	**210,097.75**	
Group IV (b) – CIP for investment by the Target Group	Commercial	6,342.04	
	Sub-total:	**6,342.04**	
	Total:	**799,997.01**	**5,643**

10. As advised by the Target Group, various residential units, commercial units and car parking spaces with a total gross floor area of approximately 45,369.90 sq.m. in Group I and various residential units, commercial units and car parking spaces with a total gross floor area of approximately 103,594.57 sq.m. in Group II of the property have been pre-sold to various third parties at a total consideration of RMB2,319,159,959. Such portions of the property have not been legally and virtually transferred and therefore we have included the units and car parking spaces in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.

11. The market value of the CIP of Group II of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB5,390,100,000. The market value of the CIP of the Group IV(b) of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB85,900,000.

12. Our valuation has been made on the following basis and analysis:

   a. In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, commercial units, office units and car parking spaces within the same development of the subject property and other to be completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2019. The unit price of these comparable properties ranges from RMB18,000 to RMB35,000 per sq.m. for residential units, RMB20,000 to RMB30,000 per sq.m. for commercial units on the first floor, and RMB150,000 to RMB180,000 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between the transaction date and the valuation date is considered;

   b. For the portions of the property in Group IV(a), we have compared with similar developments which are located in the similar areas as the commercial units of the subject property, for the calculation of market rent in considering the rental income of vacant area;

   c. The unit rent of these comparable commercial units on the first floor ranges from RMB4.0 to RMB8.0 per sq.m. per day;

   d. Based on our research on commercial property market in the surrounding area of the property, the stabilized market yield ranges from 5% to 7% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 5.5% for commercial properties as the capitalization rate in the valuation.

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

   a. Portions of the property are subject to a mortgage in favour of Zhongrong International Trust Co.,Ltd. ("**Zhongrong Trust**") as security to guarantee the principal obligation under a contract entered into between Zhongrong Trust and Anhui Jiayuan;

   b. Anhui Jiayuan is legally and validly in possession of the land use rights of the property. Anhui Jiayuan has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property and upon consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property;

   c. Anhui Jiayuan has obtained all requisite construction work approvals in respect of the actual development progress; and

   d. Anhui Jiayuan has the rights to legally pre-sell the portions of the property mentioned in note 6 according to the obtained Pre-sale Permits.

14. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate / Real Estate Title Certificate (Land)	Yes
c.	Real Estate Title Certificate	Portion
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Yes
f.	Construction Work Commencement Permit	Yes
g.	Pre-sale Permit	Portion
h.	Construction Work Completion and Inspection Certificate/Table/Report	Portion

15. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at the valuation date** *(RMB)*
Group I — held for sale by the Target Group	1,961,100,000
Group II — held under development by the Target Group	3,440,200,000
Group IV — held for investment by the Target Group	1,562,200,000
Total:	**6,963,500,000**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
2.	Portions of Jiayuan Dongfang Dushi located at the eastern side of South Chaoyang Road and the southern side of Huangshan Avenue Bengbu City Anhui Province The PRC (蚌埠 • 佳源東方都市)	Jiayuan Dongfang Dushi is located at the eastern side of South Chaoyang Road and the southern side of Huangshan Avenue. The locality of the project is a residential area with several residential developments, schools and parks. It is well-served by public transportation. Jiayuan Dongfang Dushi occupies 2 parcels of land with a total site area of approximately 210,248.29 sq.m., which is being developed into a residential and commercial development. Portions of the project were completed between 2015 and 2018, and the unsold portion of that (the "**unsold units**") was vacant for sale as at the valuation date. The remaining portion of the project was under construction (the "**CIP**") as at the valuation date and is scheduled to be completed in October 2020. As advised by the Target Group, upon completion, the CIP will have a planned gross floor area of approximately 259,895.97 sq.m. As at the valuation date, the property comprised the unsold units and CIP of Dongfang Dushi with a total planned gross floor area of approximately 269,774.58 sq.m. The classification, usage and gross floor area details of the property were set out in note 9.	As at the valuation date, the unsold portion of the property was vacant and the remaining portion of the property was under construction.	596,300,000 (82.48% interest attributable to the Target Group: RMB491,800,000)

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
		As advised by the Target Group, the development cost (including the land cost) of the CIP of the property is estimated to be approximately RMB841,000,000, of which approximately RMB243,700,000 had been incurred as at the valuation date. The land use rights of the property have been granted for the terms expiring on 18 October 2082 and 28 January 2083 for residential use and expiring on 18 October 2052 and 28 January 2053 for commercial use.		

Notes:

1. Pursuant to 2 State-owned Land Use Rights Grant Contracts Nos. 3403002012066 and 3403002012097, the land use rights of 2 parcels of land with a total site area of approximately 210,248.29 sq.m. were contracted to be granted to Bengbu Mingyuan Real Estate Development Co., Ltd. (蚌埠明源房地產開發有限公司, "Bengbu Mingyuan", a 82.48% interest owned subsidiary of the Target Company) for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB266,260,000.

2. Pursuant to 2 Construction Land Planning Permits — Di Zi Di Nos. 340303201200104 and 340303201300019, permission towards the planning of the 2 land parcels with a total site area of approximately 210,248.29 sq.m. (including the property) has been granted to Bengbu Mingyuan.

3. Pursuant to 2 State-owned Land Use Rights Certificates — Beng Guo Yong (Chu Rang) Nos. 2012359 and 2013374, the land use rights of the aforesaid land parcels with a total site area of approximately 210,248.29 sq.m. (including the land use rights of the property) have been granted to Bengbu Mingyuan for the terms expiring on 18 October 2082 and 28 January 2083 for residential use and expiring on 18 October 2052 and 28 January 2053 for commercial use.

4. Pursuant to 12 Construction Work Planning Permits in favour of Bengbu Mingyuan, Jiayuan Dongfang Dushi with a gross floor area of approximately 685,966.48 sq.m. (including the property) has been approved for construction.

5. Pursuant to 20 Construction Work Commencement Permits in favour of Bengbu Mingyuan, permission by the relevant local authority was given to commence the construction of portions of Jiayuan Dongfang Dushi with a gross floor area of approximately 569,325.05 sq.m. (including the property).

6. Pursuant to 41 Pre-sale Permits in favour of Bengbu Mingyuan, the Target Group is entitled to sell portions of Jiayuan Dongfang Dushi (representing a gross floor area of approximately 392,804.62 sq.m.) (including portions of the property) to purchasers.

7. Pursuant to 28 Construction Work Completion and Inspection Certificates in favour of Bengbu Mingyuan, the construction of Jiayuan Dongfang Dushi with a gross floor area of approximately 290,524.29 sq.m. (including portions of the property) has been completed and passed the inspection acceptance.

8. Pursuant to 13 Real Estate Title Certificates, portions of the property with a total gross floor area of approximately 7,238.04 sq.m. are owned by Bengbu Mingyuan and the corresponding land use rights have been granted for a term of 40 years expiring on 18 October 2052 for commercial use.

9. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	**Usage**	**Gross Floor Area/Planned Gross Floor Area** *(sq.m.)*
Group I — held for sale by the Target Group	Residential	582.13
	Commercial	9,296.48
	Sub-total:	**9,878.61**
Group II — held under development by the Target Group	Residential	165,336.79
	Commercial	34,729.21
	Ancillary	6,987.32
	Basement	52,842.65
	Sub-total:	**259,895.97**
	Total:	**269,774.58**

10. As advised by the Target Group, various residential units with a total gross floor area of approximately 228.35 sq.m. in Group I and various residential units and commercial units with a total gross floor area of approximately 91,795.16 sq.m. in Group II of the property have been pre-sold to various third parties at consideration of RMB639,157,802. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.

11. The market value of the CIP of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,387,800,000.

12. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units and commercial units within the same development of the subject property and other to be completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2019. The unit price of these comparable properties ranges from RMB6,000 to RMB8,000 per sq.m. for residential units and RMB8,400 to RMB11,000 per sq.m. for commercial units on the first floor. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between the transaction date and the valuation date is considered.

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

    a. Bengbu Mingyuan is legally and validly in possession of the land use rights of the property. Bengbu Mingyuan has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property;

b. Bengbu Mingyuan has obtained all requisite construction work approvals in respect of the actual development progress; and

c. Bengbu Mingyuan has the rights to legally pre-sell the portions of the property mentioned in note 6 according to the obtained Pre-sale Permits.

14. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate / Real Estate Title Certificate (Land)	Yes
c.	Real Estate Title Certificate	Portion
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Yes
f.	Construction Work Commencement Permit	Yes
g.	Pre-sale Permit	Portion
h.	Construction Work Completion and Inspection Certificate/Table/Report	Portion

15. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at the valuation date** *(RMB)*
Group I — held for sale by the Target Group	77,600,000
Group II — held under development by the Target Group	518,700,000
Total:	**596,300,000**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
3.	Jiayuan Hua Fu located at the Wuxing Village and Xinhe Village Cheng Bei Jin An District Lu'an City Anhui Province The PRC (六安 • 佳源華府)	Jiayuan Hua Fu is located at the northern side of Xin Cheng San Avenue and eastern side of Mu Nan Road in Lu'an City. The locality of the project is a developing residential area. Jiayuan Hua Fu occupies 2 parcels of land with a total site area of approximately 136,533.00 sq.m., which will be developed into a residential and commercial development. The project was under construction as at the valuation date. As advised by the Target Group, upon completion, the project will have a planned gross floor area of approximately 392,473.88 sq.m. As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 6. As advised by the Target Group, the development cost (including the land cost) of the property is estimated to be approximately RMB1,050,700,000, of which approximately RMB100,400,000 had been incurred as at the valuation date. The land use rights of the property have been granted for the terms expiring on 18 March 2084 and 18 May 2084 for residential use and 18 March 2054 and 18 May 2054 for commercial use.	As at the valuation date, the property was under construction.	607,400,000 (70% interest attributable to the Target Group: RMB425,200,000)

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — No. 341502(2013)59, the land use rights of 2 parcels of land with a total site area of approximately 136,533.00 sq.m. were contracted to be granted to Lu'an Xinhuaxin Real Estate Co., Ltd. (六安新華信置業有限公司, "Lu'an Xinhuaxin", a 70% interest owned subsidiary of the Target Company) for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB75,500,000.

2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 341502201900018, permission towards the planning of the aforesaid land parcel with a total site area of approximately 136,533 sq.m. has been granted to Lu'an Xinhuaxin.

3. Pursuant to 2 State-owned Land Use Rights Certificates — Wan (2018) Lu'an Shi Shi Bu Dong Chan Quan Di Nos. 8012436 and 8012429, the land use rights of the aforesaid 2 land parcels with a total site area of approximately 136,533.00 sq.m. have been granted to Lu'an Xinhuaxin for the terms expiring on 18 March 2084 and 18 May 2084 for residential use and 18 March 2054 and 18 May 2054 for commercial use.

4. Pursuant to 7 Construction Work Planning Permits — Jian Zi Di Nos. 341502201900026 to 341502201900032 in favour of Lu'an Xinhuaxin, Jiayuan Huafu with a gross floor area of approximately 84,112 sq.m. has been approved for construction.

5. Pursuant to 2 Construction Work Commencement Permits — Nos. 3415001806270101-SX-001 and 3415001806270101-SX-002 in favour of Lu'an Xinhuaxin, permission by the relevant local authority was given to commence the construction of portion of Jiayuan Huafu with a gross floor area of approximately 82,329 sq.m.

6. According to the information provided by the Target Group, the planned gross floor area of the property is set out as below:

Group	**Usage**	**Planned Gross Floor Area** *(sq.m.)*
Group II — held under development by the Target Group	Residential	308,667.88
	Commercial	6,525.00
	Ancillary	7,025.00
	Basement	70,256.00
	Total:	**392,473.88**

7. Our valuation has been made on the following basis and analysis:

   In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units and commercial units within the same building of the subject property and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB6,200 to RMB7,800 per sq.m. for residential units and RMB10,000 to RMB15,000 per sq.m. for commercial units on the first floor. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between the transaction date and the valuation date is considered.

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

   a. The land use rights of the property mentioned in note 3 are subject to a mortgage in favour of Guotong Trust Co.,Ltd. ("**Guotong Trust**") as security to guarantee the principal obligation under a contract entered into between Guotong Trust and Lu'an Xinhuaxin;

   b. Lu'an Xinhuaxin is legally and validly in possession of the land use rights of the property. Lu'an Xinhuaxin has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property and upon consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property; and

   c. Lu'an Xinhuaxin has obtained all requisite construction work approvals in respect of the actual development progress.

9. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate / Real Estate Title Certificate (Land)	Yes
c.	Building Ownership Certificate	No
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Portion
f.	Construction Work Commencement Permit	Portion
g.	Pre-sale Permit	No
h.	Construction Work Completion and Inspection Certificate/Table/Report	No

10. For the purpose of this report, the property is classified into the group as "Group II — held under development by the Target Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
4.	Portions of Jiayuan Dongfang Dushi located at the western side of Inner Ring East Road, the northern side of Chenguang Road, the southeast corner of the junction of Denghu Road and Chengdong Avenue Lujiang County Hefei City Anhui Province The PRC (廬江 • 佳源東方都市)	Jiayuan Dongfang Dushi is located at the western side of Inner Ring East Road, the northern side of Chenguang Road, the southeast corner of the junction of Denghu Road and Chengdong Avenue, Lujiang County. The locality of the project is a sub-urban area within two-hour driving distance to the city centre. Jiayuan Dongfang Dushi occupies a parcel of land with a site area of approximately 180,704.00 sq.m., which is being developed into a residential and commercial development. Portions of the project were completed in 2018, and the unsold portion of that (the "**unsold units**") was vacant for sale as at the valuation date. The remaining portions of the project were under construction (the "**CIP**") as at the valuation date and are scheduled to be completed in July 2020. As advised by the Target Group, upon completion, the CIP will have a planned gross floor area of approximately 336,182.19 sq.m. As at the valuation date, the property comprised the unsold units and CIP of Jiayuan Dongfang Dushi with a planned gross floor area of approximately 345,952.57 sq.m. The classification, usage and gross floor area details of the property were set out in note 10.	As at the valuation date, the unsold units of the property were vacant, and the remaining portions of the property were under construction.	1,564,200,000 (42% interest attributable to the Target Group: RMB657,000,000)

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
		As advised by the Target Group, the development cost (including the land cost) of the CIP of the property is estimated to be approximately RMB1,517,100,000, of which approximately RMB1,079,500,000 had been incurred as at the valuation date. The land use rights of the property have been granted for the terms expiring on 28 July 2086 for residential use and 28 July 2056 for commercial service use.		

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — No. 2016010, the land use rights of a parcel of land with a site area of approximately 180,704.00 sq.m. (including the land use rights of the property) were contracted to be granted to Lujiang County Jiayuan Real Estate Development Co., Ltd. (廬江縣佳源房地產開發有限公司, "Lujiang Jiayuan", a 42% interest owned subsidiary of the Target Company) for terms of 70 years for residential use and 40 years for commercial service use commencing from the land delivery date. The land premium was RMB867,379,200.

2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 341421201600082, permission towards the planning of the aforesaid land parcel with a site area of approximately 180,704.00 sq.m. (including the property) has been granted to Lujiang Jiayuan.

3. Pursuant to a State-owned Land Use Rights Certificate — Wan (2016) Lu Jiang Xian Bu Dong Chan Quan Di No. 0003437, the land use rights of the aforesaid land parcel with a site area of approximately 180,704.00 sq.m. (including the land use rights of the property) have been granted to Lujiang Jiayuan for the terms expiring on 28 July 2086 for residential use and 28 July 2056 for commercial service use.

4. Pursuant to 10 Construction Work Planning Permits — Lu Gui Jian Fu Nos. 2017-001, 2017-015, 2017-047, 2017-066, 2017-097, 2017-0130 and Jian Zi Di Nos. 341421201800046, 341421201800065, 341421201800100 and 341421201800169 in favour of Lujiang Jiayuan, Jiayuan Dongfang Dushi with a gross floor area of approximately 423,259.64 sq.m. (including the property) has been approved for construction.

5. Pursuant to 10 Construction Work Commencement Permits — No. 3401241612120101-SX-001 to 3401241612120101-SX-010 in favour of Lujiang Jiayuan, permission by the relevant local authority was given to commence the construction of Jiayuan Dongfang Dushi with a gross floor area of approximately 423,852.60 sq.m. (including the property).

6. Pursuant to 52 Pre-sale Permits, in favour of Lujiang Jiayuan, the Target Group is entitled to sell portions of Jiayuan Dongfang Dushi (representing a gross floor area of approximately 295,107.73 sq.m.) (including portions of the property) to purchasers.

7. Pursuant to 11 Construction Work Completion and Inspection Certificates in favour of Lujiang Jiayuan, the construction of portion of Jiayuan Dongfang Dushi with a gross floor area of approximately 64,913.48 sq.m. (including portions of the property) has been completed and passed the inspection acceptance.

8. Pursuant to 26 Real Estate Title Certificates, portions of the property with a total gross floor area of approximately 6,176.2 sq.m are owned by Lujiang Jiayuan and the corresponding land use rights have been granted for a term of 40 years expiring on 28 July 2056 for commercial use.

9. According to 2 Tenancy Agreements, portions of Group I with a total gross floor area of approximately 3,111.71 sq.m. were rented to 2 independent third parties with the expiry dates at 28 February 2023 and 30 June 2023. The total annual rental as at 30 April 2019 was approximately RMB668,844, exclusive of management fees, water and electricity charges.

10. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	**Usage**	**Gross Floor Area/Planned Gross Floor Area** *(sq.m.)*
Group I — held for sale by the Target Group	Residential	3,591.22
	Commercial	6,179.16
	Sub-total:	**9,770.38**
Group II — held under development by the Target Group	Residential	218,690.04
	Commercial	35,392.43
	Ancillary	3,480.84
	Basement	78,618.88
	Sub-total:	**336,182.19**
	Total:	**345,952.57**

11. As advised by the Target Group, various residential units and commercial units with a total gross floor area of approximately 1,293.53 sq.m. in Group I and various residential units and commercial units with a total gross floor area of approximately 180,601.26 sq.m. in Group II of the property have been pre-sold to various third parties at a consideration of RMB1,489,171,376. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.

12. The market value of the CIP of the property in Group II as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB2,173,100,000.

13. Our valuation has been made on the following basis and analysis:

a. For the portions of the property in Group I (including the portions mentioned in Note 9) and Group II, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, commercial units and office units within the same development of the subject property and other to be completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted between 2018 to 2019. The unit price of these comparable properties ranges from RMB7,800 to RMB8,700 per sq.m. for residential units and RMB16,000 to RMB24,000 per sq.m. for commercial units on the first floor. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered;

b. For the portions of the property in Group I mentioned in Note 9, we have considered the unit price of these occupied area after the expiry of the existing leases and also considered the actual rents in the existing tenancy agreements;

c. For various commercial units with a total gross floor area approximately 9,605.16 sq.m. in Group I and Group II, we have compared with similar developments which are located in the similar areas as the stores of the subject property, for the calculation of market rent in considering the rental income of vacant area;

d. The unit rent of these comparable commercial units on the first floor basis ranges from RMB1.4 to RMB1.8 per sq.m. per day; and

e. Based on our research on retail market in the surrounding area of the property, the stabilized market yield ranged from 4% to 5% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 4.5% for commercial units as the capitalization rate in the valuation.

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

a. Portions of the property are subject to a mortgage in favour of Hefei Guozheng Technology Micro-credit Co.,Ltd. ("**Guozheng Technology**") as security to guarantee the principal obligation under a contract entered into between Guozheng Technology and Lujiang Jiayuan;

b. Lujiang Jiayuan is legally and validly in possession of the land use rights of the property. Lujiang Jiayuan has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property and upon consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property;

c. Lujiang Jiayuan has obtained all requisite construction work approvals in respect of the actual development progress; and

d. Lujiang Jiayuan has the rights to legally pre-sell the portions of the property mentioned in note 6 according to the obtained Pre-sale Permits.

15. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate / Real Estate Title Certificate (Land)	Yes
c.	Real Estate Title Certificate	Portion
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Yes
f.	Construction Work Commencement Permit	Yes
g.	Pre-sale Permit	Portion
h.	Construction Work Completion and Inspection Certificate/Table/Report	Portion

16. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at the valuation date** *(RMB)*
Group I — held for sale by the Target Group	116,700,000
Group II — held under development by the Target Group	1,447,500,000
Total:	**1,564,200,000**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
5.	Jiayuan Dushi located at the junction of Xinhu Road and Mingzhu Avenue Fengtai County Huainan City Anhui Province The PRC (鳳台•佳源都市)	Jiayuan Dushi is located at the junction of Xinhu Road and Mingzhu Avenue. The locality of the project is a residential area with several residential developments, schools and parks. It is well-served by public transportation. Jiayuan Dushi occupies 2 parcels of land with a total site area of approximately 75,918.70 sq.m., which is being developed into a residential and commercial development. The project was under construction as at the valuation date and is scheduled to be completed in December 2020. As advised by the Target Group, upon completion, the project will have a planned gross floor area of approximately 172,409.60 sq.m. As at the valuation date, the property comprised the whole project of Jiayuan Dushi. The classification, usage and gross floor area details of the property were set out in note 7. As advised by the Target Group, the development cost (including the land cost) of the property is estimated to be approximately RMB645,700,000, of which approximately RMB270,600,000 had been incurred as at the valuation date. The land use rights of the property have been granted for the terms expiring on 11 February 2088 for residential use and 11 February 2058 for commercial use.	As at the valuation date, the property was under construction.	406,500,000 (100% interest attributable to the Target Group: RMB406,500,000)

Notes:

1. Pursuant to 2 State-owned Land Use Rights Grant Contracts — Nos. 340421(2018)006 and 340421(2018)007, the land use rights of 2 parcels of land with a total site area of approximately 75,918.70 sq.m. were contracted to be granted to Fengtai County Mingyuan Real Estate Development Co., Ltd. (鳳台縣明源房地產開發有限公司, "Fengtai Mingyuan", a wholly-owned subsidiary of the Target Company) for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB182,554,102.

2. Pursuant to 2 Construction Land Planning Permits — Di Zi Di Nos. 340421201800010 and 340421201800012, permission towards the planning of the aforesaid 2 land parcels with a total site area of approximately 75,919 sq.m. has been granted to Fengtai Mingyuan.

3. Pursuant to 2 State-owned Land Use Rights Certificates —Wan (2018) Feng Tai Xian Bu Dong Chan Quan Di Nos. 0001477 and 0001478, the land use rights of the aforesaid land parcels with a total site area of approximately 75,918.70 sq.m. have been granted to Fengtai Mingyuan for the terms expiring on 11 February 2088 for residential use and 11 February 2058 for commercial use.

4. Pursuant to 3 Construction Work Planning Permits — Jian Zi Di Nos. 340421201800012, 340421201800016 and 340421201800025 in favour of Fengtai Mingyuan, Jiayuan Dushi with a gross floor area of approximately 172,409.60 sq.m. has been approved for construction.

5. Pursuant to 3 Construction Work Commencement Permits — Nos. 3404211804030102-SX-001, 3404211804030102-SX-002 and 3404211806220102-SX-001 in favour of Fengtai Mingyuan, permission by the relevant local authority was given to commence the construction of Jiayuan Dushi with a gross floor area of approximately 172,409.60 sq.m.

6. Pursuant to 17 Pre-sale Permits in favour of Fengtai Mingyuan, the Target Group is entitled to sell portions of Jiayuan Dushi (representing a gross floor area of approximately 130,829.03 sq.m.) to purchasers.

7. According to the information provided by the Target Group, the planned gross floor area of the property is set out as below:

Group	**Usage**	**Planned Gross Floor Area** *(sq.m.)*
Group II — held under development by the Target Group	Residential	146,131.55
	Commercial	8,598.66
	Ancillary	2,714.67
	Basement	14,964.72
	Total:	**172,409.60**

8. As advised by the Target Group, various residential and commercial units with a total gross floor area of approximately 78,265.08 sq.m. of the property have been pre-sold to various third parties at a consideration of RMB501,983,450. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.

9. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB980,100,000.

10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units and commercial units within the same building of the subject property and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB5,600 to RMB7,500 per sq.m. for residential units and RMB8,500 to RMB18,000 per sq.m. for commercial units on the first floor. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between the transaction date and the valuation date is considered.

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

a. The land use rights of the property mentioned in note 3 are subject to a mortgage in favour of Guotong Trust Co.,Ltd. ("**Guotong Trust**") as security to guarantee the principal obligation under a contract entered into between Guotong Trust and Fengtai Mingyuan;

b. Fengtai Mingyuan is legally and validly in possession of the land use rights of the property. Fengtai Mingyuan has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property and upon consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property;

c. Fengtai Mingyuan has obtained all requisite construction work approvals in respect of the actual development progress; and

d. Fengtai Mingyuan has the rights to legally pre-sell the portions of the property mentioned in note 6 according to the obtained Pre-sale Permits.

12. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate / Real Estate Title Certificate (Land)	Yes
c.	Building Ownership Certificate	No
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Yes
f.	Construction Work Commencement Permit	Yes
g.	Pre-sale Permit	Portion
h.	Construction Work Completion and Inspection Certificate/Table/Report	No

13. For the purpose of this report, the property is classified into the group as "Group II — held under development by the Target Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
6.	Jiayuan Dushi located at the western side of Heping Road, the northern side of Jinlong International New Town, the eastern side of Jianshe north Road and the southern side of Zixu Avenue Lixin County Bozhou City Anhui Province The PRC (利辛 • 佳源都市)	Jiayuan Dushi is located at the western side of Heping Road, the northern side of Jinlong International New Town, the eastern side of Jianshe North Road and the southern side of Zixu Avenue, Lixin County. The locality is a sub-urban area within two-hour driving distance to the city centre. Jiayuan Dushi comprises a parcel of land with a site area of approximately 66,803.81 sq.m. which will be developed into a residential and commercial development. The project was under construction as at the valuation date, and is scheduled to be completed in December 2019. As advised by the Target Group, upon completion, the project will have a total planned gross floor area of approximately 226,170.22 sq.m. As at the valuation date, the property comprised the whole project of Jiayuan Dushi. The classification, usage and gross floor area details of the property were set out in note 8.	As at the valuation date, the property was under construction.	582,700,000 (60% interest attributable to the Target Group: RMB349,600,000)

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
		As advised by the Target Group, the development cost (including the land cost) of the property is estimated to be approximately RMB565,300,000, of which approximately RMB280,400,000 had been incurred as at the valuation date. The land use rights of the property have been granted for the terms expiring on 15 February 2081 for residential use and 15 February 2051 for commercial use.		

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — No. 3416232011 (Pai) 01 dated 31 January 2011, the land use rights of a parcel of land with a site area of approximately 125,313.59 sq.m. (including the land use rights of the property) were contracted to be granted to Lixin County Longteng Real Estate Co., Ltd (利辛縣龍騰置業有限公司, "Longteng", a third party of the Target Company), for terms expiring on 15 February 2081 for residential use and 15 February 2051 for commercial use. The total land premium was RMB129,000,000.

2. Pursuant to a State-owned Land Use Rights Grant Contract Supplementary Provision — No. 3416232011 (Pai) 01 (He Tong Bu Chong Tiao Kuan) dated 6 December 2016, the land use rights of a parcel of land with a site area of approximately 66,803.81 sq.m. were contracted to be granted to Lixin County Mingyuan Real Estate Development Co., Ltd (利辛縣明源房地產開發有限公司, "Lixin Mingyuan", a 60% interest owned associate of the Target Company), for terms expiring on 15 February 2081 for residential use and 15 February 2051 for commercial use.

3. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 341623201100019, permission towards the planning of portions of the aforesaid land parcel with a total site area of approximately 307,787.57 sq.m. (including the property) have been granted to Lixin Mingyuan.

4. Pursuant to a State-owned Land Use Rights Certificate — Wan (2016) Li Xin Xian Bu Dong Chan Quan Zheng Di No. 0002498, the land use rights of a parcel of land with a site area of approximately 66,803.81 sq.m. have been granted to Lixin Mingyuan for the terms expiring on 15 February 2081 for residential use and 15 February 2051 for commercial use.

5. Pursuant to 3 Construction Work Planning Permits — Jian Zi Di Nos. 341623201700013, 341623201700020 and 341623201700034 in favour of Lixin Mingyuan, Jianyuan Dushi with a gross floor area of approximately 226,170.22 sq.m. has been approved for construction.

6. Pursuant to 3 Construction Work Commencement Permits — Nos. 3416231704110107-SX-001, 3416231704110107-SX-002 and 3416231705040101-SX-001 in favour of Lixin Mingyuan, permission by the relevant local authority was given to commence the construction of, Jianyuan Dushi with a gross floor area of approximately 226,170.22 sq.m.

7. Pursuant to 15 Pre-sale Permits in favour of Lixin Mingyuan, the Target Group is entitled to sell portions of Jiayuan Dushi (representing a gross floor area of approximately 178,225.81 sq.m.) to purchasers.

8. According to the information provided by the Target Group, the planned gross floor area of the property is set out as below:

Group	Usage	Planned Gross Floor Area *(sq.m.)*
Group II — held under development by the Target Group	Residential	162,340.77
	Commercial	18,426.72
	Ancillary	19,518.05
	Basement	25,884.68
	Total:	**226,170.22**

9. As advised by the Target Group, various residential and commercial units with a total gross floor area of approximately 139,120.73 sq.m. of the property have been pre-sold to various third parties at a consideration of RMB730,230,165. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.

10. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB989,500,000.

11. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units and commercial units within the same building of the subject property and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB4,500 to RMB7,000 per sq.m. for residential units and RMB7,500 to RMB11,500 per sq.m. for commercial units on the first floor. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between the transaction date and the valuation date is considered.

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

    a. Lixin Mingyuan is legally and validly in possession of the land use rights of the property. Lixin Mingyuan has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property;

    b. Lixin Mingyuan has obtained all requisite construction work approvals in respect of the actual development progress; and

    c. Lixin Mingyuan has the rights to legally pre-sell the portions of the property mentioned in note 7 according to the obtained Pre-sale Permits.

13. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate / Real Estate Title Certificate (Land)	Yes
c.	Building Ownership Certificate	No
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Yes
f.	Construction Work Commencement Permit	Yes
g.	Pre-sale Permit	Portion
h.	Construction Work Completion and Inspection Certificate/Table/Report	No

14. For the purpose of this report, the property is classified into the group as "Group II — held under development by the Target Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
7.	Portions of Jiayuan Hexian Central City located at the junction of Hezhou Road and Tongjiang Road Economic Development District Hexian Town Maanshan City Anhui Province The PRC (馬鞍山 • 佳源中央城)	Jiayuan Hexian Central City is located at the junction of Hezhou Road and Tongjiang Road, the Economic Development District. The locality of the project is well-served by public transportation and amenities. Jiayuan Hexian Central City occupies 7 parcels of land with a total site area of approximately 322,459.04 sq.m., which had been developed into a residential and commercial development. Portions of the project (Phase I and II) were completed in 2017, the unsold portion of the project with a total gross floor area of approximately 4,930.59 sq.m. (the "**unsold units**") was vacant for sale as at the valuation date. Portions of the project (Phase III and V) were under construction (the "**CIP**") as at the valuation date and were scheduled to be completed in August 2021. As advised by the Target Group, upon completion, the CIP will have a total planned gross floor area of approximately 336,322.96 sq.m. The remaining portion of the project (Phase IV) (the "**bare land**") will be developed into residential and commercial buildings with a total planned gross floor area of approximately 180,056.01 sq.m. As advised by the Target Group, the construction of the bare land had not been commenced as at the valuation date.	As at the valuation date, the unsold units of the property were vacant for sale, the CIP portion of the property was under construction, and the remaining portion of the property was bare land.	1,123,100,000 (78.5% interest attributable to the Target Group: RMB881,600,000)

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
		As at the valuation date, the property comprised the unsold units, the CIP, and the bare land of the project. The classification, usage and gross floor area details of the property were set out in note 9. As advised by the Target Group, the development cost (including land cost) of the CIP of the property is estimated to be approximately RMB937,100,000, of which approximately RMB431,600,000 had been incurred as at the valuation date. The land use rights of the property have been granted for the terms expiring on 17 March 2054 for commercial use, and 17 March 2084 for residential use.		

Notes:

1. Pursuant to 7 State-owned Land Use Rights Grant Contracts — He Guo Rang He Zi (2014) Nos. 28, 29, 30, 31, 32, 33 and 34, dated 13 March 2014, the land use rights of 7 parcels of land with a total site area of approximately 322,459.04 sq.m. (including the land use rights of the property) were contracted to be granted to Hexian County Jiayuan Real Estate Development Co., Ltd. (和縣佳源房地產開發有限公司, "Hexian Jiayuan", a 78.5% interest owned subsidiary of the Target Company) for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB629,000,000.

2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 341424201400005 permission towards the planning of the aforesaid land parcels with a total site area of approximately 322,459.04 sq.m. (including the property) have been granted to Hexian Jiayuan.

3. Pursuant to 7 State-owned Land Use Rights Certificates — He Xian Guo Yong (2014) Di No. 01282, He Xian Guo Yong (2015) Di Nos. 0009, 0592, 0593, 0584 and 0610, and He Xian Guo Yong (2016) Di No. 0892, the land use rights of the aforesaid land parcels with a total site area of approximately 322,459.04 sq.m. (including the land use rights of the property) have been granted to Hexian Jiayuan for the terms expiring on 17 March 2054 for commercial use and 17 March 2084 for residential use.

4. Pursuant to 7 Construction Work Planning Permits — He Gui Zi (2015) Nos. 003, 030, 042, He Gui Zi (2014) No. 036, and Jian Zi Di Nos. 341424201700003, 3414242017000064, 341424201800056, in favour of Hexian Jiayuan, portions of Jiayuan Hexian Central City with a total gross floor area of approximately 570,469.19 sq.m. (including the property) have been approved for construction.

5. Pursuant to 11 Construction Work Commencement Permits — Nos. 34052214071701S01, 34052214071701S02, 34052214071701S03, 34052214071701S04, 34052214071701S05, 3405231608190S001, 34052214071701S09, 34052214071701S16, 34052214071701S17, 34052315111701S01 and 34052214071701S18 in favour of Hexian Jiayuan, permission by the relevant local authority was given to commence portions of the construction of Jiayuan Hexian Central City with a gross floor area of approximately 645,984.68 sq.m. (including the property).

6. Pursuant to 19 Real Estate Title Certificates — Wan (2017) He Xian Shou Ci Deng Ji Di Nos. 0000167, 0000115, 0000183, Wan (2018) He Xian Shou Ci Deng Ji Di Nos. 0000178, 0000258, 0000049, Wan (2019) He Xian Shou Ci Deng Ji Di No. 0000170, He Xian Fang Di Quan Zheng Li Yang Zhen Zi Di Nos. 201605812-05281, 201605822-05837, 20160823-06833, 201606834-06845, 201606858-06875, 201606385-06456, 201605953-06096, 201606097-06240, 201606457-06600, 201606241-06384, 201606601-06708, 201606709-06816, portions of Phase I and II of the property with a total gross floor area of approximately 176,553.12 sq.m. (including portions of the property) are owned by Hexian Jiayuan and the corresponding land use rights have been granted for a term of 70 years expiring on 17 March 2084 for residential use.

7. Pursuant to 45 Pre-sale Permits — in favour of Hexian Jiayuan, the Target Group is entitled to sell portions of the property (representing a gross floor area of approximately 394,898.71 sq.m.) to purchase.

8. Pursuant to 5 Construction Work Completion and Inspection Certificates Nos.183969, 183996, and HXYS(2017)Nos.005 and 015, and HXYS(2018)No.005, in favour of Hexian Jiayuan, the construction of portions of Jiayuan Hexian Central City with a total gross floor area of approximately 283,102.8 sq.m. (including portions of the property) has been completed and passed the inspection acceptance.

9. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	**Usage**	**Gross Floor Area/Planned Gross Floor Area** *(sq.m.)*	**Phase of the property**
Group I — held for sale by the Target Group	Residential	83.41	Phase I and II
	Commercial	4,847.18	
	Sub-total	**4,930.59**	
Group IV — held for investment by the Target Group	Commercial Building (Hotel)	29,886.02	Phase IV
	Sub-total	**29,886.02**	
Group II — held under development by the Target Group	Residential	248,231.81	Phases III and V
	Commercial	16,914.22	
	Basement	62,346.87	
	Ancillary	8,830.06	
	Sub-total	**336,322.96**	
Group III — held for future development by the Target Group	Residential	126,385.67	Phase IV
	Basement	22,987.98	
	Ancillary	796.34	
	Sub-total	**150,169.99**	
	Total	**521,309.56**	

10. As advised by the Target Group, various commercial units with a total gross floor area of approximately 1,156.5 sq.m. in Group I and various residential units with a total gross floor area of approximately 144,068.72 sq.m. in Group II have been pre-sold to various parties at a total consideration of RMB865,263,861. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.

11. The market value of the CIP of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,650,800,000.

12. Our valuation has been made on the following basis and analysis:

    a. For portions of the property in Group I and II, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB6,000 to RMB8,500 per sq.m. for residential units, RMB7,500 to RMB10,000 per sq.m. for commercial use. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.

    b. For the remaining portion of the property in Group III and Group IV, we have also made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The accommodation value of these comparable land sites ranges from RMB1,400 to RMB1,900 per sq.m. for residential use, RMB700 to RMB900 per sq.m. for commercial use. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at our assumed accommodation value for the property.

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

    a. Hexian Jiayuan is legally and validly in possession of the land use rights of the property. Hexian Jiayuan has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property;

    b. Hexian Jiayuan has obtained all requisite construction work approvals in respect of the actual development progress; and

    c. Hexian Jiayuan has the rights to legally pre-sell the portions of the property mentioned in note 7 according to the obtained Pre-sale Permits.

14. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (Land)	Yes
c.	Real Estate Title Certificate	Portion
d.	Construction Land Planning Permit	Portion
e.	Construction Work Planning Permit	Portion
f.	Construction Work Commencement Permit	Portion
g.	Pre-sale Permit	Portion
h.	Construction Work Completion and Inspection Certificate/Table/Report	Portion

15. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at the valuation date** *(RMB)*
Group I — held for sale by the Target Group	48,500,000
Group II — held under development by the Target Group	819,600,000
Group III — held for future development by the Target Group	227,600,000
Group IV — held for investment by the Target Group	27,400,000
Total:	**1,123,100,000**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
8.	Jiayuan Xinggangcheng located at the northern side of Shigongshan Road, the eastern side of Funing Road and the northern side of Jishan Road Guoyang County Bozhou City Anhui Province The PRC (渦陽 • 都市星港城)	Jiayuan Xinggangcheng is located at the northern side of Shigongshan Road, the eastern side of Funing Road and northern side of Jishan Road. The locality of the project is a sub-urban area within two-hour driving distance to the city centre. Jiayuan Xinggangcheng occupies 6 parcels of land with a total site area of approximately 189,157.50 sq.m., which is being developed into a residential, commercial, apartment, and hotel mixed uses development. The project was under construction (the "**CIP**") as at the valuation date and is scheduled to be completed in December 2021. As advised by the Target Group, upon completion, the project will have a planned gross floor area of approximately 448,530.17 sq.m.	As at the valuation date, the property was under construction.	726,200,000 (100% interest attributable to the Target Group: RMB726,200,000)

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
		As at the valuation date, the property comprised the whole project of Jiayuan Xinggangcheng The classification, usage and gross floor area details of the property were set out in note 7. As advised by the Target Group, the development cost (including the land cost) of the property is estimated to be approximately RMB1,530,980,000, of which approximately RMB468,690,000 had been incurred as at the valuation date. The land use rights of the property have been granted for the terms expiring on 23 November 2087 for residential use and 23 November 2057 for commercial service use.		

Notes:

1. Pursuant to 6 State-owned Land Use Rights Grant Contracts — Guo Rang He Zi Di Nos. 36 to 41, the land use rights of 6 parcels of land with a site area of approximately 189,157.50 sq.m. (including the land use rights of the property) were contracted to be granted to Guoyang County Xinggang Real Estate Co., Ltd. (渦陽縣星港置業有限公司, "Guoyang Xinggang", a 100% interest owned subsidiary of the Target Company) for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB289,800,000.

2. Pursuant to 6 Construction Land Planning Permits — Di Zi Di Nos. 3416212018031401 to 3416212018031406, permission towards the planning of the aforesaid land parcels with a total site area of approximately 189,157.50 sq.m. has been granted to Guoyang Xinggang.

3. Pursuant to 6 State-owned Land Use Rights Certificates — Wan (2017) Guo Yang Xian Bu Dong Chan Quan Di Nos. 0014666 to 0014668 and 0014821 to 0014823, the land use rights of the aforesaid land parcels with a total site area of approximately 189,157.50 sq.m. have been granted to Guoyang Xinggang for the terms expiring on 23 November 2087 for residential use and 23 November 2057 for commercial use.

4. Pursuant to 8 Construction Work Planning Permits — Jian Zi Di Nos. 3416212018051101, 3416212018072601, 3416212018092801, 3416212018092802, 3416212018090703, 3416212018090702 and 3416212018090704 and 3416212019031501 in favour of Guoyang Xinggang, Jiayuan Xinggangcheng with a gross floor area of approximately 448,530.17 sq.m. has been approved for construction.

5. Pursuant to 6 Construction Work Commencement Permits — Nos. 3416211803060101-SX-001 (Bu), 3416211803060101-SX-002 to 3416211803060101-SX-005 and 3416211803060101-SX-006 in favour of Guoyang Xinggang, permission by the relevant local authority was given to commence the construction of Jiayuan Xinggangcheng with a gross floor area of approximately 448,530.17 sq.m..

6. Pursuant to 23 Pre-sale Permits in favour of Guoyang Xinggang, the Target Group is entitled to sell portions of Jiayuan Xinggangcheng (representing a gross floor area of approximately 165,149.24 sq.m.) (including portions of the property) to purchasers.

7. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	**Usage**	**Planned Gross Floor Area** *(sq.m.)*
Group II — held under development by the Target Group	Residential	238,155.84
	Commercial	48,628.81
	Apartment	15,873.38
	Ancillary	6,187.53
	Basement	108,554.38
	Sub-total:	**417,399.94**
Group IV — held for investment by the Target Group	Commercial building	31,130.23
	Sub-total:	31,130.23
	Total:	**448,530.17**

8. As advised by the Target Group, various residential units and commercial units with a total gross floor area of approximately 104,654.54 sq.m. in Group II of the property have been pre-sold to various third parties at a consideration of RMB721,793,222 Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.

9. The market value of the CIP of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB2,268,000,000.

10. Our valuation has been made on the following basis and analysis:

    In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, commercial units and apartment units within the same development of the subject property and other to be completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2019. The unit price of these comparable properties ranges from RMB5,000 to RMB8,000 per sq.m. for residential units, RMB17,500 to RMB30,000 per sq.m. for commercial units and RMB6,500 to RMB7,500 per sq.m. for apartment units. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

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

    a. Guoyang Xinggang is legally and validly in possession of the land use rights of the property. Guoyang Xinggang has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property;

    b. Guoyang Xinggang has obtained all requisite construction work approvals in respect of the actual development progress; and

    c. Guoyang Xinggang has the rights to legally pre-sell the portions of the property mentioned in note 6 according to the obtained Pre-sale Permits.

12. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (Land)	Yes
c.	Building Ownership Certificate	No
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Portion
f.	Construction Work Commencement Permit	Portion
g.	Pre-sale Permit	Portion
h.	Construction Work Completion and Inspection Certificate/Table/Report	No

13. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at the valuation date** *(RMB)*
Group II — held under development by the Target Group	709,300,000
Group IV — held for investment by the Target Group	16,900,000
Total:	**726,200,000**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
9.	Portions of Mingbang Xuefu located at the northern side of Fanhua Avenue and the western side of Tian Jing Gong Road Guoyang County Bozhou City Anhui Province The PRC (渦陽•名邦學府)	Mingbang Xuefu is located at the northern side of Fanhua Avenue and the western side of Tian Jing Gong Road, Guoyang County, Bozhou City, Anhui Province, the PRC. The locality of the project is a residential area with several residential developments and street front shops, schools and parks are nearby. It is well-served by public transportation. Mingbang Xuefu occupies 3 parcels of land with a total site area of approximately 184,226.81 sq.m., which is being developed into a residential and commercial development. Portions of the project were completed in December 2018, and the unsold portion of that (the "**unsold units**") was vacant for sale as at the valuation date. The remaining portion of the project was under construction (the "**CIP**") as at the valuation date and is scheduled to be completed in December 2019. As advised by the Target Group, upon completion, the CIP will have a planned gross floor area of approximately 348,674.75 sq.m.	As at the valuation date, the unsold portion of the property was vacant and the remaining portion of the property was under construction.	1,260,200,000 (51% interest attributable to the Target Group: RMB642,700,000)

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
		As at the valuation date, the property comprised the unsold units and CIP of Mingbang Xuefu with a total planned gross floor area of approximately 349,950.04 sq.m. The classification, usage and gross floor area details of the property were set out in note 9. As advised by the Target Group, the development cost (including the land cost) of the CIP of the property is estimated to be approximately RMB1,131,200,000, of which approximately RMB863,100,000 had been incurred as at the valuation date. The land use rights of the property have been granted for the terms expiring on 13 March 2087 for residential use and 13 March 2057 for commercial use.		

Notes:

1. Pursuant to 3 State-owned Land Use Rights Grant Contracts — Guo Rang He Zi (2017) Nos. 005, 006 and 007 dated 14 February 2017 and 3 supplementary contracts, the land use rights of 3 parcels of land with a total site area of approximately 184,226.81 sq.m. (including the land use rights of the property) were contracted to be granted to Guoyang County Mingbang Real Estate Co., Ltd. (渦陽縣名邦置業有限公司, "Guoyang Mingbang", a 51% interest owned subsidiary of the Target Company) for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB437,641,398.

2. Pursuant to 3 Construction Land Planning Permits — Di Zi Di Nos. 3416212017050901, 3416212017050902 and 3416212017050903, permission towards the planning of the aforesaid 3 land parcels with a total site area of approximately 184,226.81 sq.m. (including the property) has been granted to Guoyang Mingbang.

3. Pursuant to 3 State-owned Land Use Rights Certificates — Wan (2017) Guo Yang Xian Bu Dong Chan Quan Di Nos. 0004330, 0004389 and 0004368, the land use rights of the aforesaid land parcels with a total site area of approximately 184,226.81 sq.m. (including the land use rights of the property) have been granted to Guoyang Mingbang for the terms expiring on 13 March 2087 for residential use and 13 March 2057 for commercial use.

4. Pursuant to 8 Construction Work Planning Permits — Jian Zi Di Nos. 3416212017052501, 3416212017052502, 3416212017071201 to 3416212017071203, 3416212017090501, 3416212017090502 and 3416212017102402 in favour of Guoyang Mingbang, Mingbang Xuefu with a gross floor area of approximately 439,752.36 sq.m. (including the property) has been approved for construction.

5. Pursuant to 7 Construction Work Commencement Permits — Nos. 3416211703310101-SX-001 to 3416211703310101-SX-006 and 3416211703310101-SX-008 in favour of Guoyang Mingbang, permission by the relevant local authority was given to commence the construction of Mingbang Xuefu with a gross floor area of approximately 439,752.36 sq.m. (including the property).

6. Pursuant to 24 Pre-sale Permits in favour of Guoyang Mingbang, the Target Group is entitled to sell portions of Mingbang Xuefu (representing a gross floor area of approximately 344,541.84 sq.m.) (including portions of the property) to purchasers.

7. Pursuant to 16 Construction Work Completion and Inspection Certificates in favour of Guoyang Mingbang, the construction of Mingbang Xuefu with a gross floor area of approximately 91,207.50 sq.m. (including portions of the property) has been completed and passed the inspection acceptance.

8. Pursuant to 7 Real Estate Title Certificates, portions of the property with a total gross floor area of approximately 801.55 sq.m are owned by Guoyang Mingbang and the corresponding land use rights have been granted for a term of 70 years expiring on 13 March 2087 for residential use.

9. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area/ Planned Gross Floor Area *(sq.m.)*
Group I — held for sale by the Target Group	Residential	801.55
	Commercial	473.74
	Sub-total:	**1,275.29**
Group II — held under development by the Target Group	Residential	254,820.44
	Commercial	8,836.01
	Ancillary	7,595.95
	Basement	77,422.35
	Sub-total:	**348,674.75**
	Total:	**349,950.04**

10. As advised by the Target Group, various residential units and commercial units with a gross floor area of approximately 1,036.77 sq.m. in Group I and various residential units and commercial units with a gross floor area of approximately 196,436.46 sq.m. in Group II of the property have been pre-sold to various third parties at consideration of RMB1,229,929,792. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.

11. The market value of the CIP of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,634,700,000.

12. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units and commercial units within the same development of the subject property and other to be completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2019. The unit price of these comparable properties ranges from RMB5,500 to RMB7,000 per sq.m. for residential units and RMB9,000 to RMB15,000 per sq.m. for commercial units. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between the transaction date and the valuation date is considered.

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

a. Guoyang Mingbang is legally and validly in possession of the land use rights of the property. Guoyang Mingbang has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property;

b. Guoyang Mingbang has obtained all requisite construction work approvals in respect of the actual development progress; and

c. Guoyang Mingbang has the rights to legally pre-sell the portions of the property mentioned in note 6 according to the obtained Pre-sale Permits.

14. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (Land)	Yes
c.	Real Estate Title Certificate	Portion
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Yes
f.	Construction Work Commencement Permit	Yes
g.	Pre-sale Permit	Portion
h.	Construction Work Completion and Inspection Certificate/Table/Report	Portion

15. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at the valuation date** *(RMB)*
Group I — held for sale by the Target Group	11,700,000
Group II — held under development by the Target Group	1,248,500,000
Total:	**1,260,200,000**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
10.	Mengcheng Biguiyuan located at the junction of Zhangzhuang Road and Pushui Road Mengcheng County Bozhou City Anhui Province The PRC (亳州 • 蒙城碧桂園)	Mengcheng Biguiyuan is located at the junction of Zhangzhuang Road and Pushui Road, Mengcheng County. The locality of the project is a developing residential area. Mengcheng Biguiyuan occupies a parcel of land with a site area of approximately 120,117.85 sq.m., which is being developed into a residential and commercial development. The project was under construction as at the valuation date and is scheduled to be completed in September 2019. As advised by the Target Group, upon completion, the project will have a planned gross floor area of approximately 296,502.05 sq.m. As at the valuation date, the property comprised the whole project of Mengcheng Biguiyuan. The classification, usage and gross floor area details of the property were set out in note 7. As advised by the Target Group, the development cost (including the land cost) of the property is estimated to be approximately RMB1,546,600,000, of which approximately RMB903,300,000 had been incurred as at the valuation date.	As at the valuation date, the property was under construction.	1,093,300,000 (30% interest attributable to the Target Group: RMB328,000,000)

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
		The land use rights of the property have been granted for the terms expiring on 23 July 2087 for residential use and 23 July 2057 for commercial use.		

Notes:

1. Pursuant to 2 State-owned Land Use Rights Grant Contracts — Nos. 341622 Chu Rang (2017) 014 and 341622 Chu Rang (2017) 015, the land use rights of 2 parcels of land with a total site area of approximately 120,117.85 sq.m. were contracted to be granted to Mengcheng County Country Garden Real Estate Development Co., Ltd. (蒙城縣碧桂園房地產開發有限公司, "Biguiyuan", a 30% interest owned associate of the Target Company) for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB496,000,000.

2. Pursuant to a Construction Land Planning Permit — No. 341622201700064, permission towards the planning of the aforesaid land parcels with a site area of approximately 120,117.85 sq.m. has been granted to Biguiyuan.

3. Pursuant to a State-owned Land Use Rights Certificate — Wan (2017) Meng Cheng Xian Bu Dong Chan Quan Di No. 0008274, the land use rights of the property with a site area of approximately 120,117.85 sq.m. have been granted to Biguiyuan for the terms expiring on 23 July 2087 for residential use and 23 July 2057 for commercial use.

4. Pursuant to 3 Construction Work Planning Permits — Jian Zi Di Nos. 341622201700069, 341622201700073 and 341622201700077 in favour of Biguiyuan, Mengcheng Biguiyuan with a gross floor area of approximately 296,502.05 sq.m. has been approved for construction.

5. Pursuant to 6 Construction Work Commencement Permits — Nos. 3416221710190107-SX-001 to 3416221710190107-SX-006 in favour of Biguiyuan, permission by the relevant local authority was given to commence the construction of Mengcheng Biguiyuan with a gross floor area of approximately 291,959.81 sq.m.

6. Pursuant to 25 Pre-sale Permits — Nos. 20180001, 20170194, 20170195, 20170196, 20170197, 20170206, 20170207, 20180002, 20180031, 20180032, 20180058, 20180059, 20180060, 20180061, 20180062, 20180063, 20180085, 20180093, 20180115, 201900068, 201900070, 201900069, 201700209, 201700210 and 20180131 in favour of Biguiyuan, the Target Group is entitled to sell portions of Mengcheng Biguiyuan (representing a gross floor area of approximately 204,205.52 sq.m.) to purchasers.

7. According to the information provided by the Target Group, the planned gross floor area of the property is set out as below:

Group	Usage	Planned Gross Floor Area (sq.m.)
Group II — held under development by the Target Group	Residential	235,068.07
	Commercial	5,155.40
	Basement	56,278.58
	Total:	**296,502.05**

8. As advised by the Target Group, various residential and commercial units with a gross floor area of approximately 130,595.45 sq.m. of the property have been pre-sold to various third parties at a consideration of RMB1,068,950,078. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.

9. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,968,900,000.

10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units and commercial units within the same building of the subject property and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB7,500 to RMB8,500 per sq.m. for residential units and RMB13,000 to RMB18,000 per sq.m. for commercial units on the first floor. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between the transaction date and the valuation date is considered.

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

a. The land use rights of the property mentioned in note 3 are mortgaged;

b. Biguiyuan is legally and validly in possession of the land use rights of the property. Biguiyuan has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property and upon consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property;

c. Biguiyuan has obtained all requisite construction work approvals in respect of the actual development progress; and

d. Biguiyuan has the rights to legally pre-sell the portions of the property mentioned in note 6 according to the obtained Pre-sale Permits.

12. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (Land)	Yes
c.	Building Ownership Certificate	No
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Yes
f.	Construction Work Commencement Permit	Yes
g.	Pre-sale Permit	Portion
h.	Construction Work Completion and Inspection Certificate/Table/Report	No

13. For the purpose of this report, the property is classified into the group as "Group II — held under development by the Target Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
11.	Bolin Chuntian located at the southern side of Sanlihe Road,the western side of North Gulou Road and the northern side of Weiyi Road Shucheng County Lu'an City Anhui Province The PRC (舒城 • 柏林春天)	Bolin Chuntian is located at the southern side of Sanlihe Road, the western side of North Gulou Road and the northern side of Weiyi Road. The locality of the project is a residential area with several residential developments. It is well-served by public transportation. Bolin Chuntian occupies a parcel of land with a site area of approximately 48,500 sq.m., which is being developed into a residential and commercial development. The project was under construction as at the valuation date and is scheduled to be completed in August 2019. As advised by the Target Group, upon completion, the project will have a planned gross floor area of approximately 146,952.61 sq.m. As at the valuation date, the property comprised the whole project of Bolin Chuntian. The classification, usage and gross floor area details of the property were set out in note 7.	As at the valuation date, the property was under construction.	571,800,000 (55% interest attributable to the Target Group: RMB314,500,000)

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
		As advised by the Target Group, the development cost (including the land cost) of the property is estimated to be approximately RMB542,500,000, of which approximately RMB372,100,000 had been incurred as at the valuation date. The land use rights of the property have been granted for the terms expiring on 30 April 2087 for residential use and 30 April 2057 for commercial use.		

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — No. 341523 Chu Rang(2016)Di No. 065, the land use rights of a parcel of land with a site area of approximately 48,500 sq.m. were contracted to be granted to Shucheng Jiayuan Real Estate Development Co., Ltd. (舒城佳源房地產開發有限公司, "Shucheng Jiayuan", a 55% interest owned subsidiary of the Target Company) for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB168,052,500.

2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 341523201700018, permission towards the planning of the aforesaid land parcel with a site area of approximately 48,500 sq.m. has been granted to Shucheng Jiayuan.

3. Pursuant to a State-owned Land Use Rights Certificate —Wan (2017) Shu Cheng Xian Bu Dong Chan Quan Di No. T01006, the land use rights of the aforesaid land parcel with a site area of approximately 48,500 sq.m. have been granted to Shucheng Jiayuan for the terms expiring on 30 April 2087 for residential use and 30 April 2057 for commercial use.

4. Pursuant to 2 Construction Work Planning Permits — Jian Zi Di Nos. 341523201700059 and 341523201700076 in favour of Shucheng Jiayuan, Bolin Chuntian with a gross floor area of approximately 146,952.61 sq.m. has been approved for construction.

5. Pursuant to 2 Construction Work Commencement Permits — Nos. 3415231705220102-SX-001 and 3415231705220102-SX-002 in favour of Shucheng Jiayuan, permission by the relevant local authority was given to commence the construction of Bolin Chuntian with a gross floor area of approximately 146,952.61 sq.m.

6. Pursuant to 12 Pre-sale Permits in favour of Shucheng Jiayuan, the Target Group is entitled to sell Bolin Chuntian (representing a gross floor area of approximately 109,668.93 sq.m.) to purchasers.

7. According to the information provided by the Target Group, the planned gross floor area of the property is set out as below:

Group	Usage	Planned Gross Floor Area *(sq.m.)*
Group II — held under development by the Target Group	Residential	98,969.34
	Commercial	10,262.10
	Ancillary	4,598.71
	Basement	33,122.46
	Total:	**146,952.61**

8. As advised by the Target Group, various residential and commercial units with a total gross floor area of approximately 94,260.32 sq.m. of the property have been pre-sold to various third parties at a consideration of RMB599,185,708. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.

9. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB763,900,000.

10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units and commercial units within the same building of the subject property and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB6,000 to RMB7,000 per sq.m. for residential units and RMB15,000 to RM20,000 per sq.m. for commercial units on the first floor. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between the transaction date and the valuation date is considered.

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

   a. Shucheng Jiayuan is legally and validly in possession of the land use rights of the property. Shucheng Jiayuan has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property;

   b. Shucheng Jiayuan has obtained all requisite construction work approvals in respect of the actual development progress; and

   c. Shucheng Jiayuan has the rights to legally pre-sell the portions of the property mentioned in note 6 according to the obtained Pre-sale Permits.

12. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (Land)	Yes
c.	Building Ownership Certificate	No
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Yes
f.	Construction Work Commencement Permit	Yes
g.	Pre-sale Permit	Yes
h.	Construction Work Completion and Inspection Certificate/Table/Report	No

13. For the purpose of this report, the property is classified into the group as "Group II — held under development by the Target Group in the PRC" according to the purpose for which it is held.

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 enquires, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL OF THE COMPANY

The authorised and issued share capital of the Company (a) as at the Latest Practicable Date; and (b) immediately after the issue and allotment of the Consideration Shares (assuming there is no other change to the share capital of the Company prior to the issue and allotment of the Consideration Shares) will be as follows:

(a) As at the Latest Practicable Date

Authorised:		*HK$*
10,000,000,000	Shares of HK$0.01 each	100,000,000
Issued and fully paid or credited as fully paid:		
2,561,151,991	Shares of HK$0.01 each	25,611,519.91

(b) Immediately after the issue and allotment of the Consideration Shares (assuming there is no other change to the share capital of the Company prior to the issue and allotment of the Consideration Shares)

Authorised:		*HK$*
10,000,000,000	Shares of HK$0.01 each	100,000,000
Issued and fully paid or credited as fully paid:		
2,561,151,991	Shares of HK$0.01 each	25,611,519.91
1,377,959,475	Consideration Shares to be allotted and issued	13,779,594.75
3,939,111,466	Total	39,391,114.66

All the Shares in issue rank pari passu with each other in all respects, including the rights as to dividends, voting and return of capital. The Consideration Shares to be allotted and issued will, when issued and fully paid, rank pari passu in all respects with the then existing Shares in issue on the date of allotment and issue of the Consideration Shares.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Consideration Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

3. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (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 or which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as contained in Appendix 10 to the Listing Rules, were as follows:

(a) Interest in Shares of the Company

Name of Director	Nature of interest	Total number of Shares[1]	Approximate percentage of total shareholding[5]
Mr. Shum	Interest of a controlled corporation	1,334,284,849[2](L)	52.10%
	Beneficial owner	1,397,525,875[3](L)	54.57%
	Interest of a controlled corporation	600,000,000[4][5](S)	23.43%

Notes:

1. The letters "L" and "S" denote the Director's long position and short position in the Shares respectively.

2. The disclosed interest represents an interest in 1,334,284,849 Shares held by Mingyuan Investment. Mingyuan Investment is wholly owned by Mr. Shum. Therefore, Mr. Shum is deemed to be interested in Mingyuan Investment's interest in the Company by virtue of the SFO.

3. The disclosed interest represents interest in (a) 1,377,959,475 Consideration Shares to be allotted and issued by the Company to Mr. Shum or his nominee(s) under the Sale and Purchase Agreement (as subsequently amended and supplemented); and (b) 19,566,400 shares wholly owned by Mr. Shum as a beneficial owner.

4. On 29 June 2017, Mingyuan Investment entered into a share mortgage agreement with CCB International Overseas Limited, pursuant to which, Mingyuan Investment agreed to pledge 600,000,000 Shares out of 1,350,000,000 Shares held by it in favour of CCB International Overseas Limited as one of the collaterals for a secured note issued by a company wholly owned by Mr. Shum to CCB International Overseas Limited.

5. The percentage shareholding in the Company is calculated on the basis of 2,561,151,991 Shares in issue as at the Latest Practicable Date.

(b) Interest in shares of Mingyuan Investment

Name of Director	Nature of interest	Total number of Shares[(1)]	Approximate percentage of total shareholding
Mr. Shum	Beneficial owner	150,000(L)	100%

Note:

1. The letter "L" denotes the Director's long position in the shares of Mingyuan Investment.

Save as disclosed above, as at the Latest Practicable Date, no other Directors and chief executive of the Company had any interests and short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (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 interests and short positions which any such Director was taken or deemed to have under such provisions of the SFO); or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which was required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(c) Other Directors' interest

At the Latest Practicable Date, except Mr. Shum, being the sole director of Mingyuan Investment, none of the Directors was a director or employee of a company which had or was deemed to have an interest or short position in the Shares or underlying shares in respect of equity derivatives 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.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts 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).

4. DIRECTORS' INTERESTS IN CONTRACT OF SIGNIFICANCE

As at the Latest Practicable Date, save for the Sale and Purchase Agreement and the Supplemental Agreement, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

5. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, save for (a) Mr. Shum's interest in those target group companies which is the subject of the Shanghai Acquisition; (b) Mr. Shum's interest in those target group companies which in the subject of the property management acquisition and (c) Mr. Shum's interest in the Target Group which is the subject of the Acquisition, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018, being the date to which the latest published audited accounts of the Company were made up.

6. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Enlarged Group within the two years preceding the date of this circular and are or may be material:

(a) a land use right transfer contract dated 12 January 2017 and entered between 揚州香江新城市中心置業有限公司 (Yangzhou Xiangjiang New City Center Property Co., Ltd.*), an indirect wholly-owned subsidiary of the Company, and 揚州市江都區國土資源局 (Bureau of Land and Resources of Jiangdu District, Yangzhou City*) ("**Yangzhou Land Bureau**"), pursuant to which Yangzhou Land Bureau agreed to transfer a state-owned construction land use right of Land Plot 2016G13, situated at the intersection of South Side of Wenchang East Road and West Side of Guangzhou Road, Yangzhou City, Jiangsu Province, the PRC to Yangzhou Xiangjiang at a consideration of RMB1,451,000,000, details of which are set out in the circular of the Company dated 25 January 2017;

(b) a note purchase agreement dated 7 April 2017 and as amended 18 May 2017 entered into among the Company as the issuer, Mr. Shum as the shareholder guarantor, Jiayuan Investment Management Limited, Guo Xiang Property Co., Limited and Hong Kong Jia Yuan Holdings Limited ("**Hong Kong Jia Yuan**") as the subsidiary guarantors and Harbor Sure (HK) Investments Limited ("**Harbor Sure**") as the purchaser pursuant to which and subject to certain conditions contained therein, the Company had agreed to issue and sell to Harbor Sure, and Harbor Sure had agreed to purchase the notes from the Company at the aggregate purchase price of 100% of the aggregate principal amount of the US$50,000,000 8.50% senior secured notes due 7 April 2019;

(c) a note purchase agreement dated 18 May 2017 entered into and as amended 18 May 2017 among the Company as the issuer, Mr. Shum as the shareholder guarantor, Jiayuan Investment Management Limited, Guo Xiang Property Co., Limited and Hong Kong Jia Yuan as the subsidiary guarantors and Design Time Limited ("**Design Time**") as the private note holder pursuant to which and subject to certain conditions contained therein, the Company had agreed to issue and sell to Design Time, and Design Time had agreed to purchase the notes from the Company at the aggregate purchase price of 100% of the aggregate principal amount of the US$50,000,000 8.50% senior secured notes due 19 May 2019;

(d) a placing agreement dated 6 June 2017 and entered into between Mingyuan Investment, as the vendor, Haitong International Securities Company Limited and Huarong International Securities Limited, as the placing agents (the "**June Placing Agents**") and the Company, pursuant to which the June Placing Agents agreed to place, on a best effort basis, a total of up to 352,500,000 existing shares of the Company at the placing price of HK$3.35 per Share, details of which are set out in the announcement of the Company dated 6 June 2017;

(e) a subscription agreement dated 6 June 2017 and entered into between Mingyuan Investment and the Company, pursuant to which, Mingyuan Investment agreed to subscribe for up to 352,500,000 new Shares at a price of HK$3.35 per Share, details of which are set out in the announcement of the Company dated 6 June 2017;

(f) a sale and purchase agreement dated 6 September 2017 and entered into between Xiangyuan Property Development Limited ("**Xiangyuan Property**"), an indirect wholly-owned subsidiary of the Company, as the purchaser, San Kin Tai Property Development Limited, as the seller, and Mr. Kwan Wai Lam, as the guarantor, pursuant to which Xiangyuan Property agreed to purchase and San Kin Tai Property Development Limited agreed to sell two parcels of land located at Taipa District of Macau for a consideration of HK$3,510 million, details of which are set out in the announcement of the Company dated 6 September 2017 and the circular of the Company dated 13 October 2017;

(g) an indenture dated 19 October 2017 entered into among the Company as the issuer, Jiayuan Investment Management Limited, Guo Xiang Property Co., Limited and Hong Kong Jia Yuan as the subsidiary guarantors, Citicorp

International Limited as the trustee and collateral agent and Citibank, N.A., London Branch as the paying agent, transfer agent and registrar, for the issue and sale of the US$160,000,000 aggregate principal amount of the Company's 8.00% senior secured notes due 18 October 2018;

(h) an indenture dated 15 November 2017 entered into among the Company as the issuer, Jiayuan Investment Management Limited, Guo Xiang Property Co., Limited and Hong Kong Jia Yuan as the subsidiary guarantors, Citicorp International Limited as the trustee and collateral agent and Citibank, N.A., London Branch as the paying agent, transfer agent and registrar, for the issue and sale of the US$300,000,000 aggregate principal amount of the Company's 8.25% senior secured notes due 14 November 2018;

(i) an equity transfer agreement dated 16 November 2017 and entered into between 南京港源投資諮詢有限公司 (Nanjing Gangyuan Investment Consulting Co., Ltd.*) ("**Nanjing Gangyuan**"), an indirect wholly-owned subsidiary of the Company, as the purchaser, and 江蘇地華房地產開發有限公司 (Jiangsu Dihua Property Development Co., Ltd.*) ("**Jiangsu Dihua**"), as the seller, pursuant to which Jiangsu Dihua agreed to transfer the entire equity interest in 揚州雨潤房地產開發有限公司 (Yangzhou Yurun Property Development Co., Ltd.*) to Nanjing Gangyuan for a consideration of RMB2,450 million, details of which are set out in the announcement of the Company dated 16 November 2017;

(j) a placing agreement dated 18 December 2017 and entered into between the Mingyuan Investment, as the vendor, Huajin Securities (International) Limited, Head & Shoulders Securities Limited and Yue Xiu Securities Company Limited, as the placing agents of the vendor (the "**December Placing Agents**") and the Company, pursuant to which, the December Placing Agents agreed to place, on a best effort basis, a total of up to 232,000,000 existing shares of the Company at the placing price of HK$6.11 per placing share, details of which are set out in the announcement of the Company dated 18 December 2017;

(k) a subscription agreement dated 6 June 2017 and entered into between Mingyuan Investment and the Company, pursuant to which, Mingyuan Investment agreed to subscribe for up to 232,000,000 new Shares at a price of HK$6.11 per Share, details of which are set out in the announcement of the Company dated 18 December 2017;

(l) an equity transfer agreement dated 29 December 2017 and entered into between Jiayuan (Shenzhen), as the purchaser, Ms. Yuan Aiqing and Mr. Xu Yanfeng, as the vendors and Shenzhen Songling, as the target company, pursuant to which, Jiayuan (Shenzhen) agreed to acquire the 51% equity interest in Shenzhen Songling at the consideration of RMB320,000,000, details of which are set out in the announcement of the Company dated 29 December 2017;

(m) an indenture dated 18 January 2018 entered into among the Company as the issuer, Jiayuan Investment Management Limited, Guo Xiang Property Co., Limited and Hong Kong Jia Yuan as the subsidiary guarantors, Citicorp International Limited as the trustee and collateral agent and Citibank, N.A., London Branch as the paying agent, transfer agent and registrar, for the issue and sale of the US$250,000,000 aggregate principal amount of the Company's 8.125% senior secured notes due 17 January 2019;

(n) a cooperation agreement dated 8 March 2018 and entered into between Jiayuan (Shenzhen), and 貴州恒豐偉業房地產開發有限公司 (Guizhou Hengfeng Weiye Property Development Co., Ltd.*) ("**Guizhou Hengfeng**"), pursuant to which Jiayuan (Shenzhen) and Guizhou Hengfeng agreed to form a joint venture company (the "**Guiyang JV**") on 61:39 basis for the purpose of investing into the shanty town redevelopment project in respect of a parcel of land located in Guiyang city of the PRC, where the contribution to the registered capital and the project capital of Guiyang JV by the Group shall be in an aggregate amount of RMB3,739,300,000, details of which are set out in the announcement of the Company dated 8 March 2018;

(o) a purchase agreement dated 19 April 2018 entered into among the Company as the issuer, Jiayuan Investment Management Limited, Guo Xiang Property Co., Limited and Hong Kong Jia Yuan as the subsidiary guarantors, Founder Securities (Hong Kong) Limited and Zhongrong PT Securities Limited as the initial purchasers, for the issue and sale of the US$100,000,000 aggregate principal amount of the Company's 8.125% senior secured notes due 18 January 2019 (to be consolidated and form a single series with the US$250,000,000 8.125% senior secured notes due 2019 issued on 18 January 2018);

(p) a sale and purchase agreement dated 10 May 2018 and entered into between Gang Yuan (Cambodia) Development Co., Ltd. ("**Gang Yuan**"), an indirect wholly-owned subsidiary of the Company, as the purchaser, Y Seng Co., Ltd., as the vendor, and Mr. Heng Kimleng and Mr. Chan Dara (the "**Registered Owner**"), pursuant to which Y Seng Co., Ltd. has agreed to procure, the Registered Owner has agreed to sell, and Gang Yuan or its designee has agreed to acquire, a total of five plots of adjoining lands measuring approximately 608,140 square meters in aggregate, located in Cambodia, for an initial purchase price of US$35,576,190 subject to downward adjustment, details of which are set out in the announcement of the Company dated 10 May 2018;

(q) a sale and purchase agreement dated 24 May 2018 and entered into between Jiayuan (Hong Kong) Holdings Limited, as the purchaser, and Mr. Tang Shing Bor, as the vendor, pursuant to which, Mr. Tang Shing Bor has conditionally agreed to sell and Jiayuan (Hong Kong) Holdings Limited has conditionally agreed to acquire 701 issued ordinary shares in Jiayuan StanGroup Development Company Limited, representing 70.1% of its entire issued share capital, for the consideration of HK$2,620,256,684 subject to adjustment, details of which are set out in the announcement of the Company dated 24 May 2018;

(r) the sale and purchase agreement dated 5 June 2018 entered into between the Company as the purchase and Mr. Shum as the vendor, pursuant to which the Company has conditionally agreed to acquire and Mr. Shum has conditionally agreed to sell the entire issued share capital of Huyuan Holdings Limited (滬源控股有限公司) at a consideration of HK$693,628,828, details of which are set out in the announcement of the Company dated 5 June 2018 and the circular of the Company dated 26 July 2018;

(s) the sale and purchase agreement dated 19 September 2018 entered into between the Company as the purchase and Mr. Shum as the vendor, pursuant to which the Company has conditionally agreed to acquire and Mr. Shum has conditionally agreed to sell the entire issued share capital of Chuangyuan Holdings Limited (創源控股有限公司) at a consideration of HK$688,974,000, details of which are set out in the announcement of the Company dated 19 September 2018 and the circular of the Company dated 24 December 2018;

(t) an indenture dated 22 October 2018 entered into among the Company as the issuer, Jiayuan Investment Management Limited, Guo Xiang Property Co., Limited and Hong Kong Jia Yuan as the subsidiary guarantors, Citicorp International Limited as the trustee and collateral agent and Citibank, N.A., London Branch as the paying agent, transfer agent and registrar, for the issue and sale of the US$225,000,000 aggregate principal amount of the Company's 12.00% senior secured notes due 22 October 2020;

(u) a purchase agreement dated 6 November 2018 entered into among the Company as the issuer, Jiayuan Investment Management Limited, Guo Xiang Property Co., Limited and Hong Kong Jia Yuan as the subsidiary guarantors, CEB International Capital Corporation Limited, China Industrial Securities International Brokerage Limited, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, Southwest Securities (HK) Brokerage Limited, SSIF Securities Limited and Yue Xiu Securities Company Limited as the initial purchasers, for the issue and sale of the US$70,000,000 aggregate principal amount of the Company's 12.00% senior secured notes due 22 October 2022 (to be consolidated and form a single series with the US$225,000,000 12% senior secured notes due 2020 issued on 22 October 2018);

(v) an indenture dated 2 May 2019 entered into among the Company as the issuer, Mr. Shum, Jiayuan Investment Management Limited, Guo Xiang Property Co., Limited and Hong Kong Jia Yuan Holdings Limited, all being wholly-owned subsidiaries of the Company as the guarantors, for the issue of the US$225,000,000 aggregate principal amount of the Company's 11.375% senior secured notes due in 2022;

(w) the Sale and Purchase Agreement; and

(x) the Supplemental Agreement.

* *For identification purpose only*

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any other member of the Enlarged Group was engaged in any material litigations or claims and no litigations or claims of material importance is pending or threatened against the Company or any member of the Enlarged Group.

8. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Shum is the non-executive Director and the Chairman of the Company, as well as the ultimate owner of a group of real estate development companies (other than members of the Group) (i.e. the Private Group). The core businesses of the Private Group are real estate development in the non-target cities in the PRC other than those cities which the Group has operation therein, as more fully described in the section headed "Relationship with the Controlling Shareholder" of the Prospectus.

Further, Mr. Shum is fully aware of, and has been discharging, his fiduciary duty to the Company and has acted and will continue to act in the best interest of the Company and its Shareholders as a whole. Therefore, the Group is capable of carrying on its business independently of, and at arm's length from, the business of the Private Group.

Saved as disclosed above, as at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business which competes or may compete with the business of the Group, or has or may have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

9. EXPERTS AND CONSENTS

The following is the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	Qualification
Somerley	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	independent valuer

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

(b) As at the Latest Practicable Date, each of the above experts did not have any interest, direct or indirect, in any assets which have been, since 31 December 2018 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to, any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

(c) Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or report (as the case may be) and references to its name in the form and context in which it appears.

(d) The letter or report (as the case may be) from the above experts is given as of the date of this circular for incorporation therein.

10. GENERAL

(a) Unless otherwise stated, the English text of this circular shall prevail over the Chinese text in case of inconsistency.

(b) The joint company secretaries of the Company are Ms. Wong Tak Yee ("**Ms. Wong**"), *FCS, FCIS* and Ms. Cheuk Hiu Nam ("**Ms. Cheuk**"). Ms. Wong is a Chartered Secretary and a Fellow of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. Ms. Cheuk graduated from Pace University (New York) and obtained a master's degree of science in June 2001. She graduated from University of London and obtained a master's degree of science in December 1997. Previously, she graduated from The Chinese University of Hong Kong and obtained a bachelor's degree in Business Administration in May 1995.

(c) The registered office of the Company is situated at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(d) The principal place of business of the Company in the PRC is situated at No. 59, Gu Jia Ying Road, Xuanwu District, Nanjing, PRC.

(e) The headquarters is situated at Room 1403, 9 Queen's Road Central, Hong Kong.

(f) The principal share registrar of the Company is Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(g) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

11. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at the Company's headquarters at Room 1403, 9 Queen's Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. on any weekday (public holidays excluded) from the date of this circular up to and including the date which is 14 days from the date of this circular:

(i) the Sale and Purchase Agreement and the Supplemental Agreement;

(ii) the memorandum and articles of association of the Company;

(iii) the annual reports of the Company for the two years ended 31 December 2017 and 2018;

(iv) the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" of this circular;

(v) the letter from the Independent Financial Adviser, the text of which is set out in the section headed "Letter from Somerley" of this circular;

(vi) the accountants' report on the Enlarged Group, the text of which is set out in the Appendix II to this circular;

(vii) the report on unaudited pro forma financial information of the Enlarged Group, the text of which is set out in the Appendix III to this circular;

(viii) the valuation report on the market value of the property interests of the Target Company as at 30 April 2019 prepared by JLL, the text of which is set out in Appendix IV to this circular;

(ix) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;

(x) the written consents referred to in the paragraph headed "Experts and Consents" in this Appendix; and

(xi) this circular.

Jiayuan International Group Limited
佳源國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2768)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Jiayuan International Group Limited (the "**Company**") will be held at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 18 July 2019 at 2:00 p.m., or any adjournment thereof, for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company. Capitalised terms defined in the circular dated 25 June 2019 issued by the Company (the "**Circular**") of which this notice forms part shall have the same meanings when used herein unless otherwise specified:

ORDINARY RESOLUTION

"**THAT**:

(A) the Sale and Purchase Agreement (as subsequently amended and supplemented by the Supplemental Agreement) (a copy of which has been produced to the meeting and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, confirmed and ratified;

(B) the grant of the Specific Mandate for the allotment and issue of the 1,377,959,475 Consideration Shares subject to the terms and conditions set out in the Circular be and is hereby approved, confirmed and ratified; and

(C) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Sale and Purchase Agreement (as subsequently amended and supplemented by the Supplemental Agreement) and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon."

By Order of the Board
Jiayuan International Group Limited
Zhang Yi
Vice Chairman, President and Executive Director

Hong Kong, 25 June 2019

Headquarters:
Room 1403
9 Queen's Road Central
Hong Kong

Registered Office:
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111 Cayman Islands

Notes:

1. A form of proxy for the meeting is enclosed.

2. The resolution at the meeting will be taken by poll (except where the chairman of the meeting decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the articles of association of the Company. The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

3. Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint more than one proxy to attend, and on a poll, vote instead of him. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy.

   On a show of hands every shareholder who is present in person or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a shareholder which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. If a shareholder (other than a clearing house (or its nominees)) appoints more than one proxy, only one of the proxies so appointed and specified in the form of proxy is entitled to vote on the resolution on a show of hands. In the case of a poll, every shareholder present in person or by proxy(ies) shall be entitled to one vote for each share held by him.

4. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the meeting (i.e. not later than 2:00 p.m. on Tuesday, 16 July 2019) or the adjourned meeting (as the case may be). Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. Shareholders of the Company who are entitled to attend and vote at the meeting are those whose names appear as shareholders of the Company on the register of members of the Company as at the close of business on Monday, 15 July 2019. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 15 July 2019.

6. A circular containing further details concerning items set out in the notice will be sent to the all shareholders of the Company.

7. Reference to time and dates in this notice are to Hong Kong time and dates.

As at the date of this notice, the Board of the Company comprises: (i) Mr. Shum Tin Ching, the Chairman and a Non-executive Director; (ii) Mr. Zhang Yi, a Vice Chairman and an Executive Director; (iii) Mr. Huang Fuqing, a Vice Chairman and an Executive Director; (iv) Ms. Cheuk Hiu Nam, an Executive Director; (v) Mr. Wang Jianfeng, an Executive Director; (vi) Mr. Tai Kwok Leung, Alexander, an Independent Non-executive Director; (vii) Dr. Cheung Wai Bun, Charles, JP, an Independent Non-executive Director; (viii) Mr. Gu Yunchang, an Independent Non-executive Director; and (ix) Mr. Shen Xiaodong, a Non-executive Director.