**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 a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in China Best Group Holding Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



# CHINA BEST GROUP HOLDING LIMITED
# 國華集團控股有限公司*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 370)**

## (1) MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF TOTAL FAME HOLDINGS LIMITED; (2) RE-ELECTION OF DIRECTOR AND (3) NOTICE OF SGM

**Financial adviser**

Amasse Capital
寶 積 資 本

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 5 to 27 of this circular. A notice convening the SGM to be held at 26/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong on Friday, 17 April 2020 at 11:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular.

A form of proxy for use at the SGM is also enclosed. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cbgroup.com.hk). Whether or not you intend to attend the SGM or any adjournment thereof, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, 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 holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such event, the proxy shall be deemed to be revoked.

All times and dates specified herein refers to Hong Kong local times and dates.

31 March 2020

* *for identification purpose only*

# CONTENTS

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

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| "2019 Profit" | the net profit after taxation (excluding gain or loss arising from valuations, mergers and acquisitions and activities other than ordinary course of business) as shown in the financial statements of Jiangwei Shaanxi for the year ended 31 December 2019 to be prepared in accordance with HKFRSs and audited by the auditor appointed by the Purchaser |
| "Agreement" | the share transfer agreement dated 18 December 2019 (as amended and supplemented by the Supplemental Agreement) entered into by and among the Purchaser, the Vendor and the Guarantors in relation to the Transaction |
| "Announcement" | the announcement of the Company dated 18 December 2019 in relation to the Agreement and the Transaction |
| "Beijing Kaiyitong" | Beijing Kaiyitong Enterprise Management Co., Ltd.*（北京凱意通企業管理有限公司）, a company established in the PRC with limited liability |
| "Board" | the board of Directors |
| "Bye-laws" | the bye-laws of the Company, as amended from time to time |
| "Company" | China Best Group Holding Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange |
| "Completion" | completion of the Transaction in accordance with the Agreement |
| "Consideration" | the total consideration of HK$70,000,000 to be paid by the Purchaser or its designated person pursuant to the Agreement |
| "Director(s)" | the director(s) of the Company |

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| "Director's Appointment Announcement" | the announcement of the Company dated 22 January 2020 in relation to the appointment of Mr. Qin as an executive Director, a member of the executive committee of the Company and the chief executive officer of the Company with effect from 22 January 2020 |
| "Enlarged Group" | the Group as enlarged by the Target Group upon Completion |
| "Group" | the Company and its subsidiaries |
| "Golden Time" | Golden Time World Limited (金滙來有限公司), a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of the Target Company |
| "Guarantors" | Ms. Yang and Mr. Zhao |
| "Guohua Jiaye Beijing" | Guohua Jiaye (Beijing) Enterprises Management Co., Ltd.* (國華佳業(北京)企業管理有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company |
| "Heyuan Dongjiangyuan" | Heyuan City Dongjiangyuan Hot Spring Resort Limited* (河源市東江源溫泉度假村有限公司), a company established in the PRC with limited liability |
| "HK$" | Hong Kong dollar, the lawful currency of Hong Kong |
| "HKFRSs" | Hong Kong Financial Reporting Standards |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Independent Third Party(ies)" | an individual or a company who is not connected with (within the meaning of the Listing Rules) any directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates |
| "Jiangwei Beijing" | Jiangwei (Beijing) Enterprises Management Co., Ltd.* (江威(北京)企業管理有限公司), a limited liability company established in the PRC |
| "Jiangwei Shaanxi" | Shaanxi Jiangwei Construction Projects Co., Ltd.* (陝西江威建築工程有限公司), a limited liability company established in the PRC |

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| "Latest Practicable Date" | 27 March 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "Long Stop Date" | 30 June 2020 or such other date as the Purchaser may otherwise agree in writing |
| "Long-term Construction Contracts" | the long-term construction contracts entered into between Jiangwei Shaanxi and Independent Third Parties customers |
| "Mr. Qin" | Qin Jie* (秦杰), the executive Director and the chief executive officer of the Company |
| "Mr. Zhao" | Zhao Guolin* (趙國琳), be one of the Guarantors |
| "Ms. Yang" | Ms. Yang Xue* (楊雪), be one of the Guarantors |
| "PRC" | the People's Republic of China |
| "Purchaser" | Esteem Sun Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company |
| "Previous Consideration" | the consideration in the amount of RMB20,000,000 paid by the Guarantors for acquiring 100% equity interest in Jiangwei Shaanxi |
| "Re-election of Director" | re-election of Mr. Qin as executive Director by the Shareholders at the SGM |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "Sale Share" | one (1) issued share of the Target Company, representing the entire issued share capital of the Target Company |
| "SGM" | the special general meeting of the Company to be held at 26/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong on Friday, 17 April 2020 at 11:00 a.m. or any adjournment thereof (as the case may be), the notice of which is set out on pages SGM-1 to SGM-2 of this circular |

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| "Share(s)" | ordinary share(s) in the share capital of the Company |
| "Shareholders" | holders of the Shares |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "substantial shareholders" | has the meaning ascribed to it under the Listing Rules |
| "Supplemental Agreement" | the supplemental agreement dated 2 March 2020 entered into among the Purchaser, the Vendor and the Guarantors to amend certain terms of the Agreement, the details of which are set out in the Supplemental Announcement |
| "Supplemental Announcement" | the announcement of the Company dated 2 March 2020 in relation to the Supplemental Agreement |
| "Target Company" | Total Fame Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Vendor as at the Latest Practicable Date |
| "Target Group" | the Target Company and its subsidiaries, including Golden Time, Jiangwei Beijing and Jiangwei Shaanxi |
| "Transaction" | the transaction in relation to the transfer of the Sale Share pursuant to the terms and conditions of the Agreement |
| "Vendor" | Smart Role Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and owned as to 80% by Ms. Yang and as to 20% by Mr. Zhao as at the Latest Practicable Date |
| "%" | per cent. |

* *In this circular, the English names of the PRC entities or persons or policies or places are translation of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.*

*For illustration purpose only, conversion of RMB into HK$ is based on the exchange rate of RMB1.00 to HK$1.10.*

# CHINA BEST GROUP HOLDING LIMITED
# 國華集團控股有限公司*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 370)**

*Executive Directors:*
Ms. Wang Yingqian *(Chairman)*
Mr. Qin Jie *(Chief Executive Officer)*
Mr. Liu Wei
Mr. Chen Wei
Mr. Fan Jie

*Independent Non-executive Directors:*
Mr. Ru Xiangan
Mr. Liu Haiping
Mr. Liu Tonghui

*Registered Office:*
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of business in Hong Kong:*
26/F, World-Wide House
19 Des Voeux Road Central
Central, Hong Kong

31 March 2020

*To the Shareholders*

Dear Sir or Madam,

## (1) MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF TOTAL FAME HOLDINGS LIMITED AND (2) RE-ELECTION OF DIRECTOR

### INTRODUCTION

References are made to the Announcement, the Supplemental Announcement and the Director's Appointment Announcement.

The purpose of this circular is to provide the Shareholders with, among others, further details of (i) the Agreement, the Supplemental Agreement and the Transaction; (ii) the financial information and other information of the Target Group; (iii) unaudited pro forma financial information of the Enlarged Group; (iv) the valuation report of the Target Group; (v) the Re-election of Director; and (vi) a notice convening the SGM.

## THE AGREEMENT

The principal terms of the Agreement are set out below:

### Date

18 December 2019 (as amended and supplemented by the Supplemental Agreement dated 2 March 2020)

### Parties

(i) the Purchaser;

(ii) the Vendor; and

(iii) the Guarantors.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Vendor and its ultimate beneficial owners, who are also the Guarantors, are Independent Third Parties.

### Share Transfer

Pursuant to the Agreement, the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell the Sale Share as at the date of the Announcement, free from all encumbrances for the Consideration of HK$70,000,000.

### Consideration

The Consideration is HK$70,000,000 and will be settled in cash in the following manner:

(i) HK$56,000,000 will be payable to the Vendor or its designated person within three business days of Completion (the "**First Payment**"); and

(ii) the remaining balance of HK$14,000,000 (the "**Remaining Consideration**"), will be payable to the Vendor or its designated person within three business days of issue of the profit confirmation notice to the Vendor.

**Basis of the Consideration**

The Consideration was determined between the Purchaser and the Vendor after arm's length negotiations with reference to, among other things:

(i) the positive and steady financial performance of Jiangwei Shaanxi. Jiangwei Shaanxi recorded a net profit ratio of approximately 5.00% for the year ended 31 December 2018 and the nine months ended 30 September 2019, which are in line with the average performance of 10 comparable companies listed in the valuation report as set out in Appendix VI to this circular;

(ii) the profit guarantee and the adjustment mechanism, details of which are set out in the paragraph headed "Profit Guarantee and Adjustment";

(iii) the value of the Target Group in the amount of RMB87,000,000 (equivalent to approximately HK$95,700,000) as at 30 September 2019 as shown in the final valuation report, which is based on the historical net profit of Jiangwei Shaanxi for the 12 months period from 1 October 2018 to 30 September 2019. The Consideration of HK$70,000,000 represents a discount of approximately 27% to the aforesaid valuation. Further details of the valuation report are set out in Appendix VI to this circular;

(iv) the synergy effect of the Transaction, which would assist and support the development of the Group's real estate related business and the business prospects of Jiangwei Shaanxi;

(v) the positive prospect and outlook of the construction industry in the PRC;

(vi) the sufficiency of the working capital of Jiangwei Shaanxi for its business development and daily operation for at least the next 12 months; and

(vii) other factors set out in the paragraph headed "Reasons for and Benefit of the Transaction".

Therefore, the Board considers that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole having considered the Previous Consideration, the unpaid registered capital of Jiangwei Shaanxi, the existing operation scale and the historical financial performance and the future business prospects of Jiangwei Shaanxi and the additional capital contribution to be made by the Group to assist Jiangwei Shaanxi in obtaining the level one certificate of construction project contracting* (一級建築工程總承包證書).

The Consideration will be funded by the Group's internal resources.

**Profit Guarantee and Adjustment**

Pursuant to the Agreement, the Vendor undertakes to the Purchaser that the 2019 Profit shall be not less than RMB9,000,000 (the "**Guaranteed Profit**"). The gain on bargain purchase of RMB2,210,000, which arose from the acquisition of Jiangwei Shaanxi by the Target Group and recorded on the consolidation financial statements of the Target Company, shall be excluded from calculating the Guaranteed Profit. In addition to the aforesaid gain on bargain purchase, the interest revenue in the amount of RMB6,000 as at 30 September 2019 and the one-off administrative penalty in the amount of RMB5,000 as at 30 September 2019 are considered as items beyond the ordinary course of business of Jiangwei Shaanxi. Save for the aforesaid items, there is no other extraordinary items that shall be excluded from calculating the Guaranteed Profit.

The Purchaser is entitled to appoint an auditor to conduct an audit of Jiangwei Shaanxi for the year ended 31 December 2019. The audit report of Jiangwei Shaanxi (the "**2019 Audit Report of Jiangwei Shaanxi**") shall be prepared based on HKFRSs and shall be final and conclusive for determining the Guaranteed Profit.

If the 2019 Profit is equal to or more than RMB9,000,000, the Purchaser shall pay the Remaining Consideration to the Vendor or its designated person within three business days of issue of the profit confirmation notice to the Vendor.

In the event that the 2019 Profit is less than RMB9,000,000, the Remaining Consideration will not be payable.

Pursuant to the Agreement and the Supplemental Agreement, in the event that the 2019 Profit is less than RMB7,160,000, the Vendor shall refund to the Purchaser the amount, by cash, calculated based on the below formula within three business days after the issuance of the 2019 Audit Report of Jiangwei Shaanxi or such other date as the parties to the Agreement may agree in writing:

$$\frac{(\text{RMB7,160,000} - \text{2019 Profit})}{\text{RMB7,160,000}} \quad \text{x} \quad \text{the First Payment}$$

The 2019 Audit Report of Jiangwei Shaanxi shall be issued within three months of the date of the Completion or such other date as the parties to the Agreement may agree in writing.

The Guaranteed Profit was determined between the Purchaser and the Vendor after arm's length negotiations with reference to, among other things, the unaudited net profit after tax of Jiangwei Shaanxi in the amount of approximately RMB7,160,000 for the nine months ended 30 September 2019.

**Guarantors' Guarantee**

Pursuant to the Agreement, the Guarantors undertake to provide an unconditional and irrevocable guarantee in favour of the Purchaser if the Vendor fails to perform its obligations in connection with the Agreement.

**Conditions Precedent of the Transaction**

Completion is subject to the following conditions precedent being fulfilled or waived (as the case may be) on or before the Long Stop Date:

(a) the Purchaser having been satisfied with the results of the legal and financial due diligence of members of the Target Group or other necessary due diligence as determined by the Purchaser;

(b) the Purchaser having obtained all necessary approval and consent for the Transaction, including the Board's approval and the Shareholders' approval at the SGM and relevant contract parties' consents to carry out the Transaction;

(c) the Vendor having obtained all necessary approval and consent for the Transaction, including the approvals from its board of directors and relevant contract parties' consents to carry out the Transaction;

(d) the valuation of the Target Group being not less than HK$70,000,000, as evaluated by an independent valuer designated by the Purchaser;

(e) each representation and warranty set out in the Agreement given by the Vendor remaining true, accurate and not misleading in any respect as at the date of the Agreement and on Completion;

(f) the Vendor having complied with and performed all of its obligations upon or prior to the Completion pursuant to the Agreement; and

(g) no laws, rules, regulations or actions from any governmental institution restricting, prohibiting or delaying the Transaction or the continuing operation of the Target Group.

Save for conditions precedent (b) and (d) above, the Purchaser may at its absolute discretion waive the other conditions precedent under the Agreement.

No specific consent from third parties is required to be obtained by the Purchaser or the Vendor to carry out the Transaction.

Based on the final valuation report, the Target Group is valued at RMB87,000,000 (equivalent to approximately HK$95,700,000) as at 30 September 2019.

In the event that any of the above conditions precedent is not fulfilled or waived on or before the Long Stop Date, the Purchaser by written notice to the Vendor may terminate the Agreement whereupon the Agreement shall terminate with no further effect, except for certain surviving provisions and any liability in respect of any antecedent breach.

As at the Latest Practicable Date, save for conditions (b) (except for the Shareholders' approval at the SGM), (c) and (d) have been satisfied, other conditions precedent of the Transaction have not been fulfilled.

**Completion of the Transaction**

Completion shall take place within five business days upon all the conditions precedent as set out in the section headed "Conditions Precedent of the Transaction" above are fulfilled or waived by the Purchaser (as the case may be), or an extended date permitted by the Purchaser pursuant to the Agreement or such other date as may be agreed by the parties to the Agreement in writing.

## REASONS FOR AND BENEFITS OF THE TRANSACTION

### Positive prospect of the PRC construction industry that the Target Group operates in

In 2017, the PRC government published《國務院辦公廳關於促進建築業持續健康發展的意見》(Opinions of the General Office of the State Council on Promoting Healthy Growth of the Construction Industry*) to enhance and optimize the construction market including, but not limited to reducing entry barriers for cross-province construction to provide a fair competition platform for all participants in the market.

In 2019, the PRC government published《二零一九年新型城鎮化建設重點任務》(Key Tasks of New-type Urbanization for 2019*) to optimize plans for urbanization including, but not limited to strengthening support for transportation networks, promoting high-quality urban development, strengthening the construction of urban infrastructure and accelerating the development of urban-rural integration.

According to 中華人民共和國國家統計局 (National Bureau of Statistic of China*) ("**NBSC**"), the investment in real estate development of the PRC increased from RMB9,503.6 billion in 2014 to RMB12,026.4 billion in 2018, representing a compound annual growth rate ("**CAGR**") of 6.1% from 2014 to 2018.

According to NBSC, the total output value of construction industry of the PRC increased from RMB17,671.3 billion in 2014 to RMB23,508.6 billion in 2018, representing a CAGR of 7.4% from 2014 to 2018.

According to the statistics from 陝西省統計局 (Shaanxi Provincial Bureau of Statistics*), there was an increasing trend of the urbanization (as indicated by, among other things, the gross domestic product and population) in Shaanxi province during the years from 2013 to 2018. In order to accommodate the increasing urban population in cities and economic development, it is believed that there are growing opportunities and a continuous growth for building construction projects of both residential and commercial properties in Shaanxi province.

In light of (i) the favourable government policy in relation to the construction market; (ii) the growth of real-estate industry and construction industry; and (iii) the increasing urbanization rate as discussed above, the Directors are of the view the future prospect and outlook of the construction industry in the PRC is positive.

### Diversification of the revenue stream of the Group

As disclosed in the Company's annual report for the year ended 31 December 2018, the Group considers the real estate related business opportunities in the PRC and intends to continue to develop its financial services business while doing the layout for the Group's real estate related business segments, in the hope of creating a new strategic direction for diversifying its business.

In December 2018, the Group acquired properties with approximately 3,200 square meters at a prime location in Beijing, the details of which are set out in the announcement of the Company dated 31 December 2018. It represents a start for the Group to develop its real estate related business. In January 2020, the Group acquired a land parcel with a total site area of approximately 47,519 square meters located in Chongming Island*(崇明島)(the "**Land Parcel**"). The Group intends to develop properties for sale on the Land Parcel, the details of which are set out in the announcement of the Company dated 14 January 2020. Jiangwei Shaanxi is principally engaged in the projects construction contracting business in the PRC, which will provide a synergy effect on the Group's real estate related business. Following Completion, the Group will assign the construction work of the Land Parcel to Jiangwei Shaanxi to improve the efficiency of construction and the profitability of the Group.

The Group accumulates a wide range of clients through its principal businesses, some of which are involved in the real estate business or real estate related business. Ms. Wang Yingqian, the executive Director and the chairman of the Board, has approximately 30 years of experience in corporate banking industry. When working at the Industrial and Commercial Bank of China(中國工商銀行), Bank of Communications(交通銀行)and Bank of Communications Financial Leasing Co., Ltd.(交銀金融租賃有限責任公司), Ms. Wang obtained extensive experience in dealing with real estate related financing projects and established her network in the real estate related business sector. Mr. Qin, the executive Director and the chief executive officer of the Company, has extensive experience in the real estate construction management industry. In addition, the Group employed approximately 50 personnel with relevant experience in engineering management and construction design, which build up a solid foundation for the Group to develop the projects construction contracting business. The Group will review its existing clients and resources from time to time and leverage them when appropriate to expand the projects construction contracting business after Completion. The Company believes that the Transaction will create a synergy effect on the real estate related business of the Group as Jiangwei Shaanxi will assist and support the Group's property development and construction project(s) and by doing so, the Group can improve the efficiency of construction and the profitability of the Group.

**Plans to operate the projects construction contracting business**

In order to expand into the real estate related business, Guohua Jiaye Beijing was established in November 2018. As at the Latest Practicable Date, it and its subsidiaries employed approximately 50 personnel with relevant experience in engineering management and construction design. The Group will leverage on the experience and expertise of the executive Directors and the key management of Jiangwei Shaanxi and strengthen the current clients' base and the business market of Jiangwei Shaanxi in Xi'an with an aim to expand its business to other cities in the PRC, which have favourable government policies in the construction industry.

As at the Latest Practicable Date, the Group has the following plan on the business development of Jiangwei Shaanxi:

(i) the Group acquired the Land Parcel in January 2020 and it continues exploring investment opportunity in the real property sector. The Group will assign the construction work of the Land Parcel to Jiangwei Shaanxi following Completion and introduce other construction projects to Jiangwei Shaanxi by leveraging on the current resources of the Group or the Group's own future investments in the real property sector;

(ii) the Group is under discussion with Jiangwei Shaanxi's management team to improve its internal organization and corporate governance structures. The Company will second its executive Director and professional staff to supervise the daily operation and management of Jiangwei Shaanxi to improve its management efficiency and construction quality;

(iii) Jiangwei Shaanxi obtained the level two certificate of construction project contracting* (二級建築工程總承包證書)(the "**Level Two Certificate**"), which enables Jiangwei Shaanxi to engage in the construction of residential projects and architectural complex of no more than 120,000 square meters. The Group will assist Jiangwei Shaanxi in upgrading the Level Two Certificate to the level one certificate of construction project contracting* (一級建築工程總承包證書)(the "**Level One Certificate**"). Upon obtaining the Level One Certificate, Jiangwei Shaanxi will be able to engage in the construction of residential projects and architectural complex of no more than 200,000 square meters. Jiangwei Shaanxi currently focuses its business development in Xi'an. The Group will leverage its business relationship established by the executive Directors to assist Jiangwei Shaanxi in expanding its business to the Yangtze River Delta; and

(iv) as at 30 September 2019, Jiangwei Shaanxi recorded an audited net profit of approximately RMB7,157,000 and the Long-term Construction Contracts generate a steady income stream for Jiangwei Shaanxi. Currently, Jiangwei Shaanxi has sufficient working capital for its business development and operation for at least the next 12 months. The Group will assess the capital needs of Jiangwei Shaanxi from time to time to determine whether the Group will provide additional financial support, aiming to enhance the operational capacity of Jiangwei Shaanxi.

The requirements for Jiangwei Shaanxi to upgrade the Level Two Certificate to Level One Certificate are as follows:

(1) it shall record a net asset value of no less than RMB100,000,000;

(2) it shall have one technical personnel with the senior title of construction* (結構專業高級職稱), who has over 10 years of experience in project construction and technical management; and

(3) it shall complete the following construction contracting projects within five years and the construction projects meet quality standards (the "**Construction Requirements**"):

(a) one civil construction project above 25 floors or two civil construction projects from 18 to 24 floors each;

(b) one structure project with a height of 100 meters or more or two structure projects with each of a height between 80 meters to 100 meters;

(c) one construction project with a construction area of over 120,000 square meters or two construction projects with each of a construction area of over 100,000 square meters; or

(d) one concrete-steel construction project with a single span of 30 meters or more (or one steel structure construction project with a single span of more than 36 meters) or two concrete-steel construction projects with each of a single span from 27 meters to of 30 meters (or two steel structure construction projects with each of a single span from 30 meters to 36 meters).

In order to obtain the Level One Certificate, there is a minimum net asset requirement of RMB100,000,000. As at 30 September 2019, Jiangwei Shaanxi recorded an audited net asset value of approximately RMB18,499,000. Upon completion of the Long-term Construction Contracts, it is estimated that the net asset value of Jiangwei Shaanxi would be approximately RMB40,000,000 by 31 December 2022. If the two new construction contracts under discussions and negotiations materialise, together with the Long-term Construction Contracts, it is expected that the net asset value of Jiangwei Shaanxi would increase to approximately RMB95,000,000 by 31 December 2022. The Group intends to make additional capital contribution to Jiangwei Shaanxi to cover the shortfall to enable Jiangwei Shaanxi to meet the minimum net asset requirement for obtaining the Level One Certificate by 31 December 2022. As Jiangwei Shaanxi has sufficient working capital for at least the next 12 months, the Group will assess the capital needs of Jiangwei Shaanxi from time to time and make additional investment in Jiangwei Shaanxi if needed for obtaining the Level One Certificate.

Each of the key management of Jiangwei Shaanxi, namely, Mr. Li Junqu*（酈俊渠）("**Mr. Li**"), Mr. Yang Zhanliu*（楊展騮）("**Mr. Yang**") and Mr. Xie Xian*（謝賢）("**Mr. Xie**"), has over 10 years of experience in project construction and technical management. Mr. Yang has the intermediate title of construction*（結構專業中級職稱）and has applied for the senior title of construction. The Group has two professional staff with the senior title of construction. Following Completion, the Group will assist Jiangwei Shaanxi in hiring professional staff with the senior title of construction and also second the Group's professional staff (including the afore-said two professional staff and construction engineers) to Jiangwei Shaanxi to assist Jiangwei Shaanxi in obtaining the Level One Certificate and improving management efficiency and construction quality of Jiangwei Shaanxi.

Upon completion of six construction projects under the Long-term Construction Contracts, Jiangwei Shaanxi will complete the construction area of approximately 382,922 square meters, of which the construction of Project 1 and Project 2 as disclosed in the following section headed "Business development of Jiangwei Shaanxi" meets the Construction Requirements of (a) and (c), respectively. The construction of the Land Parcel will also expand Jiangwei Shaanxi's construction ability and the Group will introduce other construction projects to Jiangwei Shaanxi by leveraging on its current resources or its own future investments in real property sector.

Mr. Qin is the general manager of Guohua Jiaye Beijing. He was appointed as the executive Director and the chief executive officer of the Company with effect from 22 January 2020. Mr. Qin has approximately 30 years of experience in the real estate construction management industry. The biographical details of Mr. Qin are set out in Appendix VIII on pages VIII-1 and VIII-2 to this circular. Based on the past working experience of Ms. Wang Yingqian and Mr. Qin with the support from Guohua Jiaye Beijing's existing professional staff, the Group has the requisite knowledge, ability and experience to manage and develop Jiangwei Shaanxi's business. The Board is of the view that with the leadership of Mr. Qin and support of the Group's existing professional staffs, the Group would successfully expand its business into the PRC construction industry and real estate related business.

In addition, in order to ensure the sustainability and consistency of operation and development of Jiangwei Shaanxi, the Group will enter into new employment contracts (the "**New Employment Contracts**") for a term of not less than three years commencing from Completion with the key management of Jiangwei Shaanxi, namely, Mr. Li., Mr. Yang and Mr. Xie. Pursuant to the Agreement, the Vendor also agreed to procure Mr. Li, Mr. Yang and Mr. Xie to enter into the New Employment Contracts.

**Management competency and experience of the key management of Jiangwei Shaanxi**

The key management of Jiangwei Shaanxi has extensive experience in the project construction industry.

Mr. Li is the legal representative and general manager of Jiangwei Shaanxi and responsible for the company's daily operation. He has approximately 10 years of experience in civil engineering industry. Mr. Li graduated from Tongji Zhejiang College* (同濟大學浙江學院) and majored in civil engineering.

Mr. Yang is the chief engineer of Jiangwei Shaanxi and responsible for the projects technical management and subcontract construction plans. He has approximately 13 years of experience in project construction management. Mr. Yang graduated from Xi'an University of Architecture and Technology* (西安建築科技大學) and majored in civil engineering.

Mr. Xie is the project manager of Jiangwei Shaanxi and responsible for the operation of subcontract construction plans. He has approximately 11 years of experience in project construction management. Mr. Xie graduated from Gansu Industrial Career Technical College* (甘肅工業職業技術學院) and majored in construction engineering.

Upon Completion, Mr. Li, Mr. Yang and Mr. Xie will not take up any management roles of the Company.

The expected aggregate remuneration payable to Jiangwei Shaanxi's key management under the New Employment Contracts would be approximately RMB650,000 per annum.

**Business development of Jiangwei Shaanxi**

Jiangwei Shaanxi has the necessary qualification to conduct its business. Between August 2016 and November 2017, Jiangwei Shaanxi obtained the licenses, including the certificate of hydropower engineering construction project* (水利水電施工總承包證書), the certificate of electricity engineering construction* (電力施工總承包證書) and the certificate of construction project contracting* (建築工程總承包證書) and commenced its project construction contracting business in November 2017. As such, Jiangwei Shaanxi recorded the audited net loss of approximately RMB64,000 and RMB36,000 for the years ended 31 December 2016 and 2017, respectively.

In the year of 2018, Jiangwei Shaanxi entered into four general construction contracts and the construction of two projects were commenced. It recorded the audited net profit before taxation and extraordinary items of approximately RMB6,156,000 and the audited net profit after taxation and extraordinary items of approximately RMB4,612,000 for the year ended 31 December 2018. During the period for the nine months ended 30 September 2019, Jiangwei Shaanxi entered into two additional general construction contracts.

As at 30 September 2019, it had six Long-term Construction Contracts with terms ranging from two to three years with three customers, namely Xi'an Changdao Hengye Properties Co., Ltd.* (西安長島恒業置業有限公司) ("**Xi'an Hengye**"), Xi'an Changdao Lvhe Properties Co., Ltd. (西安長島綠河置業有限公司) ("**Xi'an Lvhe**") and Ningbao Tiegong Properties Co., Ltd.* (寧波鐵工置業有限公司) ("**Ningbo Tiegong**"). Xi'an Hengye and Xi'an Lvhe were introduced by Beijing Kaiyitong and Ningbo Tiegong was introduced by the Guarantors.

Based on the public available information, Xi'an Hengye and Xi'an Lvhe are wholly-owned subsidiaries of 北京長島恒業企業管理有限公司 (Beijing Changdao Hengye Enterprise Management Co., Ltd.*), which is owned as to 2% by Beijing Jinghao Yuchen Advertisement Co., Ltd.* (北京靜浩宇晨廣告有限公司) ("**Beijing Jinghao**") and 98% by Ningxia Jujia Investment Management Partnership (LLP)) (寧夏聚嘉投資管理合夥企業(有限合夥)) ("**Ningxia Jujia**"). Beiijng Jinghao is owned as to 50% by Li Xu* (李旭) and 50% by Li Chunli* (李春利). Li Xu* (李旭) is also the ultimate beneficial owner of Beijing Kaiyitong. Ningxia Jujia is ultimately owned as to 49.88% by Liu Hui* (劉輝), 49.88% by Yu Shengpei* (俞聖珮), Su Yu*

(蘇煜), Hua Meishi*(華美石) and Cai Jingpan*(蔡靜潘) collectively and 0.20% by Song Xuan*(宋宣)("**Ms. Song**") and 0.05% by Wen Xiufang*(温秀芳). As advised by Ningbo Tiegong, it is ultimately owned as to 30% by Ms. Song and 70% by Zhao Jinyue*(趙瑾岳). To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of Xi'an Hengye, Xi'an Lvhe and Ningbo Tietong and their respective ultimate beneficial owners is Independent Third Party.

Save for disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Company is not aware of (i) any other relationship (whether existing or prior and whether expressed or implied) among Beijing Kaiyitong, the Guarantors, the Vendor and each of Xi'an Hengye, Xi'an Lvhe and Ningbo Tiegong and their ultimate beneficial owners; and (ii) any other arrangement, understanding or undertaking (whether formal or informal and whether express or implied) among Beijing Kaiyitong, the Guarantors, the Vendor and each of Xi'an Hengye, Xi'an Lvhe and Ningbo Tiegong and their ultimate beneficial owners.

Jiangwei Shaanxi is specialised in the construction of residential and commercial property projects. Below is a summary of the Long-term Construction Contracts:

| **No.** | **Execution Date of the Long-term Construction Contracts** | **Type of Construction Projects** | **Contract Amount** *(RMB)* | **Name of the Customer** | **Duration of the Construction** |
|---|---|---|---|---|---|
| 1. | 12 February 2018 | Construction of the residential property project and the underground car park in Xi'an ("Project 1") | 182,938,200 | Xi'an Hengye | 1054 Days |
| 2. | 30 May 2018 | Construction of the residential property project and the underground car park in Xi'an ("Project 2") | 105,780,400 | Xi'an Hengye | 820 Days |
| 3. | 30 October 2018 | Construction of a complex of residential and commercial property project in Xi'an | 118,125,500 | Xi'an Lvhe | 700 Days |
| 4. | 25 December 2018 | Construction of residential property project in Xi'an | 192,329,800 | Xi'an Hengye | 730 Days |
| 5. | 5 August 2019 | Construction of a complex of residential and commercial property project in Xi'an | 132,370,300 | Xi'an Lvhe | 720 Days |
| 6. | 1 September 2019 | Construction of residential property project in Xiangshan County, Ningbo | 121,000,000 | Ningbo Tiegong | 730 Days |

The total contracts amount under the Long-term Construction Contracts is approximately RMB852,000,000 and the construction of four projects (including the two projects from 2018) were commenced for the nine months ended 30 September 2019. The Long-term Construction Contracts generate a steady income stream for Jiangwei Shaanxi. Following Completion, the Company will leverage its current resources for the business development of Jiangwei Shaanxi. The audited net profit before taxation and extraordinary items of Jiangwei Shaanxi was approximately RMB9,546,000 and the audited net profit after taxation and extraordinary items of Jiangwei Shaanxi was approximately RMB7,157,000 for the nine months ended 30 September 2019. The audited net asset value of Jiangwei Shaanxi increased from approximately RMB5,932,000 as at 31 December 2018 to approximately RMB18,499,000 as at 30 September 2019. Up to 30 September 2019, Jiangwei Shaanxi received the payment in the amount of approximately RMB186,000,000 under the Long-term Construction Contracts. From 1 October 2019 to 29 February 2020, Jiangwei Shaanxi received approximately RMB86,000,000 under the Long-term Construction Contracts and the remaining contract amount of approximately RMB580,000,000 will be received according to the payment terms under the Long-term Construction Contracts. The aforesaid payment received by Jiangwei Shannxi has been utilising by the Target Group for its business development and daily operation and the payment to be received will be used for the same purpose. The payment received up to the date thereof and the payment to be received by Jiangwei Shaanxi would be retained by the Target Group and would not be distributed to the Vendor. As at the Latest Practicable Date, the construction of all six projects were commenced and Jiangwei Shaanxi is in discussions and negotiations for two new construction projects, which were sourced by the then shareholders of Jiangwei Shaanxi. Although Jiangwei Shaanxi has short track records and currently its profit margin is not high and has limited number of construction projects and customers, the business of Jiangwei Shaanxi has shown a growing trend and the Company is optimistic for its business.

Before entering into the Transaction, the Company has also considered the net profit ratio of Jiangwei Shaanxi. The Company reviewed the latest available annual reports for the year ended 31 December 2018 of 10 comparable companies (the "**Comparable Companies**") listed in the valuation report as set out in Appendix VI to this circular. The net profit ratio of the Comparable Companies ranges from approximately 0.96% to 10.30%, with a median ratio of 4.00%. Based on the audited financial information of Jiangwei Shaanxi for the year ended 31 December 2018 and the nine months ended 30 September 2019, the net profit ratio of Jiangwei Shaanxi is approximately 5.00%, which is within the aforesaid range.

In view of (i) the favourable governmental policy in the construction industry, (ii) the experience and expertise of the personnel of the Group, the competency and experience of the key management of Jiangwei Shaanxi, (iii) the qualification and the positive and steady financial performance of Jiangwei Shaanxi, (iv) the Long-term Construction Contracts which generate a steady income stream to Jiangwei Shaanxi and (v) the business prospects of Jiangwei Shaanxi, the Directors consider that the Transaction is beneficial to the Company and the Shareholders as a whole and the Directors are of the view that the terms and conditions of the Agreement are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

## INFORMATION ON THE TARGET GROUP

### The Target Group

The Target Company is a limited liability company incorporated in the British Virgin Islands in September 2019, which is owned as to 80% by Ms. Yang and owed as to 20% by Mr. Zhao. It is an investment holding company. The Target Company through its wholly-owned subsidiaries namely, Golden Time and Jiangwei Beijing, holds 100% equity interest in Jiangwei Shaanxi. Jiangwei Shaanxi is a limited liability company established in the PRC in August 2014, which principally engages in the business of projects construction contracting in the PRC. It has a registered capital of RMB20,000,000. As at the Latest Practicable Date, the paid-up registered capital of Jiangwei Shaanxi is RMB7,020,000. According to the articles of association of Jiangwei Shaanxi, the remaining unpaid registered capital of Jiangwei Shaanxi in the amount of RMB12,980,000 will be payable on or before 31 December 2037 or such other date as may be extended by the shareholder of Jiangwei Shaanxi. As at the Latest Practicable Date, Jiangwei Shaanxi has sufficient working capital for its business development and daily operation. The Group will make capital contribution based on the capital needs of Jiangwei Shaanxi.

Golden Time is a limited liability company incorporated in Hong Kong on 8 August 2019 and is principally engaged in the business of investment holding. On incorporation, Golden Time had an issued and paid up share capital of HK$1.00 compromising one (1) ordinary share. On the same day, Golden Time allotted and issued one (1) ordinary share to an Independent Third Party initial subscriber, which is a professional corporate services provider, at a consideration of HK$1.00. On 29 October 2019, such Independent Third Party initial subscriber transferred one (1) ordinary share of Golden Time to the Target Company for cash at par. After such transfer, Golden Time is wholly-owned by the Target Company.

Jiangwei Beijing is a limited liability company established in the PRC on 28 August 2019 and is principally engaged in the business of enterprise management. It has a registered capital of RMB 20,000,000, which has been fully paid-up. At the time of establishment, it was owned as to 80% by Ms. Yang and 20% by Mr. Zhao. As part of the reorganization of the Target Group, on 13 November 2019, Ms. Yang and Mr. Zhao entered into a sale and purchase agreement with Golden Time, pursuant to which Ms. Yang and Mr. Zhao agreed to transfer all of their equity interest in Jiangwei Beijing to Golden Time at a nil consideration.

Set out below is a summary of certain audited combined financial information of the Target Group (excluding Golden Time[(Note)]), prepared in accordance with HKFRSs, for the period from 11 September 2019 (the date of incorporation of the Target Company) up to 30 September 2019 (the "**Relevant Period**"):

| | **For the period from 11 September 2019 up to 30 September 2019** *(RMB) approximately* |
|---|---|
| Net profit before tax | 2,455,000 |
| Net profit after tax | 2,394,000 |

The audited total assets value and net assets value of the Target Group (excluding Golden Time *(Note)*) as at 30 September 2019 were approximately RMB95,592,000 and RMB2,394,000 respectively.

*Note:* Golden Time became a wholly-owned subsidiary of the Target Company on 29 October 2019. Golden Time is an investment holding company and it has no material asset or liability and has not carried out any business operation since its incorporation in August 2019.

Set out below is a summary of certain audited financial information of Jiangwei Shaanxi, prepared in accordance with HKFRSs, for the two years ended 31 December 2017 and 2018 and the nine months ended 30 September 2019:

| | **For the year ended 31 December 2017** *(RMB) approximately* | **For the year ended 31 December 2018** *(RMB) approximately* | **For the nine months ended 30 September 2019** *(RMB) approximately* |
|---|---|---|---|
| Net (loss) profit before tax | (36,000) | 6,156,000 | 9,546,000 |
| Net (loss) profit after tax | (36,000) | 4,612,000 | 7,157,000 |

The audited total assets value and net assets value of Jiangwei Shaanxi as at 30 September 2019 were approximately RMB90,398,000 and RMB18,499,000, respectively.

## INFORMATION ON THE GROUP

The Group is principally engaged in (i) trading of electronic devices and other commodities, (ii) the finance leasing business, (iii) the money lending business, (iv) the brokerage business, (v) international air and sea freight forwarding and the provision of logistics services, (vi) trading of securities and (vii) property investment.

The Purchaser is a limited liability company established in the British Virgin Islands, which is wholly-owned by the Company and it is an investment holding company.

## INFORMATION ON THE VENDOR

The Vendor is a limited liability company established in the British Virgin Islands, which is owned by the Guarantors and it is an investment holding company. As at the date of the Agreement, the Vendor is the legal and beneficial owner of the entire issued share capital of the Target Company.

## PREVIOUS ACQUISITION OF JIANGWEI SHAANXI

The Board noted that Jiangwei Shaanxi, the major and only operating subsidiary of the Target Group, was acquired by Jiangwei Beijing, a company indirectly wholly-owned by the Guarantors, from Beijing Kaiyitong, pursuant to a sale and purchase agreement (the "**Previous Acquisition Agreement**") dated 31 August 2019 at a total consideration of RMB20,000,000 (the "**Previous Acquisition**"). The Previous Acquisition was completed in September 2019.

The Board would like to provide further information leading to the Transaction as follows:

In November 2018, Heyuan Dongjiangyuan informed the Group that it had difficulty in performing its obligations under the amended finance lease agreement and the amended consultancy agreement entered into with the Group. Heyuan Dongjiangyuan introduced Beijing Kaiyitong to the Group for the debt restructuring arrangement. In March 2019, the Group entered into a debt settlement agreement with Heyuan Dongjiangyuan and Beijing Kaiyitong and a loan agreement with Beijing Kaiyitong, respectively pursuant to which Beijing Kaiyitong agreed to assume the debt owed by Heyuan Dongjiangyuan to the Group, the details of which are set out in the Company's announcement dated 1 March 2019 (the "**Beijing Kaiyitong Transaction**"). Heyuan Dongjiangyuan and Beijing Kaiyitong are business partners and have business cooperation in the real estate development projects. Beijing Kaiyitong is an investment holding company and is principally involved in the investment of real estate and distressed assets. It has commercial properties in Beijing and ownes several operating subsidiaries. Neither Beijing Kaiyitong nor its ultimate beneficial owners are in the the List of Untrustworthy Executors*（失信被執行人名錄）issued by the Supreme People's Court of the PRC. When assessing the Beijing Kaiyitong Transaction, the Company considered the creditworthiness of Beijing Kaiyitong and the financial conditions of Heyuan Dongjiangyuan. The Company was of the view that entering into the Beijing Kaiyitong Transaction could avoid the default of Heyuan Dongjiangyuan, generate income to the Group and protect the interest of the Company and Shareholder as a whole.

Based on the public available information, as at the time of Beijing Kaiyitong Transaction, (i) Beijing Kaiyitong was ultimately owned as to 10% by Li Xu*（李旭）and 90% by Wang Weixiang*（汪偉祥）and (ii) Heyuan Dongjiangyuan was ultimately owned as to 8% by Li Yanyun*（李燕云）, 40% by Li Yinfa*（李吟發）and 52% by China Everbright Xinglong Trust Co., Ltd.*（光大興隆信託有限責任公司）. As at the Latest Practicable Date, to the knowledge of the Director, each of the ultimate beneficial owners of Beijing Kaiyitong and Heyuan Dongjiangyuan has remained the same. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, (i) Beijing Kaiyitong is independent of Heyuan Dongjiangyuan and (ii) each of Beijing Kaiyitong, Heyuan Dongjiangyuan and their respective ultimate beneficial owners is Independent Third Party.

With an aim to improving the Group's profitability and strengthening its operation's sustainability, the Company has been identifying and evaluating suitable investments since September 2019. In addition to approaching Beijing Kaiyitong and indicating its preliminary interest in acquiring Jiangwei Shaanxi, the Company also considered other investment opportunities, such as acquisition of companies engaged in property development business and companies engaged in production and sales of the geothermal energy business. The Group acquired the Land Parcel in January 2020 and Guohua Jiaye Beijing acquired the companies engaged in production and sales of the geothermal energy business, the details of which are set out in the Company's announcement dated 18 February 2020. The Company did not pursue with the remaining investment opportunities mainly due to (i) unsatisfactory due diligence results of the targets, (ii) failure to reach agreement with the counterparties on the transaction details or (iii) the investments requiring large amount of capital contribution.

In September 2019, the Company was informed by Beijing Kaiyitong that it had already agreed to enter into transactions with the Guarantors in respect of disposal of its assets, including entering into the Previous Acquisition Agreement on 31 August 2019. As the Previous Acquisition Agreement had already been signed and the Guarantors were introduced to the Company by Beijing Kaiyitong, the Company began to discuss and negotiate with the Guarantors for acquiring Jiangwei Shaanxi in September 2019. During the due diligence process carried out by the Company in November 2019, the Company noted the Previous Consideration from a preliminary legal due diligence report prepared by the Company's PRC legal adviser. As advised by the Guarantors, the Previous Consideration was determined between the Guarantors and Beijing Kaiyitong after arm's length negotiations with reference to, (i) the registered capital of Jiangwei Shaanxi in the amount of RMB20,000,000; (ii) the potential tax impact on the Previous Acquisition and (iii) the Guoke Transaction as disclosed below.

As advised by the Guarantors, besides the Previous Acquisition, the Guarantors via their established entity also acquired 40% equity interest in Beijing Guoke Xinye Technology Development Co., Ltd.* (北京國科新業科技開發有限公司) ("**Beijing Guoke**") from Beijing Kaiyitong aiming to cooperate for the development of a property project located in Beijing (the "**Guoke Transaction**"). Upon completion of the Guoke Transaction, the Guarantors hold 40% equity interest in Beijing Guoke. The Target Group and Beijing Guoke are managed independently. The Target Group (including Jiangwei Shaanxi) is not involved in the aforesaid property project. Neither the Long-term Contraction Contracts nor the two new construction projects which are under discussions and negotiations are interrelated with the aforesaid property project. To the best of the Directors, knowledge, information and belief, having made all reasonable enquires, save for the Guarantors being the ultimate shareholders of the Target Group and Beijing Guoke, the Company is not aware of any other relationship between the Target Group and Beijing Guoke.

Neither the Company nor its subsidiaries were involved in the negotiation and discussion of the Previous Acquisition and the Guoke Transaction between the Guarantors and Beijing Kaiyitong.

Save for disclosed in this circular, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Company is not aware of (i) any other relationship among Ms. Yang, Mr. Zhao, Beijing Kaiyitong and Heyuan Dongjiangyuan and their respective ultimate beneficial owners and (ii) any other arrangement, understanding or undertaking (whether formal or informal and whether express or implied) among Ms. Yang, Mr. Zhao, Beijing Kaiyitong and Heyuan Dongjianyuan and their respective ultimate beneficial owners.

Prior to the date of the Previous Acquisition Agreement, namely 31 August 2019, (i) Jiangwei Shaanxi recorded the audited net loss of approximately RMB36,000 for the year ended 31 December 2017 and the audited net profit before taxation and extraordinary items of approximately RMB6,156,000 and the audited net profit after taxation and extraordinary items of approximately RMB4,612,000 for the year ended 31 December 2018; and (ii) as at 31 December 2018, the audited net asset value of Jiangwei Shaanxi was approximately RMB5,932,000. Further details are set out in "Appendix III – Accountants' Report of Jiangwei Shaanxi" to this circular.

Under the Agreement, the Vendors agreed to provide a profit guarantee to the Purchaser that the 2019 Profit shall not be less than the Guaranteed Profit. If the 2019 Profit is less than RMB9,000,000, the Remaining Consideration will not be payable. If the 2019 Profit is less than RMB7,160,000, the Vendor shall refund to the Purchaser the amount, by cash, calculated based on the below formula within three business days after the issuance of the 2019 Audit Report of Jiangwei Shaanxi or such other date as the parties to the Agreement may agree in writing:

$$\frac{(\text{RMB7,160,000-2019 Profit})}{\text{RMB7,160,000}} \times \text{the First Payment}$$

The above adjustment mechanism provides a safeguard for the Company to closely monitor the development of Jiangwei Shaanxi. Further details of the profit guarantee and the adjustment mechanism are set out in the section headed "The Agreement – Profit Guarantee and Adjustment" above.

For more information with respect to the determination of the Consideration and reasons to entering into the Transaction, please refer to the paragraphs headed "Basis of the Consideration" and "Reason for and benefits of the Transaction" above.

## FINANCIAL EFFECTS OF THE TRANSACTION ON THE GROUP

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and accordingly, the financial results of the Target Group will be consolidated into the accounts of the Group.

### Earnings

As set out in the accountants' report of the Target Group in Appendix II to this circular, the Target Group recorded an audited net profit after tax of RMB2,394,000 for the period from 11 September 2019 (date of incorporation of the Target Company) to 30 September 2019.

Jiangwei Shaanxi, being the major and only operating subsidiary of the Target Group, commenced its operation in 2018. As set out in the accountants' report of Jiangwei Shaanxi in Appendix III to this circular, Jiangwei Shaanxi recorded an audited net profit after tax of approximately RMB4,612,000 for the year ended 31 December 2018 and approximately RMB7,157,000 for the nine months ended 30 September 2019, respectively.

The Directors consider that the Target Group will contribute revenue generated from projects construction contracting in the PRC and will enhance the revenue stream and profitability of the Enlarged Group upon Completion but the quantification of such contribution will depend on the future performance of the Target Group.

Further details of the Target Group are set out in the accountants' report on the Target Group and Jiangwei Shaanxi in Appendix II and Appendix III to this circular, respectively and the management discussion and analysis of Jiangwei Shaanxi in Appendix IV to this circular.

**Assets and liabilities**

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix V to this circular, on the basis of the notes set out therein to illustrate the impact on the Group's financial position as at 30 June 2019 as if the Transaction had taken place on 30 June 2019:

(a) the total assets of the Group as at 30 June 2019 would be increased from approximately HK$1,283,543,000 to the total assets of the Enlarged Group of approximately HK$1,378,792,000. Such increase would be mainly attributable to the addition of the total assets of the Target Group of approximately HK$106,107,000 and pro forma adjustments resulting from the Transaction; and

(b) the total liabilities of the Group as at 30 June 2019 would be increased from approximately HK$64,494,000 to the total liabilities of the Enlarged Group of approximately HK$159,743,000. Such increase would be mainly attributable to the addition of the total liabilities of the Target Group of approximately HK$103,449,000 and pro forma adjustments resulting from the Transaction.

**IMPLICATIONS UNDER THE LISTING RULES**

As one of the applicable percentage ratios (within the meaning of the Listing Rules) in respect of the Transaction is above 25% and all of them are less than 100%, the Transaction constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

**RE-ELECTION OF DIRECTOR**

Reference is made to the Director's Appointment Announcement.

In accordance with article 86(2) of the Bye-laws, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorization by the Shareholders in general meeting, as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the Shareholders in general meeting. Any Director so appointed by the Board shall hold office only until the first general meeting of the Company after his/her appointment and shall then eligible for re-election at that meeting. Accordingly, Mr. Qin, who was appointed by the Board as executive Director with effect from 22 January 2020, shall be subject to re-election by the Shareholders at the SGM.

Details of Mr. Qin are set out in Appendix VIII on pages VIII-1 and VIII-2 to this circular. At the SGM, an ordinary resolution will be proposed to approve his re-election. The Board is of the view that Mr. Qin is a suitable candidate to be an executive Director, after taking into account his experience. Based on the foregoing, the Re-election of Director is in the interest of the Company and the Shareholders as a whole. The Directors consider that the Company has taken reasonable course of action and measures in proposing the Re-election of Director and the Shareholders will also be given an opportunity to express their wishes on the Re-election of Director at the SGM.

**THE SGM**

Set out on pages SGM-1 to SGM-2 of this circular is a notice convening the SGM which will be held at 26/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong on Friday, 17 April 2020 at 11:00 a.m.. At the SGM, ordinary resolutions will be proposed to the Shareholders to consider and, if thought fit, to approve (i) the Agreement, the Supplemental Agreement and the Transaction and (ii) the Re-election of Director. Pursuant to Rule 13.39(4) of the Listing Rules, the vote of Shareholders at the SGM will be taken by way of poll.

A proxy form for the SGM is enclosed together with this circular. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete the proxy form and return it to the Company's branch registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, in accordance with the instructions printed thereon as soon as practicable but in any event not less than 48 hours before the time for holding the SGM. Completion and return of a proxy form will not preclude you from attending and voting at the SGM in person should you so wish and in such event, the relevant proxy form shall be deemed to be revoked.

As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, none of the Shareholders would be required to abstain from voting at the SGM to be convened for the purpose of considering and, if thought fit, approving (i) the Agreement, the Supplemental Agreement and the Transaction and (ii) the Re-election of Director.

**RECOMMENDATION**

The Directors are of the view that (i) the terms and conditions of the Agreement and the Supplemental Agreement (including the Consideration) are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole and (ii) the Re-election of Director is also in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

## ADDITIONAL INFORMATION

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

By order of the Board
**China Best Group Holding Limited**
**Mr. Qin Jie**
*Executive Director and Chief Executive Officer*

## 1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for the three financial years ended 31 December 2016, 2017 and 2018 and the unaudited consolidated financial statement of the Group for the six months ended 30 June 2019 together with the relevant notes thereto are disclosed in the following documents which have been published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.cbgroup.com.hk:

(i) pages 68 to 207 of the annual report of the Company for the year ended 31 December 2016, the text of which can be accessed by the direct hyperlink below:

https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0426/ltn20170426457.pdf

(ii) pages 59 to 203 of the annual report of the Company for the year ended 31 December 2017, the text of which can be accessed by the direct hyperlink below:

https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0426/ltn20180426969.pdf

(iii) pages 49 to 151 of the annual report of the Company for the year ended 31 December 2018, the text of which can be accessed by the direct hyperlink below:

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0426/ltn201904261742.pdf

(iv) pages 5 to 43 of the interim report of the Company for the six months ended 30 June 2019, the text of which can be accessed by the direct hyperlink below:

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0926/2019092600411.pdf

## 2. INDEBTEDNESS

As at the close of business on 31 January 2020, being the latest practicable date for the purpose of ascertaining the information contained in this indebtedness statement prior to the printing of this circular, the indebtedness of the Enlarged Group were as follows:

The Enlarged Group had outstanding unsecured advance payments from an associate of the Company of approximately HK$12,219,000 as at 31 January 2020.

The Enlarged Group has adopted HKFRS 16 "Leases" for accounting period beginning on or after 1 January 2019. As such, leases have been recognised in the form of an asset (for the right-of-use assets) and a financial liability (for the payment obligations) in the Enlarged Group's consolidated statement of financial position for accounting period beginning on or after 1 January 2019. As at 31 January 2020, the Enlarged Group had lease liabilities amounted to approximately HK$27,841,000.

Save as aforesaid and apart from intra-group liabilities and trade payables in the ordinary course of business, as at the close of business on 31 January 2020, the Enlarged Group did not have any (i) issued and outstanding, or authorised or otherwise created but unissued debt securities and term loans, either guaranteed, unguaranteed, secured or unsecured; (ii) other borrowings or indebtedness including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, either guaranteed, unguaranteed, secured or unsecured; (iii) mortgages and charges; and (iv) contingent liabilities or guarantees.

## 3. WORKING CAPITAL STATEMENT

The Directors, after due and careful consideration and taking into account the entering into the Agreement, present financial resources available to the Enlarged Group, including but not limited to its internally generated revenue and funds, cash and cash equivalents on hand, banking facilities available to the Enlarged Group, are of the opinion that the Enlarged Group will have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

## 4. MATERIAL ADVERSE CHANGE

Reference is made to the interim report of the Group dated 26 September 2019 for the six months ended 30 June 2019 which stated that the Group recorded a net loss for the period attributable to owners of the Company was approximately HK$18.3 million as compared with the net profit of approximately HK$0.7 million in last corresponding period in 2018, which was mainly attributable to, among other things, (i) decrease of approximately HK$22.9 million in revenue arising from the finance leasing segment of the Group; (ii) decrease of approximately HK$1.5 million in revenue arising from the money lending segment of the Group; and (iii) increase of approximately HK$2.5 million in the Group's administrative and staff costs.

Save as disclosed above, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest audited consolidated financial statements of the Group were made up.

## 5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

According to the annual report of the Company for the year ended 31 December 2018, apart from the existing business operations, the Group would from time to time explore investment opportunities in the market, in particular the PRC market, for business development of the Group. During the year ended 31 December 2018, the Group was considering several potential projects and realised one project in relation to investment properties located in a prime location in Beijing as a start for the Group to develop its property-related business. The PRC property market has gone through a rapid growth stage in the past decades and come to a steady status by introducing city-based adjustments, rational policies and restructuring. The Group wishes to leverage its client base and resources to strengthen its position in this new business segment and accelerate its growth to become one of the Group's principal businesses.

Taking into consideration of the (i) favourable policy from the PRC government; (ii) the growth of real-estate industry and construction industry; and (iii) the increasing urbanization rate, details of which are set out the section headed "Reasons for and benefits of the Transaction" under the "Letter from the Board" to this circular, the Board is optimistic about the future development of PRC construction industry in which the Target Group operates. Upon Completion, the Enlarged Group will enter into the PRC construction industry, which will provide opportunities to diversify the revenue stream and improve the profitability of the Enlarged Group.

In the long run, the Enlarged Group will continue to evaluate suitable investments that present development opportunities and provide additional stable income streams.

*The following is the text of a report set out on pages II-1 to II-48 received from the independent reporting accountants, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this circular. It is prepared and addressed to the directors of the Company pursuant to the requirements of HKSIR 200, Accountants' Report on Historical Financial Information in Investment Circulars, issued by the Hong Kong Institute of Certified Public Accountants.*

中汇
ZHONGHUI

**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA BEST GROUP HOLDING LIMITED**

**Introduction**

We report on the historical financial information of Total Fame Holdings Limited (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") set out on pages II-5 to II-48, which comprises the combined statement of financial position of the Target Group and the statement of financial position of the Target Company as at 30 September 2019, and the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity, the combined statement of cash flows of the Target Group and the statement of changes in equity of the Target Company for the period from 11 September 2019 (date of incorporation of the Target Company) to 30 September 2019 (the "Relevant Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-5 to II-48 forms an integral part of this report, which has been prepared for inclusion in the circular of China Best Group Holding Limited (the "Company") dated 31 March 2020 (the "Circular") in connection with the proposed acquisition of entire equity interests in the Target Company.

**Director's responsibility for the Historical Financial Information**

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

**Reporting accountants' responsibility**

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Group's and Target Company's financial position as at 30 September 2019, and of the Target Group's financial performance and combined cash flows for the Relevant Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

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

***Adjustments***

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

**Material uncertainty relating to the going concern basis**

Without qualifying our opinion, we draw attention to note 2 to the Historical Financial Information which mentions that the Target Group had net current liabilities of approximately RMB2,717,000. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Target Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**ZHONGHUI ANDA CPA Limited**
*Certified Public Accountants*
**Sze Lin Tang**
Practising Certificate Number P03614

Hong Kong, 31 March 2020

## HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

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 combined financial statements of the Target Group for the Relevant Period in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA (the "Underlying Financial Statements"). We have performed our independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

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

## COMBINED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Notes | Period from 11 September 2019 (date of incorporation of the Target Company) to 30 September 2019 RMB'000 |
|---|---|---|
| **Revenue** | 8 | 3,491 |
| Cost of services | | (3,199) |
| **Gross profit** | | 292 |
| Gain on bargain purchase | 27 | 2,210 |
| Administrative expenses | | (45) |
| Finance costs | 9 | (2) |
| **Profit before tax** | | 2,455 |
| Income tax expense | 10 | (61) |
| **PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | 11 | 2,394 |

**COMBINED STATEMENT OF FINANCIAL POSITION**

| | Notes | As at 30 September 2019 RMB'000 |
|---|---|---|
| **NON-CURRENT ASSETS** | | |
| Intangible assets | 16 | 5,194 |
| Right-of-use assets | 17 | 1,216 |
| | | 6,410 |
| **CURRENT ASSETS** | | |
| Contract assets | 18 | 55,939 |
| Trade receivables | 19 | 5,307 |
| Prepayments, deposits and other receivables | 20 | 25,620 |
| Cash and bank balances | 21 | 2,316 |
| | | 89,182 |
| **CURRENT LIABILITIES** | | |
| Contract liabilities | 18 | 7,288 |
| Trade and other payables | 22 | 79,433 |
| Current tax liabilities | | 3,933 |
| Lease liabilities | 23 | 1,245 |
| | | 91,899 |
| **NET CURRENT LIABILITIES** | | (2,717) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 3,693 |
| **NON-CURRENT LIABILITIES** | | |
| Deferred tax liabilities | 24 | 1,299 |
| **NET ASSETS** | | 2,394 |
| **CAPITAL AND RESERVES** | | |
| Paid up capital/issued share capital | 25 | – |
| Reserves | | 2,394 |
| **TOTAL EQUITY** | | 2,394 |

**TARGET COMPANY'S STATEMENT OF FINANCIAL POSITION**

| | *Notes* | **As at 30 September 2019** *RMB'000* |
|---|---|---|
| **NET ASSETS** | | – |
| **CAPITAL AND RESERVES** | | |
| Issued share capital | *25* | – |
| Accumulated losses | | – |
| **TOTAL EQUITY** | | – |

## COMBINED STATEMENT OF CHANGES IN EQUITY

| | Share capital | Retained profits | Total equity |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| At 11 September 2019 (date of incorporation of the Target Company) | – | – | – |
| Profit and total comprehensive income for the period | – | 2,394 | 2,394 |
| At 30 September 2019 | – | 2,394 | 2,394 |

## TARGET COMPANY'S STATEMENT OF CHANGES IN EQUITY

| | Issued share capital | Accumulated losses | Total equity |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| At 11 September 2019 (Date of incorporation of the Target Company) | – | – | – |
| Loss and total comprehensive expense for the period | – | – | – |
| At 30 September 2019 | – | – | – |

## COMBINED STATEMENT OF CASH FLOWS

| | Period from 11 September 2019 (date of incorporation of the Target Company) to 30 September 2019 |
|---|---|
| | *RMB'000* |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Profit before tax | 2,455 |
| Adjustments for: | |
| Gain on bargain purchase | (2,210) |
| Finance costs | 2 |
| Depreciation of right-of-use assets | 48 |
| Operating profit before working capital changes | 295 |
| Decrease in trade receivables | 6,890 |
| Increase in contract assets | (2,747) |
| Decrease in contract liabilities | (163) |
| Decrease in trade and other payables | (2,425) |
| Cash generated from operations | 1,850 |
| Income tax paid | – |
| **Net cash generated from operating activities** | 1,850 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Net cash inflow on acquisition of a subsidiary | 466 |
| **Net cash generated from investing activities** | 466 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | 2,316 |
| Cash and cash equivalents at beginning of period | – |
| **Cash and cash equivalents at end of period** | 2,316 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | |
| Cash and bank balances | 2,316 |

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. General information and group reorganisation

Total Fame Holdings Limited (the "Target Company") is a limited liability company incorporated in the British Virgin Islands ("BVI") on 11 September 2019. The registered office and the principal place of business of the Target Company is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

During the Relevant Period, the Target Company was engaged in investment holding. The Target Group was engaged in provision of building construction services.

Smart Role Holdings Limited, a company incorporated in the BVI, is the immediate and ultimate parent of the Target Company, which was owned as to 80% by Ms. Yang Xue and as to 20% by Mr. Zhao Guolin. As such, Ms. Yang Xue is the ultimate controlling party of the Target Company.

The below are the major steps for the group reorganisation ("Reorganisation"):

(i) On 11 September 2019, Total Fame Holdings Limited ("Total Fame"), a BVI limited company was incorporated as the Target Company.

(ii) On 8 August 2019, Golden Time World Limited ("Golden Time"), a Hong Kong limited company was established. On 29 October 2019, the entire equity interest of Golden Time was acquired by the Target Company.

(iii) On 28 August 2019, Jiangwei (Beijing) Enterprises Management Company Limited 江威(北京)企業管理有限公司 ("Jiangwei Beijing"), a PRC limited company was established and was owned as to 80% by Ms. Yang Xue and as to 20% by Mr. Zhao Guolin.

(iv) Prior to the Reorganisation, Shaanxi Jiangwei Construction Projects Company Limited 陝西江威建築工程有限公司 ("Jiangwei Shaanxi") was wholly owned by Beijing Kaiyitong Enterprise Management Limited Company 北京凱意通企業管理有限公司 ("Beijing Kaiyitong"), an independent third party, to the best knowledge of the director of the Target Company.

(v) On 31 August 2019, Jiangwei Beijing and Beijing Kaiyitong entered into a sales and purchase agreement, pursuant to which Beijing Kaiyitong transferred all of its equity interest in Jiangwei Shaanxi to Jiangwei Beijing. The share transfer transaction was completed on 24 September 2019.

(vi) On 13 November 2019, Ms. Yang Xue and Mr. Zhao Guolin entered into a sales and purchase agreement with Golden Time, pursuant to which Ms. Yang Xue and Mr. Zhao Guolin transferred all of their equity interests in Jiangwei Beijing to Golden Time.

Upon the completion of the Reorganisation, the Target Company became the holding company of all the companies comprising the Target Group on 13 November 2019. All the companies now comprising the Target Group during the Relevant Period or since their respective dates of incorporation/establishment or acquisition were under common control of Ms. Yang Xue before and after the Reorganisation and that control is not transitory. Hence, the Target Group resulting from the Reorganisation as set out above is regarded as a continuing entity. The Historial Financial Information of the Target Group had been prepared on the basis as if the Target Company had always been the holding company of the Target 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 Target Group for the Relevant Period which include the results, changes in equity and cash flows of the companies now comprising the Target Group have been prepared as if the current group structure had been in existence throughout the Relevant Period, or since their respective dates of incorporation, where this is a shorter period, except for the subsidiary acquired by the Target Group from independent third party during the Relevant Period as disclosed in note 27, which are included in the Historical Financial Information since the date of acquisition by the Target Group.

The combined statements of financial position of the Target Group as at 30 September 2019 have been prepared to present the assets and liabilities of the companies now comprising the Target Group as if the current group structure upon completion of the Reorganisation had been in existence as at 30 September 2019.

**2. Basis of preparation and presentation of historical financial information**

The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 4 below which conform with Hong Kong Financial Reporting Standards ("HKFRSs"). In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations.

The Target Group had net current liabilities of approximately RMB2,717,000 as at 30 September 2019. Such condition indicates the existence of a material uncertainty which may cast significant doubt on the Target Group's ability to continue as a going concern. Therefore, the Target Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These Historial Financial Information have been prepared on a going concern basis, the validity of which depends upon the financial support of the ultimate controlling party, at a level sufficient to finance the working capital requirements of the Target Group. The ultimate controlling party has agreed to provide adequate funds for the Target Group to meet its liabilities as they fall due. The director is therefore of the opinion that it is appropriate to prepare these Historial Financial Information on a going concern basis. Should the Target Group be unable to continue as a going concern, adjustments would have to be made to these Historial Financial Information to adjust the value of the Target Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

**3. Adoption of new and revised Hong Kong Financial Reporting Standards**

During the Relevant Period, the Target Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2019.

The Target Group has not early applied the new HKFRSs that have been issued but are not yet effective. The director anticipates that the new and revised HKFRSs will be adopted in the Historical Financial Information when they become effective.

| | |
|---|---|
| Amendments to HKFRS 3 | Definition of a Business [1] |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material [2] |
| Amendments to HKFRS 1, HKFRS 9 and HKAS 39 | Hedge Accounting Requirements [2] |
| HKFRS 17 | Insurance Contracts [3] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4] |

[1] *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*

[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] *No mandatory effective date is determined but is available for early adoption*

The Target Group has already commenced an assessment of the impact of these new and revised HKFRSs. The director of the Target Company anticipate that the application of new and revised HKFRSs will have no material impact on the result and the financial position of the Target Group.

**4. Significant accounting policies**

The Historical Financial Information have been prepared under the historical cost convention.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the director to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the Historical Financial Information.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

***(a) Merger accounting for business combination under common control***

The Historical Financial Information incorporates the financial statements of the combining entities as if they had been combined from the date when they first came under the control of the controlling party.

The combined statement of profit or loss and other comprehensive income and combined statement of cash flows include the results and cash flows of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The combined statement of financial position have been prepared to present the assets and liabilities of the combining entities as if the Target Group structure upon the completion of the Reorganisation had been in existence at the end of reporting period. The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the controlling party's interest.

There was no adjustment made to the net assets nor the net profit or loss of any combining entities in order to achieve consistency of the Target Group's accounting policies.

***(b) Consolidation***

The Historical Financial Information includes the financial information of the Target Company and its subsidiaries. Subsidiaries are entities over which the Target Group has control. The Target Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Target Group has power over an entity when the Target Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Target Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Target Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

***(c) Business combination (other than under common control)***

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Target Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Target Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Target Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, equity investments at fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

***(d) Foreign currency translation***

*i) Functional and presentation currency*

Items included in the financial statements of each of the Target Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information is presented in Renminbi ("RMB"), which is the Target Company's functional and presentation currency.

*ii) Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

*iii) Translation on consolidation*

The results and financial position of all the Target Group entities that have a functional currency different from the Target Company's presentation currency are translated into the Target Company's presentation currency as follows:

(a) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(b) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(c) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

***(e) Backlogs***

Backlogs are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 1 to 2 years.

***(f) Leasing***

*The Target Group as lessee*

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Target Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

| | |
|---|---|
| Plant and machinery | 50% – 80% |

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Target Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$ 5,000.

***(g) Recognition and derecognition of financial instruments***

Financial assets and financial liabilities are recognised in the statement of financial position when the Target Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Target Group transfers substantially all the risks and rewards of ownership of the assets; or the Target Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

***(h) Financial assets***

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Target Group are classified as financial assets at amortised cost.

*Financial assets at amortised cost*

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

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

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

***(i) Loss allowances for expected credit losses***

The Target Group recognises loss allowances for expected credit losses on financial assets at amortised cost and contract assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Target Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables and contract assets, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables and contract assets) has not increased significantly since initial recognition, the Target Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

***(j) Cash and cash equivalents***

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management are also included as a component of cash and cash equivalents.

***(k) Financial liabilities and equity instruments***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Target Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

***(l) Trade and other payables***

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

***(m) Equity instruments***

Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

***(n) Revenue from contracts with customers***

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Target Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

– the customer simultaneously receives and consumes the benefits provided by the Target Group's performance;

– the Target Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

– the Target Group's performance does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

*Provision of building construction services*

The Target Group provides building construction services to the customers. When the progress towards complete satisfaction of the performance obligations of a contract can be measured reasonably, revenue from building construction services are recognised using the percentage of completion method, measured by reference to the proportion that contract costs incurred for work performed to date to the estimated total costs for the contracts.

When the progress towards complete satisfaction of the performance obligations of a contract cannot be measured reasonably, revenue is recognised only to the extent of contract costs incurred that is expected to be recoverable.

*Contract assets/liabilities*

The Target Group has rights to consideration from customers for the provision of building construction services. Contract assets arise when the Target Group has right to consideration for completion of building construction services and not billed under the relevant contracts, and their right is conditioned on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivables when such right become unconditional other than the passage of time. Remaining rights and performance obligations in a particular contract is accounted for and presented on a net basis, as either a contract asset or a contract liability. If the progress payment exceeds the revenue recognised to date, then the Target Group recognises a contract liabilities for the difference.

***(o) Interest revenue***

Interest revenue is recognised on a time-proportion basis using the effective interest method.

***(p) Employee benefits***

*(i) Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

*(ii) Pension obligations*

The Target Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Target Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Target Group to the funds.

*(iii) Termination benefits*

Termination benefits are recognised at the earlier of the dates when the Target Group can no longer withdraw the offer of those benefits and when the Target Group recognises restructuring costs and involves the payment of termination benefits.

***(q) Taxation***

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss 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 Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Target 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.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target Group intends to settle its current tax assets and liabilities on a net basis.

*(r)* ***Related parties***

A related party is a person or entity that is related to the Target Group.

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

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

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

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

B) An entity is related to the Target Group if any of the following conditions applies:

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group. If the Target Group is itself such a plan, the sponsoring employers are also related to the Target Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

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

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

***(s) Segment reporting***

Operating segments, and the amounts of each segment item reported in this Historical Financial Information, are identified from the financial information provided regularly to the Target Group's executive director, being the chief operating decision maker, for the purposes of allocating resources to, and assessing the performance of, the Target Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

***(t) Impairment of assets***

At the end of each reporting period, the Target Group reviews the carrying amounts of its assets except receivables 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 any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit 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 (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash- generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

***(u) Provisions and contingent liabilities***

Provisions are recognised for liabilities of uncertain timing or amount when the Target Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

***(v) Events after the reporting period***

Events after the reporting period that provide additional information about the Target Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

## 5. Key estimates

***Key sources of estimation uncertainty***

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

*(a) Revenue and profit recognition*

The Target Group estimated the percentage of completion of the construction contracts by reference to the proportion that contract costs incurred for work performed to date to the estimated total costs for the contracts. When the final cost incurred by the Target Group is different from the amounts that were initially budgeted, such differences will impact the revenue and profit or loss recognised in the period in which such determination is made. Budget cost of each project will be reviewed periodically and revised accordingly where significant variances are noted during the revision.

*(b) Impairment loss for bad and doubtful debts*

The Target Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade receivables and other receivables and contract assets, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade receivables and other receivables and contract assets and doubtful debt expenses in the year in which such estimate has been changed.

**6. Financial risk management**

The Target Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Target Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance.

***a) Foreign currency risk***

The Target Group has minimal exposure to currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Target Group entities. The Target Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Target Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

***b) Credit risk***

The carrying amount of the cash and bank balances, trade receivables, contract assets, deposits and other receivables included in the consolidated statement of financial position represents the Target Group's maximum exposure to credit risk in relation to the Target Group's financial assets.

It has policies in place to ensure that the Target Group entered construction contract with customers with an appropriate credit history.

The Target Group has certain concentration of credit risk to its trade receivables and contract assets as the Target Group's two largest customers shared all of the trade receivables and contract assets at 30 September 2019.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Target Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;

– actual or expected significant changes in the operating results of the debtor;

– significant increases in credit risk on other financial instruments of the same debtor;

– significant changes in the expected performance and behaviour of the debtors, including changes in the payment status of debtors.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Target Group. The Target Group normally categorises a receivable for write off when the Target Group determine that the debtor does not have assets or source of income that could generate sufficient cash flow to repay the amounts subject to write-off. Where receivables have been written off, the Target Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

***c) Interest rate risk***

The Target Group's exposure to interest-rate risk arises from its bank deposits. These deposits bear interests at variable rates varied with the then prevailing market condition.

***d) Liquidity risk***

The Target Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Target Group's financial liabilities is as follows:

| | **Carrying amounts** | **Within 1 year or on demand** |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| At 30 September 2019 | | |
| Trade and other payables | 79,433 | 79,433 |

*e) Categories of financial instruments*

| | As at 30 September 2019 |
|---|---|
| | *RMB'000* |
| **Financial assets:** | |
| Financial assets at amortised cost (including cash and cash equivalents) | 7,722 |
| **Financial liabilities:** | |
| Financial liabilities at amortised cost | 79,433 |

*f) Fair value*

The carrying amounts of the Target Group's financial assets and financial liabilities as reflected in the combined statement of financial position approximate their respective fair values.

**7. Operating segment reporting**

*(a) Reportable segments*

The Target Group only has one reportable segment, i.e. building construction, in its operations. Therefore, no reportable segment information has been presented for the Target Group's profit or loss, assets and liabilities.

*(b) Information about major customers*

Revenue from each major customer which accounted for 10% or more of the Target Group's revenue for the Relevant Period, is set out below:

| | Period from 11 September 2019 (date of incorporation of the Target Company) to 30 September 2019 |
|---|---|
| | *RMB'000* |
| Building construction segment: | |
| Customer A | 2,747 |
| Customer B | 744 |

No geographical information has been presented as all of the Target Group's revenue is generated from operating activities carried out in the PRC.

**8. Revenue**

| | Period from 11 September 2019 (date of incorporation of the Target Company) to 30 September 2019 |
|---|---|
| | *RMB'000* |
| Revenue from contracts with customers: | |
| – Contract works for building constructions | 3,491 |

All revenue from contracts with customers are recognised over time.

***Construction service fee income***

The Target Group provides construction services to the customers. When the progress towards complete satisfaction of the performance obligations of a construction contract can be measured reasonably, revenue from the contract and the contract costs are recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract. This method provides the most reliable estimate of the percentage of completion.

When the progress towards complete satisfaction of the performance obligations of a construction contract cannot be measured reasonably, revenue is recognised only to the extent of contract costs incurred that is expected to be recoverable.

The customers pay the contract prices to the Target Group according to the payment schedules as stipulated in the contracts. If the service rendered by the Target Group exceeds the payments, a contract asset is recognised. If the payments exceed the service rendered, a contract liability is recognised.

**9. Finance costs**

| | **Period from 11 September 2019 (date of incorporation of the Target Company) to 30 September 2019** |
|---|---|
| | *RMB'000* |
| Interest expenses on lease liabilities | 2 |

**10. Income tax expense**

| | Period from 11 September 2019 (date of incorporation of the Target Company) to 30 September 2019 |
|---|---|
| | *RMB'000* |
| Current tax – PRC Enterprises Income Tax | |
| – Provision for the period | 61 |

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Target Group's entities operate, based on existing legislation, interpretation and practices in respect thereof.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Target Group's entities established in the PRC is 25%. The EIT Law and Implementation Regulation of the EIT Law also required withholding tax to be levied on distribution of profits earned by a PRC entity to non-PRC tax residents for profits generated after 1 January 2008. The applicable dividend withholding tax rate is 10%.

The reconciliation between the income tax expense and the profit before tax is as follows:

| | Period from 11 September 2019 (date of incorporation of the Target Company) to 30 September 2019 |
|---|---|
| | *RMB'000* |
| Profit before tax | 2,455 |
| Tax at PRC Enterprises Income Tax rate of 25% | 614 |
| Tax effect of income that is not taxable | (553) |
| Total income tax expense | 61 |

## 11. Profit for the period

The Target Group's profit for the period during the Relevant Period is stated after charging the following:

| | Period from 11 September 2019 (date of incorporation of the Target Company) to 30 September 2019 |
|---|---|
| | *RMB'000* |
| Auditor's remuneration | – |
| Director's emoluments | – |
| Depreciation of right-of-use assets | 48 |
| Staff costs including director's emoluments: | |
| – Salaries, bonus and allowances | 19 |
| – Retirement benefits scheme contributions | 6 |
| | 25 |

## 12. Director and five highest paid individual emoluments

### *(a) Director's emoluments*

*For the period from 11 September 2019 (date of incorporation of the Target Company) to 30 September 2019*

| | **Salaries, allowance and other benefits** | **Retirement benefit scheme contributions** | **Total** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Ms. Yang Xue | – | – | – |

### *(b) Five highest paid individual emoluments*

For the period from 11 September 2019 (date of incorporation of the Target Company) to 30 September 2019, the emoluments of the 5 highest paid individuals were as follows:

| | **Period from 11 September 2019 (date of incorporation of the Target Company) to 30 September 2019** |
|---|---|
| | *RMB'000* |
| Salaries, allowances and other benefits in kind | 17 |
| Retirement benefit scheme contributions | 6 |
| | 23 |

Their emoluments fell within the following bands:

| | Period from 11 September 2019 (date of incorporation of the Target Company) to 30 September 2019 |
|---|---|
| Nil to HK$1,000,000 | 5 |

*(c)* No emoluments have been paid by the Target Group to the director or the five highest paid individuals as an inducement to join or upon joining the Target Group as compensation for loss of office during the Relevant Period. No director has waived or agreed to waive any emoluments during the Relevant Period.

**13. Retirement benefit schemes**

The employees of the Target Group's entities established in the PRC are members of a central pension scheme operated by the local municipal government. These entities are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these entities. The only obligation of these entities with respect to the central pension scheme is to meet the required contributions under the scheme.

**14. Earnings per share**

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

**15. Dividends**

No dividend was paid or declared by the Target Company since its incorporation, or by other Target Group's entities during the Relevant Period.

**16. Intangible assets**

| | **Backlogs** |
|---|---|
| | *RMB'000* |
| Cost and carrying amount | |
| Acquired on acquisition of a subsidiary *(note 27)* | 5,194 |
| At 30 September 2019 | 5,194 |

The backlogs represent a series of uncompleted buildings construction contracts. The remaining amortisation period of the backlogs ranged from 1 to 2 years.

**17. Right-of-use assets**

***Disclosures of lease-related items:***

| | **As at 30 September 2019** |
|---|---|
| | *RMB'000* |
| Right-of-use assets | |
| – Plant and machinery | 1,216 |
| The maturity analysis, based on undiscounted cash flows, of the Target Group's lease liabilities is as follows: | |
| – Less than 1 year | 1,262 |

| | Period from 11 September 2019 (date of incorporation of the Target Company) to 30 September 2019 |
|---|---|
| | *RMB'000* |
| Depreciation charge of right-of-use assets | |
| – Plant and machinery | 48 |
| Interest expenses on lease liabilities | 2 |
| Expenses related to leases of low-value assets that are not short-term leases | 1 |
| Total cash outflow for leases | 1 |
| Additions to right-of-use assets | – |

The Target Group leases various plant and machinery. Lease agreements are typically made for fixed periods of one to two years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

**18. Contract assets and contract liabilities**

***Disclosures of revenue-related items:***

| | **As at 30 September 2019** |
|---|---|
| | *RMB'000* |
| Contract assets – construction | 55,939 |
| Contract liabilities – construction | 7,288 |
| Contract receivables (included in trade receivables) | 5,307 |

There were no impairment losses recognised on any contract assets during the Relevant Period.

Transaction prices allocated to performance obligations unsatisfied at end of period and expected to be recognised as revenue in:

| | **As at 30 September 2019** |
|---|---|
| | *RMB'000* |
| – 2019 | 43,562 |
| – 2020 | 264,914 |
| – 2021 | 17,214 |
| | 325,690 |

***Significant changes in contract assets and contract liabilities during the period:***

| | Period from 11 September 2019 (date of incorporation of the Target Company) to 30 September 2019 | |
|---|---|---|
| | **Contract assets** | **Contract liabilities** |
| | *RMB'000* | *RMB'000* |
| Increase due to operations in the period | 2,747 | – |
| Increase due to business combinations *(note 27)* | 53,192 | (7,451) |
| Transfer of contract liabilities to revenue | – | 744 |
| Consideration received from customer | – | (581) |

**19. Trade receivables**

| | **As at 30 September 2019** |
|---|---|
| | *RMB'000* |
| Trade receivables | 5,307 |

The Target Group's trade receivables represent progress billings receivables from contract customers. The general credit terms of trade receivables were within 14 days. Application for progress payment of contract works is made on a regular basis.

The aging analysis of trade receivables, based on the invoice dates, and net of allowance, is as follows:

| | **As at 30 September 2019** |
|---|---|
| | *RMB'000* |
| Within 30 days | 2,462 |
| 31-60 days | – |
| 61-90 days | 2,845 |
| | 5,307 |

There were no impairment losses recognised on trade receivables during the Relevant Period as those balances were subsequently settled.

**20. Prepayments, deposits and other receivables**

| | **As at 30 September 2019** |
|---|---|
| | *RMB'000* |
| Prepayments to suppliers and sub-contractors | 25,462 |
| Deposits | 36 |
| Other tax recoverables | 59 |
| Other receivables | 63 |
| | 25,620 |

### 21. Cash and bank balances

As at 30 September 2019, all of the cash and bank balances of the Target Group are denominated in Renminbi ("RMB"). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

### 22. Trade and other payables

| | **As at 30 September 2019** |
|---|---|
| | *RMB'000* |
| Trade payables | 38,242 |
| Deposits from a sub-contractor | 18,256 |
| Consideration payable *(note)* | 20,000 |
| Other payables | 2,662 |
| Accrued staff costs | 273 |
| | 79,433 |

*Note:* The balance represented the consideration payable in connection with the acquisition of Jiangwei Shaanxi (note 27)

The aging analysis of trade payables, based on the invoice date, is as follows:

| | **As at 30 September 2019** |
|---|---|
| | *RMB'000* |
| Within 30 days | 17,040 |
| 31-60 days | 3,465 |
| 61-90 days | 7,533 |
| 91-180 days | 5,102 |
| 181-365 days | 5,047 |
| Over 365 days | 55 |
| | 38,242 |

**23. Lease liabilities**

| | As at 30 September 2019 | |
|---|---|---|
| | **Lease payments** | **Present value of lease payments** |
| | *RMB'000* | *RMB'000* |
| Within one year | 1,262 | 1,245 |
| In the second to fifth years, inclusive | – | – |
| | 1,262 | 1,245 |
| *Less:* Future finance charges | (17) | |
| Present value of lease liabilities | 1,245 | |
| *Less:* Amount due for settlement within 12 months (shown under current liabilities) | | (1,245) |
| Amount due for settlement after 12 months | | – |

**24. Deferred tax liabilities**

| | **Fair value adjustments of intangible assets** |
|---|---|
| | *RMB'000* |
| Acquired on acquisition of a subsidiary *(note 27)* | 1,299 |
| At 30 September 2019 | 1,299 |

### 25. Paid up capital/issued share capital

The paid up capital/issued share capital of the Target Group as at 30 September 2019 represented the combined share capital of the Target Company and paid up capital of Jiangwei Beijing.

| | **Total Fame** *(note i)* | | **Jiangwei Beijing** *(note ii)* | **Combined paid up capital/issued share capital** |
|---|---|---|---|---|
| | *US$* | *RMB'000* | *RMB'000* | *RMB'000* |
| Registered capital/authorised share capital | 50,000 | | 10,000 | |
| Paid-up capital/issued share capital: | | | | |
| – At the beginning and the end of the period | | – | – | – |

*Notes:*

i) On 11 September 2019, Total Fame was incorporated in the BVI with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each.

No share was issued by Total Fame up to 30 September 2019.

ii) On 28 August 2019, Jiangwei Beijing was established in the PRC with registered capital of RMB10,000,000.

No capital was injected yet up to 30 September 2019.

The Target Group's objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

**26. Note to consolidated statement of cash flows**

The following table shows the Target Group's changes in liabilities arising from financing activities during the Relevant Period:

| | **Lease liabilities** |
|---|---|
| | *RMB'000* |
| At 11 September 2019 (Date of incorporation of the Target Company) | – |
| Changes in cash flows | |
| Non-cash changes | |
| – acquisition of a subsidiary *(note 27)* | 1,243 |
| – interest charged | 2 |
| At 30 September 2019 | 1,245 |

**27. Acquisition of a subsidiary**

On 31 August 2019, the Target Group entered into a sales and purchase agreement with the vendor to acquire 100% equity interest in Shaanxi Jiangwei Construction Projects Company Limited ("Jiangwei Shaanxi") for a cash consideration of RMB20,000,000. The acquisition transaction was completed on 24 September 2019. Jiangwei Shaanxi was engaged in building construction works.

The fair value of the identifiable assets and liabilities of Jiangwei Shaanxi acquired as at its date of acquisition is as follows:

| | *RMB'000* |
|---|---|
| Net assets acquired: | |
| Intangible assets | 5,194 |
| Right-of-use assets | 1,264 |
| Contract assets | 53,192 |
| Trade receivables | 12,197 |
| Prepayments, deposits and other receivables | 25,620 |
| Cash and bank balances | 466 |
| Contract liabilities | (7,451) |
| Trade and other payables | (61,858) |
| Current tax liabilities | (3,872) |
| Lease liabilities | (1,243) |
| Deferred tax liabilities | (1,299) |
| | 22,210 |
| Gain on bargain purchase | (2,210) |
| Total consideration | 20,000 |
| Satisfied by cash *(note)* | 20,000 |
| Net cash inflow arising on acquisition: | |
| – Cash and cash equivalents acquired | 466 |

*Note:* As at 30 September 2019, the cash consideration is not yet settled.

The fair value of the trade and other receivables acquired is approximately RMB12,197,000. The gross amount due under the contracts is RMB12,197,000.

The Target Group recognised a gain on bargain purchase of RMB2,210,000 in the business combination. The business combination results in a gain on bargain purchase because the vendor had the intention to exit from the investments in Jiangwei Shaanxi due to lack of sufficient funding for continuous development of the business.

Jiangwei Shaanxi contributed approximately RMB3,491,000 and RMB184,000 to the Target Group's revenue and profit for the year respectively for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 11 September 2019 (date of incorporation of the Target Company), total revenue of the Target Group for the year would have been approximately RMB9,974,000, and profit for the year would have been approximately RMB526,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Target Group that actually would have been achieved had the acquisition been completed on 11 September 2019, nor is intended to be a projection of future results.

## 28. Investments in subsidiaries

| | **As at 30 September 2019** |
|---|---|
| | *RMB'000* |
| Unlisted investments, at cost | – |

The particulars of the Target Company's subsidiaries as at 30 September 2019 are as below:

| **Subsidiary's name** | **Place of incorporation/ registration/ operations** | **Paid up registered capital/issued share capital** | **Percentage of equity interests held by the Target Company** | **Principal activities** |
|---|---|---|---|---|
| | | | **Indirect** | |
| Jiangwei (Beijing) Enterprises Management Company Limited 江威(北京)企業管理有限公司 | PRC | Nil | 100% | Investment holding |
| Shaanxi Jiangwei Construction Projects Company Limited 陝西江威建築工程有限公司 | PRC | RMB6,830,000 | 100% | Building construction services |

## 29. Related party disclosures

The key management personnel remuneration included director's remuneration as disclosed in note 12 to the combined financial statements.

## 30. Contingent liabilities

As at 30 September 2019, the Target Group did not have any significant contingent liabilities.

## 31. Subsequent financial statements

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 30 September 2019.

*The following is the text of a report set out on pages III-1 to III-37 received from the independent reporting accountants, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this circular. It is prepared and addressed to the directors of the Company pursuant to the requirements of HKSIR 200, Accountants' Report on Historical Financial Information in Investment Circulars, issued by the Hong Kong Institute of Certified Public Accountants.*

中汇 ZHONGHUI

**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA BEST GROUP HOLDING LIMITED**

**Introduction**

We report on the historical financial information of Shaanxi Jiangwei Construction Projects Company Limited ("Jiangwei Shaanxi") set out on pages III-5 to III-37, which comprises the statements of financial position of Jiangwei Shaanxi as at 31 December 2016, 2017 and 2018 and 30 September 2019, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of Jiangwei Shaanxi for each of the three years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2019 (the "Relevant Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages III-5 to III-37 forms an integral part of this report, which has been prepared for inclusion in the circular of China Best Group Holding Limited dated 31 March 2020 (the "Circular") in connection with the proposed acquisition of entire equity interests in Total Fame Holdings Limited (the "Target Company").

**Director's responsibility for the Historical Financial Information**

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

**Reporting accountants' responsibility**

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Jiangwei Shaanxi's financial position as at 31 December 2016, 2017 and 2018 and 30 September 2019, and of Jiangwei Shaanxi's financial performance and cash flows for the Relevant Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

**Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of Jiangwei Shaanxi which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows of Jiangwei Shaanxi for the nine months ended 30 September 2018 and other explanatory information (the "Stub Period Comparative Financial Information"). The director of Jiangwei Shaanxi is responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

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

***Adjustments***

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

**ZHONGHUI ANDA CPA Limited**
*Certified Public Accountants*
**Sze Lin Tang**
Practising Certificate Number P03614

Hong Kong, 31 March 2020

## HISTORICAL FINANCIAL INFORMATION OF JIANGWEI SHAANXI

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 Jiangwei Shaanxi for the Relevant Period in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA (the "Underlying Financial Statements"). We have performed our independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

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

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|---|
| | | **2016** | **2017** | **2018** | **2018** | **2019** |
| | *Notes* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | | (unaudited) | |
| **Revenue** | *8* | – | – | 87,879 | 40,070 | 136,131 |
| Cost of services | | – | – | (80,569) | (36,695) | (124,762) |
| **Gross profit** | | – | – | 7,310 | 3,375 | 11,369 |
| Interest revenue | | – | – | 2 | 1 | 6 |
| Administrative expenses | | (64) | (36) | (1,107) | (544) | (1,748) |
| Finance costs | *9* | – | – | (49) | (25) | (81) |
| **(Loss)/profit before tax** | | (64) | (36) | 6,156 | 2,807 | 9,546 |
| Income tax expense | *10* | – | – | (1,544) | (704) | (2,389) |
| **(LOSS)/PROFIT AND TOTAL COMPREHENSIVE (EXPENSE)/ INCOME FOR THE YEAR/ PERIOD** | *11* | (64) | (36) | 4,612 | 2,103 | 7,157 |

## STATEMENTS OF FINANCIAL POSITION

| | | As at 31 December | | | 30 September |
|---|---|---|---|---|---|
| | | 2016 | 2017 | 2018 | 2019 |
| | *Notes* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **NON-CURRENT ASSET** | | | | | |
| Right-of-use assets | *16* | – | – | 3,075 | 1,216 |
| | | – | – | 3,075 | 1,216 |
| **CURRENT ASSETS** | | | | | |
| Contract assets | *17* | – | – | 35,987 | 55,939 |
| Trade receivables | *18* | – | – | 5,665 | 5,307 |
| Prepayments, deposits and other receivables | *19* | – | – | 4,383 | 25,620 |
| Cash and bank balances | *20* | 36 | 1 | 383 | 2,316 |
| | | 36 | 1 | 46,418 | 89,182 |
| **CURRENT LIABILITIES** | | | | | |
| Contract liabilities | *17* | – | – | – | 7,288 |
| Trade and other payables | *21* | – | 1 | 38,923 | 59,433 |
| Current tax liabilities | | – | – | 1,544 | 3,933 |
| Lease liabilities | *22* | – | – | 2,481 | 1,245 |
| | | – | 1 | 42,948 | 71,899 |
| **NET CURRENT ASSETS** | | 36 | – | 3,470 | 17,283 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 36 | – | 6,545 | 18,499 |
| **NON-CURRENT LIABILITIES** | | | | | |
| Lease liabilities | *22* | – | – | 613 | – |
| | | – | – | 613 | – |
| **NET ASSETS** | | 36 | – | 5,932 | 18,499 |
| **CAPITAL AND RESERVES** | | | | | |
| Paid up capital | *23* | 100 | 100 | 1,420 | 6,830 |
| Reserves | | (64) | (100) | 4,512 | 11,669 |
| **TOTAL EQUITY** | | 36 | – | 5,932 | 18,499 |

**STATEMENTS OF CHANGES IN EQUITY**

| | **Paid up capital** | **Retained profits** | **Total equity** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2016 | 100 | – | 100 |
| Loss and total comprehensive expense for the year | – | (64) | (64) |
| At 31 December 2016 | 100 | (64) | 36 |
| At 1 January 2017 | 100 | (64) | 36 |
| Loss and total comprehensive expense for the year | – | (36) | (36) |
| At 31 December 2017 | 100 | (100) | – |
| At 1 January 2018 | 100 | (100) | – |
| Capital injection | 1,320 | – | 1,320 |
| Profit and total comprehensive income for the year | – | 4,612 | 4,612 |
| At 31 December 2018 | 1,420 | 4,512 | 5,932 |
| At 1 January 2019 | 1,420 | 4,512 | 5,932 |
| Capital injection | 5,410 | – | 5,410 |
| Profit and total comprehensive income for the period | – | 7,157 | 7,157 |
| At 30 September 2019 | 6,830 | 11,669 | 18,499 |
| At 1 January 2018 | 100 | (100) | – |
| Capital injection (unaudited) | 600 | – | 600 |
| Profit and total comprehensive income for the period (unaudited) | – | 2,103 | 2,103 |
| At 30 September 2018 (unaudited) | 700 | 2,003 | 2,703 |

## STATEMENTS OF CASH FLOWS

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2018 | 2019 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| (Loss)/profit before tax | (64) | (36) | 6,156 | 2,807 | 9,546 |
| Adjustments for: | | | | | |
| Interest revenue | – | – | (2) | (1) | (6) |
| Finance costs | – | – | 49 | 25 | 81 |
| Depreciation of right-of-use assets | – | – | 659 | 295 | 1,859 |
| Operating (loss)/profit before working capital changes | (64) | (36) | 6,862 | 3,126 | 11,480 |
| (Increase)/decrease in trade receivables | – | – | (5,665) | (54) | 358 |
| Increase in prepayments, deposits and other receivables | – | – | (4,383) | (2,819) | (21,237) |
| Increase in contract assets | – | – | (35,987) | (15,795) | (19,952) |
| Increase in contract liabilities | – | – | – | – | 7,288 |
| Increase in trade and other payables | – | 1 | 38,922 | 16,713 | 20,510 |
| Cash (used in)/generated from operations | (64) | (35) | (251) | 1,171 | (1,553) |
| Income tax paid | – | – | – | – | – |
| **Net cash (used in)/generated from operating activities** | (64) | (35) | (251) | 1,171 | (1,553) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Interest received | – | – | 2 | 1 | 6 |
| **Net cash generated from investing activities** | – | – | 2 | 1 | 6 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Capital injection from owners of the Company | – | – | 1,320 | 600 | 5,410 |
| Repayment of lease liabilities | – | – | (689) | (309) | (1,930) |
| **Net cash generated from financing activities** | – | – | 631 | 291 | 3,480 |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | (64) | (35) | 382 | 1,463 | 1,933 |
| Cash and cash equivalents at beginning of year/period | 100 | 36 | 1 | 1 | 383 |
| **Cash and cash equivalents at end of year/period** | 36 | 1 | 383 | 1,464 | 2,316 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | | | | |
| Cash and bank balances | 36 | 1 | 383 | 1,464 | 2,316 |

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. General information

Shaanxi Jiangwei Construction Projects Company Limited ("Jiangwei Shaanxi") is a limited liability company incorporated in the People Republic of China (the "PRC") on 28 August 2014. The registered office and the principal place of business of Jiangwei Shaanxi is located at Room 19, 3F, No. 10101, Building 13, No. 2199, Shibo Avenue, Chanba Ecological District, Xi'an, Shaanxi, the PRC.

During the Relevant Period, Jiangwei Shaanxi was engaged in building construction works in the PRC.

In the opinion of the director of Jiangwei Shaanxi, as at 30 September 2019, Jiangwei (Beijing) Enterprises Management Company Limited, a company incorporated in the PRC, is the immediate and ultimate parent, while Ms. Yang Xue is the ultimate controlling party of Jiangwei Shaanxi.

### 2. Basis of preparation and presentation of historical financial information

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

HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations.

### 3. Adoption of new and revised Hong Kong Financial Reporting Standards

During the Relevant Period, Jiangwei Shaanxi has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2019. Jiangwei Shaanxi has adopted HKFRS 15 "Revenue for contracts with customers", HKFRS 9 "Financial instruments" and HKFRS 16 "Leases" on a consistent basis through the Relevant Period.

Jiangwei Shaanxi has not early applied the new HKFRSs that have been issued but are not yet effective. The director anticipates that the new and revised HKFRSs will be adopted in the Historical Financial Information when they become effective.

| | |
|---|---|
| Amendments to HKFRS 3 | Definition of a Business [1] |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material [2] |
| Amendments to HKFRS 7, HKFRS 9 and HKAS 39 | Hedge Accounting Requirements [2] |
| HKFRS 17 | Insurance Contracts [3] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4] |

1 *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*

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 *No mandatory effective date is determined but is available for early adoption*

Jiangwei Shaanxi has already commenced an assessment of the impact of these new and revised HKFRSs. The director of Jiangwei Shaanxi anticipates that the application of new and revised HKFRSs will have no material impact on the result and the financial position of Jiangwei Shaanxi.

**4. Significant accounting policies**

The Historical Financial Information have been prepared under the historical cost convention.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the director to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the Historical Financial Information.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

### *(a) Foreign currency translation*

*i) Functional and presentation currency*

Items included in the financial statements of Jiangwei Shaanxi are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information is presented in Renminbi ("RMB"), which is Jiangwei Shaanxi's functional and presentation currency.

*ii) Transactions and balances in Jiangwei Shaanxi's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

***(b) Leasing***

*Jiangwei Shaanxi as lessee*

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by Jiangwei Shaanxi. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

| | |
|---|---|
| Plant and machinery | 50% – 80% |

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise Jiangwei Shaanxi's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$5,000.

***(c) Recognition and derecognition of financial instruments***

Financial assets and financial liabilities are recognised in the statement of financial position when Jiangwei Shaanxi becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; Jiangwei Shaanxi transfers substantially all the risks and rewards of ownership of the assets; or Jiangwei Shaanxi neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

***(d) Financial assets***

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of Jiangwei Shaanxi are classified as financial assets at amortised cost.

*Financial assets at amortised cost*

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

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

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

***(e) Loss allowances for expected credit losses***

Jiangwei Shaanxi recognises loss allowances for expected credit losses on financial assets at amortised cost and contract assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, Jiangwei Shaanxi measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables and contract assets, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables and contract assets) has not increased significantly since initial recognition, Jiangwei Shaanxi measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

***(f) Cash and cash equivalents***

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of Jiangwei Shaanxi's cash management are also included as a component of cash and cash equivalents.

***(g) Financial liabilities and equity instruments***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of Jiangwei Shaanxi after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

***(h) Trade and other payables***

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

***(i) Equity instruments***

Equity instruments issued by Jiangwei Shaanxi are recorded at the proceeds received, net of direct issue costs.

***(j) Revenue from contracts with customers***

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

Jiangwei Shaanxi recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

– the customer simultaneously receives and consumes the benefits provided by Jiangwei Shaanxi's performance;

– Jiangwei Shaanxi's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

– Jiangwei Shaanxi's performance does not create an asset with an alternative use to Jiangwei Shaanxi and Jiangwei Shaanxi has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

*Provision of building construction services*

Jiangwei Shaanxi provides building construction services to the customers. When the progress towards complete satisfaction of the performance obligations of a contract can be measured reasonably, revenue from building construction services are recognised using the percentage of completion method, measured by reference to the proportion that contract costs incurred for work performed to date to the estimated total costs for the contracts.

When the progress towards complete satisfaction of the performance obligations of a contract cannot be measured reasonably, revenue is recognised only to the extent of contract costs incurred that is expected to be recoverable.

*Contract assets/liabilities*

Jiangwei Shaanxi has rights to consideration from customers for the provision of building construction services. Contract assets arise when Jiangwei Shaanxi has right to consideration for completion of building construction services and not billed under the relevant contracts, and their right is conditioned on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivables when such right become unconditional other than the passage of time. Remaining rights and performance obligations in a particular contract is accounted for and presented on a net basis, as either a contract asset or a contract liability. If the progress payment exceeds the revenue recognised to date, then Jiangwei Shaanxi recognises a contract liability for the difference.

***(k) Interest revenue***

Interest revenue is recognised on a time-proportion basis using the effective interest method.

***(l) Employee benefits***

*(i) Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

*(ii) Pension obligations*

Jiangwei Shaanxi contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by Jiangwei Shaanxi and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by Jiangwei Shaanxi to the funds.

*(iii) Termination benefits*

Termination benefits are recognised at the earlier of the dates when Jiangwei Shaanxi can no longer withdraw the offer of those benefits and when Jiangwei Shaanxi recognises restructuring costs and involves the payment of termination benefits.

***(m) Taxation***

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss 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. Jiangwei Shaanxi's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits 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.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and Jiangwei Shaanxi intends to settle its current tax assets and liabilities on a net basis.

***(n) Related parties***

A related party is a person or entity that is related to Jiangwei Shaanxi.

A) A person or a close member of that person's family is related to Jiangwei Shaanxi if that person:

(i) has control or joint control over Jiangwei Shaanxi;

(ii) has significant influence over Jiangwei Shaanxi; or

(iii) is a member of the key management personnel of Jiangwei Shaanxi or of a parent of Jiangwei Shaanxi.

B) An entity is related to Jiangwei Shaanxi if any of the following conditions applies:

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either Jiangwei Shaanxi or an entity related to Jiangwei Shaanxi. If Jiangwei Shaanxi is itself such a plan, the sponsoring employers are also related to Jiangwei Shaanxi.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

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

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to Jiangwei Shaanxi or to a parent of Jiangwei Shaanxi.

***(o) Segment reporting***

Operating segments, and the amounts of each segment item reported in this Historical Financial Information, are identified from the financial information provided regularly to Jiangwei Shaanxi's executive directors, being the chief operating decision maker, for the purposes of allocating resources to, and assessing the performance of, Jiangwei Shaanxi's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

***(p) Impairment of assets***

At the end of each reporting period, Jiangwei Shaanxi reviews the carrying amounts of its assets except receivables 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 any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, Jiangwei Shaanxi estimates the recoverable amount of the cash generating unit to which the asset belongs.

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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit 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 (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

***(q) Provisions and contingent liabilities***

Provisions are recognised for liabilities of uncertain timing or amount when Jiangwei Shaanxi has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

***(r) Events after the reporting period***

Events after the reporting period that provide additional information about Jiangwei Shaanxi's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

**5. Key estimates**

***Key sources of estimation uncertainty***

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

*(a) Revenue and profit recognition*

Jiangwei Shaanxi estimated the percentage of completion of the construction contracts by reference to the proportion that contract costs incurred for work performed to date to the estimated total costs for the contracts. When the final cost incurred by Jiangwei Shaanxi is different from the amounts that were initially budgeted, such differences will impact the revenue and profit or loss recognised in the period in which such determination is made. Budget cost of each project will be reviewed periodically and revised accordingly where significant variances are noted during the revision.

*(b) Impairment loss for bad and doubtful debts*

Jiangwei Shaanxi makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables and contract assets, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and contract assets and doubtful debt expenses in the year in which such estimate has been changed.

**6. Financial risk management**

Jiangwei Shaanxi's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. Jiangwei Shaanxi's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Jiangwei Shaanxi's financial performance.

***a) Foreign currency risk***

Jiangwei Shaanxi has minimal exposure to currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of Jiangwei Shaanxi. Jiangwei Shaanxi currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. Jiangwei Shaanxi will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

***b) Credit risk***

The carrying amount of the cash and bank balances, trade receivables, contract assets and deposit and other receivables included in the statements of financial position represents Jiangwei Shaanxi's maximum exposure to credit risk in relation to Jiangwei Shaanxi's financial assets.

It has policies in place to ensure that Jiangwei Shaanxi entered construction contract with customers with an appropriate credit history.

Jiangwei Shaanxi has certain concentration of credit risk to its trade receivables and contract assets as Jiangwei Shaanxi's two largest customers shared all of the trade receivables and contract assets at 31 December 2018 and 30 September 2019.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Jiangwei Shaanxi considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;

– actual or expected significant changes in the operating results of the debtor;

– significant increases in credit risk on other financial instruments of the same debtor;

– significant changes in the expected performance and behaviour of the debtors, including changes in the payment status of debtors.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with Jiangwei Shaanxi. Jiangwei Shaanxi normally categorises a receivable for write off when Jiangwei Shaanxi determine that the debtor does not have assets or source of income that could generate sufficient cash flow to repay the amounts subject to write-off. Where receivables have been written off, Jiangwei Shaanxi, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

***c) Interest rate risk***

Jiangwei Shaanxi's exposure to interest-rate risk arises from its bank deposits. These deposits bear interests at variable rates varied with the then prevailing market condition.

***d) Liquidity risk***

Jiangwei Shaanxi's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of Jiangwei Shaanxi's financial liabilities is as follows:

| | Carrying amounts | Within 1 year or on demand |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| At 31 December 2016 | | |
| Jiangwei Shaanxi did not have financial liability as at 31 December 2016. | | |
| At 31 December 2017 | | |
| Trade and other payables | 1 | 1 |
| At 31 December 2018 | | |
| Trade and other payables | 38,923 | 38,923 |
| At 30 September 2019 | | |
| Trade and other payables | 59,433 | 59,433 |

***e) Categories of financial instruments***

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2019** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Financial assets:** | | | | |
| Financial assets at amortised cost (including cash and cash equivalents) | 36 | 1 | 6,142 | 7,722 |
| **Financial liabilities:** | | | | |
| Financial liabilities at amortised cost | – | 1 | 38,923 | 59,433 |

***f) Fair value***

The carrying amounts of Jiangwei Shaanxi's financial assets and financial liabilities as reflected in the statements of financial position approximate their respective fair values.

## 7. Operating segment reporting

### *(a) Reportable segments*

Jiangwei Shaanxi only has one reportable segment, i.e. building construction, in its operations. Therefore, no reportable segment information has been presented for Jiangwei Shaanxi's profit or loss, assets and liabilities.

### *(b) Information about major customers*

Revenue from each major customer which accounted for 10% or more of Jiangwei Shaanxi's revenue for each of the Relevant Period, is set out below:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2018** | **2019** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(note i)* | *(note i)* | | (unaudited) | |
| Building construction segment: | | | | | |
| Customer A | N/A | N/A | 87,879 | 40,070 | 107,131 |
| Customer B *(Note ii)* | N/A | N/A | N/A | N/A | 29,000 |

*Notes:*

i. Jiangwei Shaanxi did not derive any revenue during each of the two years ended 31 December 2016 and 2017.

ii. Revenue from this customer did not exceed 10% of total revenue of the year ended 31 December 2018 and of the nine months ended 30 September 2018.

No geographical information has been presented as all of Jiangwei Shaanxi's revenue is generated from operating activities carried out in the PRC.

## 8. Revenue

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2018** | **2019** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | (unaudited) | |
| Revenue from contracts with customers: | | | | | |
| – Contract works for building constructions | – | – | 87,879 | 40,070 | 136,131 |

All revenue from contracts with customers are recognised over time.

***Construction service fee income***

Jiangwei Shaanxi provides construction services to the customers. When the progress towards complete satisfaction of the performance obligations of a construction contract can be measured reasonably, revenue from the contract and the contract costs are recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract. This method provides the most reliable estimate of the percentage of completion.

When the progress towards complete satisfaction of the performance obligations of a construction contract cannot be measured reasonably, revenue is recognised only to the extent of contract costs incurred that is expected to be recoverable.

The customers pay the contract prices to Jiangwei Shaanxi according to the payment schedules as stipulated in the contracts. If the service rendered by Jiangwei Shaanxi exceeds the payments, a contract asset is recognised. If the payments exceed the service rendered, a contract liability is recognised.

## 9. Finance costs

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2018** | **2019** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Interest expenses on lease liabilities | – | – | 49 | 25 | 81 |

## 10. Income tax expense

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2018** | **2019** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Current tax – PRC Enterprises Income Tax – Provision for the year/period | – | – | 1,544 | 704 | 2,389 |

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of Jiangwei Shaanxi is 25%. However, no provision was made for the each of the two years ended 31 December 2016 and 2017 as Jiangwei Shaanxi did not have assessable profits for those years.

The reconciliation between the income tax expense and the (loss)/profit before tax is as follows:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2018** | **2019** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| (Loss)/profit before tax | (64) | (36) | 6,156 | 2,807 | 9,546 |
| Tax at PRC Enterprises Income Tax rate of 25% | (16) | (9) | 1,539 | 702 | 2,387 |
| Tax effect of expenses that are not deductible | 16 | 9 | – | – | – |
| Others | – | – | 5 | 2 | 2 |
| Total income tax expense | – | – | 1,544 | 704 | 2,389 |

## 11. (Loss)/profit for the year/period

Jiangwei Shaanxi's (loss)/profit for the year/period during the Relevant Period is stated after charging the following:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2018** | **2019** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Auditor's remuneration | – | – | – | – | – |
| Director's emoluments | 34 | 28 | 241 | 166 | 261 |
| Supervisor's emoluments | – | – | – | – | – |
| Depreciation of right-of-use assets | – | – | 659 | 295 | 1,859 |
| Staff costs including director's and supervisor's emoluments: | | | | | |
| – Salaries, bonus and allowances | 64 | 36 | 467 | 271 | 743 |
| – Retirement benefits scheme contributions | – | – | 195 | 60 | 251 |
| | 64 | 36 | 662 | 331 | 994 |

## 12. Director, supervisor and five highest paid individual emoluments

### (a) *Director's and supervisor's emoluments*

*For the year ended 31 December 2016*

| | Salaries, allowance and other benefits | Retirement benefit scheme contributions | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Director | | | |
| Mr. Wang Li Ye | 34 | – | 34 |
| Supervisor | | | |
| Mr. Yue Jun | – | – | – |

*For the year ended 31 December 2017*

| | Salaries, allowance and other benefits | Retirement benefit scheme contributions | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Director | | | |
| Mr. Wang Li Ye *(note)* | 28 | – | 28 |
| Mr. Li Jun Qu *(note)* | – | – | – |
| | 28 | – | 28 |
| Supervisor | | | |
| Mr. Yue Jun *(note)* | – | – | – |
| Mr. He Zhen Yu *(note)* | – | – | – |
| | – | – | – |

*For the year ended 31 December 2018*

| | Salaries, allowance and other benefits | Retirement benefit scheme contributions | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Director | | | |
| Mr. Li Jun Qu | 182 | 59 | 241 |
| Supervisor | | | |
| Mr. He Zhen Yu | – | – | – |

*For the nine months ended 30 September 2018*

| | Salaries, allowance and other benefits | Retirement benefit scheme contributions | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| | (unaudited) | (unaudited) | (unaudited) |
| Director | | | |
| Mr. Li Jun Qu | 128 | 38 | 166 |
| Supervisor | | | |
| Mr. He Zhen Yu | – | – | – |

*For the nine months ended 30 September 2019*

| | Salaries, allowance and other benefit | Retirement benefit scheme contributions | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Director | | | |
| Mr. Li Jun Qu | 197 | 64 | 261 |
| Supervisor | | | |
| Mr. He Zhen Yu | – | – | – |

*Note:* On 26 December 2017, Mr. Wang Li Ye resigned as director of Jiangwei Shaanxi while Mr. Li Jun Qu was appointed as director of Jiangwei Shaanxi, and Mr. Yue Jun resigned as supervisor of Jiangwei Shaanxi while Mr. He Zhen Yu was appointed as supervisor of Jiangwei Shaanxi.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, there is no relationship (i.e. existing or prior, expressed or implied) among Mr. Wang Li Ye, Mr. Yue Jun, Mr. Li Jun Qu, Mr. He Zhen Yu, Ms. Yang, Mr. Zhao, Beijing Kaiyitong and the Company and its connected persons (as defined under the Listing Rules).

***(b) Five highest paid individual emoluments***

For each of the three years ended 31 December 2016, 2017 and 2018 and for each of the nine months ended 30 September 2018 and 2019, the highest paid individuals included 1 director whose emoluments are included in the disclosure above. The emoluments of the remaining one individual for each of the two years ended 31 December 2016, 2017 and the remaining four individuals for the year ended 31 December 2018 and for each of the nine months ended 30 September 2018 and 2019 were as follows:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2018** | **2019** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Salaries, allowances and other benefits in kind | 64 | 36 | 202 | 93 | 485 |
| Retirement benefit scheme contributions | – | – | 56 | 25 | 175 |
| | 64 | 36 | 258 | 118 | 660 |

Their emoluments fell within the following bands:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2016** (*note*) | **2017** (*note*) | **2018** | **2018** (unaudited) | **2019** |
| Nil to HK$1,000,000 | 1 | 1 | 4 | 4 | 4 |

*Note:* For each of the two years ended 31 December 2016, 2017, Jiangwei Shaanxi only had 2 employees (including the director).

***(c)*** No emoluments have been paid by Jiangwei Shaanxi to the director or supervisor or the five (2016 & 2017: two) highest paid individuals as an inducement to join or upon joining Jiangwei Shaanxi as compensation for loss of office during the Relevant Period. No director and supervisor have waived or agreed to waive any emoluments during the Relevant Period.

### 13. Retirement benefit schemes

The employees of Jiangwei Shaanxi are members of a central pension scheme operated by the local municipal government in the PRC. Jiangwei Shaanxi is required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of Jiangwei Shaanxi. The only obligation of Jiangwei Shaanxi with respect to the central pension scheme is to meet the required contributions under the scheme.

### 14. Earnings per share

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

### 15. Dividends

No dividend was paid or declared by Jiangwei Shaanxi during the Relevant Period.

### 16. Right-of-use assets

Disclosures of lease-related items:

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2019** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Right-of-use assets | | | | |
| – Plant and machinery | – | – | 3,075 | 1,216 |
| The maturity analysis, based on undiscounted cash flows, of Jiangwei Shaanxi's lease liabilities is as follows: | | | | |
| – Less than 1 year | – | – | 2,574 | 1,262 |
| – Between 1 and 2 years | – | – | 618 | – |
| | – | – | 3,192 | 1,262 |

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2018 | 2019 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Depreciation charge of right-of-use assets – Plant and machinery | – | – | 659 | 295 | 1,859 |
| Interest expenses on lease liabilities | – | – | 49 | 25 | 81 |
| Expenses related to leases of low-value assets that are not short-term leases | – | – | 34 | 25 | 19 |
| Total cash outflow for leases | – | – | 723 | 334 | 1,949 |
| Additions to right-of-use assets | – | – | 3,734 | 1,472 | – |

Jiangwei Shaanxi leases various plant and machinery. Lease agreements are typically made for fixed periods of one to two years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

## 17. Contract assets and contract liabilities

Disclosures of revenue-related items:

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Contract assets – construction | – | – | 35,987 | 55,939 |
| Contract liabilities – construction | – | – | – | 7,288 |
| Contract receivables (included in trade receivables) | – | – | 5,665 | 5,307 |

There were no impairment losses recognised on any contract assets during the Relevant Period.

Transaction prices allocated to performance obligations unsatisfied at end of year/period and expected to be recognised as revenue in:

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| – 2019 | – | – | 179,693 | 43,562 |
| – 2020 | – | – | 264,914 | 264,914 |
| – 2021 | – | – | 17,214 | 17,214 |
| | – | – | 461,821 | 325,690 |

Significant changes in contract assets and contract liabilities during the year/period:

| | Year ended 31 December | | | | | | Nine months ended 30 September | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | | 2017 | | 2018 | | 2019 | |
| | Contract assets | Contract liabilities | Contract assets | Contract liabilities | Contract assets | Contract liabilities | Contract assets | Contract liabilities |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Increase due to operations in the year/period | – | – | – | – | 59,007 | – | 107,131 | – |
| Transfer of contract assets to receivables | – | – | – | – | (23,020) | – | (79,844) | – |
| Transfer of contract liabilities to revenue | – | – | – | – | 28,872 | – | – | 29,000 |
| Consideration received from customer | – | – | – | – | (28,872) | – | (7,335) | (36,288) |

## 18. Trade receivables

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables | – | – | 5,665 | 5,307 |

Jiangwei Shaanxi's trade receivables represent progress billings receivables from contract customers. The general credit terms of trade receivables were within 14 days. Application for progress payment of contract works is made on a regular basis.

The aging analysis of trade receivables, based on the invoice dates, and net of allowance, is as follows:

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 30 days | – | – | 5,000 | 2,462 |
| 31-60 days | – | – | 665 | – |
| 61-90 days | – | – | – | 2,845 |
| | – | – | 5,665 | 5,307 |

There were no impairment losses recognised on trade receivables during the Relevant Period as those balances were subsequently settled.

## 19. Prepayments, deposits and other receivables

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Prepayments to suppliers and sub-contractors | – | – | 2,782 | 25,462 |
| Deposits | – | – | 3 | 36 |
| Other tax recoverables | – | – | 1,507 | 59 |
| Other receivables | – | – | 91 | 63 |
| | – | – | 4,383 | 25,620 |

## 20. Cash and bank balances

As at 31 December 2016, 2017 and 2018 and 30 September 2019, all of the cash and bank balances of Jiangwei Shaanxi are denominated in Renminbi ("RMB"). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

## 21. Trade and other payables

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade payables | – | – | 16,388 | 38,242 |
| Deposits from a sub-contractor | – | – | 22,326 | 18,256 |
| Other payables | – | 1 | 150 | 2,662 |
| Accrued staff costs | – | – | 59 | 273 |
| | – | 1 | 38,923 | 59,433 |

The aging analysis of trade payables, based on the invoice date, is as follows:

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 30 days | – | – | 11,162 | 17,040 |
| 31 – 60 days | – | – | 4,057 | 3,465 |
| 61 – 90 days | – | – | – | 7,533 |
| 91 – 180 days | – | – | 1,169 | 5,102 |
| 181 – 365 days | – | – | – | 5,047 |
| Over 365 days | – | – | – | 55 |
| | – | – | 16,388 | 38,242 |

## 22. Lease liabilities

| | Lease payments | | | | Present value of lease payments | | | |
|---|---|---|---|---|---|---|---|---|
| | As at 31 December | | | As at 30 September | As at 31 December | | | As at 30 September |
| | 2016 | 2017 | 2018 | 2019 | 2016 | 2017 | 2018 | 2019 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within one year | – | – | 2,574 | 1,262 | – | – | 2,481 | 1,245 |
| In the second to fifth years, inclusive | – | – | 618 | – | – | – | 613 | – |
| | – | – | 3,192 | 1,262 | – | – | 3,094 | 1,245 |
| *Less:* Future finance charges | – | – | (98) | (17) | | | | |
| Present value of lease liabilities | – | – | 3,094 | 1,245 | | | | |
| *Less:* Amount due for settlement within 12 months (shown under current liabilities) | | | | | – | – | (2,481) | (1,245) |
| Amount due for settlement after 12 months | | | | | – | – | 613 | – |

### 23. Capital

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Registered capital | 20,000 | 20,000 | 20,000 | 20,000 |
| Paid-up capital: | | | | |
| At the beginning of the year/period | 100 | 100 | 100 | 1,420 |
| Capital injection | – | – | 1,320 | 5,410 |
| At the end of the year/period | 100 | 100 | 1,420 | 6,830 |

During the year ended 31 December 2018 and the nine months ended 30 September 2019, the shareholder of Jiangwei Shaanxi injected capital to Jiangwei Shaanxi totally amounted to RMB1,320,000 and RMB5,410,000 respectively.

As at 27 March 2020, being the latest practicable date prior to the printing of the Circular, the paid-up capital of Jiangwei Shaanxi amounted to RMB7,020,000.

Jiangwei Shaanxi's objectives when managing capital are to safeguard Jiangwei Shaanxi's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

### 24. Note to statements of cash flows

The following table shows Jiangwei Shaanxi's changes in liabilities arising from financing activities during the Relevant Period:

| | **Lease liabilities** |
|---|---|
| | *RMB'000* |
| At 1 January 2016, 31 December 2016, 31 December 2017 and 1 January 2018 | – |
| Changes in cash flows | (689) |
| Non-cash changes | |
| – additions | 3,734 |
| – interest charged | 49 |
| At 31 December 2018 and 1 January 2019 | 3,094 |
| Changes in cash flows | (1,930) |
| Non-cash changes | |
| – interest charged | 81 |
| At 30 September 2019 | 1,245 |
| At 1 January 2018 | – |
| Changes in cash flows (unaudited) | (309) |
| Non-cash changes | |
| – additions (unaudited) | 1,472 |
| – interest charged (unaudited) | 25 |
| At 30 September 2018 (unaudited) | 1,188 |

### 25. Related party disclosures

The key management personnel remuneration included director's remuneration as disclosed in note 12 to the financial statements.

### 26. Contingent liabilities

As at 31 December 2016, 2017 and 2018 and 30 September 2019, Jiangwei Shaanxi did not have any significant contingent liabilities.

### 27. Subsequent financial statements

No audited financial statements have been prepared by Jiangwei Shaanxi in respect of any period subsequent to 30 September 2019.

Save for Jiangwei Shaanxi, other members of the Target Group are investment holding companies and they have no material asset or liability and have not carried out any business operation since their incorporation in August or September 2019. Jiangwei Shaanxi was acquired by Jiangwei Beijing in September 2019.

Set out below is the management discussion and analysis of Jiangwei Shaanxi for the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2019. The following financial information is based on the financial information of Jiangwei Shaanxi as set out in Appendix III to this circular.

## FOR THE YEAR ENDED 31 DECEMBER 2016 AND 2017

### Business and Financial Review

Jiangwei Shaanxi had no material asset or liability and had not carried out any business operation for the two years ended 31 December 2016 and 2017.

### Charges of Assets

Jiangwei Shaanxi did not have any charges of assets as at 31 December 2016 and 2017, respectively.

### Contingent Liabilities

Jiangwei Shaanxi did not have any material contingent liability as at 31 December 2016 and 2017, respectively.

### Capital Commitments

Jiangwei Shaanxi did not have any capital commitment as at 31 December 2016 and 2017, respectively.

### Employees

Jiangwei Shaanxi had 7 employees as at 31 December 2016 and 2017, respectively.

The total remunerations paid to Jiangwei Shaanxi's employees for the year ended 31 December 2016 and 2017 were approximately RMB64,000 and RMB36,000, respectively.

The employees were remunerated based on their working performance and experience, with consideration to the prevailing market conditions.

**Foreign Currency Exposure and Hedging**

Jiangwei Shaanxi operates its business in the PRC only, and all of the transactions are denominated in RMB. Jiangwei Shaanxi therefore had minimal exposure to foreign exchange risk as RMB is the main currency used during the two years ended 31 December 2016 and 2017. No financial instruments were employed by Jiangwei Shaanxi for hedging purpose during the aforesaid periods.

**Significant Investment, Material Acquisition and Disposal**

Jiangwei Shaanxi did not have any significant investment, material acquisition or disposal for the two years ended 31 December 2016 and 2017.

**FOR THE YEAR ENDED 31 DECEMBER 2018**

**Business and Financial Review**

Jiangwei Shaanxi commenced its formal businesses operation in 2018. It entered into four projects construction contracts in 2018 and the construction of two projects were commenced during 2018. For the year ended 31 December 2018, Jiangwei Shaanxi recorded a revenue of approximately RMB87,879,000, as compared to nil revenue for the year ended 31 December 2017. The increase in revenue was mainly attributable to the commencement of construction of two projects, which generated revenue for the year ended 31 December 2018.

For the year ended 31 December 2018, Jiangwei Shaanxi recorded a gross profit of approximately RMB7,310,000, as compared to nil gross profit for the year ended 31 December 2017. The increase in gross profit was mainly attributable to the commencement of construction of two projects in 2018. The gross profit margin was approximately 8%.

For the year ended 31 December 2018, Jiangwei Shaanxi recorded a net profit after taxation of approximately RMB4,612,000, as compared to a net loss after taxation of approximately RMB36,000 for the year ended 31 December 2017. The turnaround of net profit after taxation was mainly attributable to the commencement of construction of two projects in 2018.

**Liquidity, Financial Resources and Capital Structure**

As at 31 December 2018, the net current assets of Jiangwei Shaanxi was approximately RMB3,470,000. The current ratio, representing current assets divided by current liabilities was approximately 1.08.

As at 31 December 2018, Jiangwei Shaanxi had cash and cash equivalents denominated in RMB amounted to approximately RMB383,000.

As at 31 December 2018, Jiangwei Shaanxi did not have any borrowings.

For the years ended 31 December 2018, Jiangwei Shaanxi funded its working capital mainly through capital injection from shareholders as well as the operating activities.

To manage liquidity risk, the management of Jiangwei Shaanxi regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

**Charges of Assets**

Jiangwei Shaanxi did not have any charges of assets as at 31 December 2018.

**Contingent Liabilities**

Jiangwei Shaanxi did not have any material contingent liability as at 31 December 2018.

**Capital Commitments**

Jiangwei Shaanxi did not have any capital commitment as at 31 December 2018.

**Employees**

Jiangwei Shaanxi had 7 employees as at 31 December 2018.

The total remunerations paid to Jiangwei Shaanxi's employees for the year ended 31 December 2018 was approximately RMB662,000.

The employees were remunerated based on their working performance and experience, with consideration to the prevailing market conditions.

### Foreign Currency Exposure and Hedging

Jiangwei Shaanxi operates its business in the PRC only, and all of the transactions are denominated in RMB. Jiangwei Shaanxi therefore had minimal exposure to foreign exchange risk as RMB is the main currency used during the year ended 31 December 2018. No financial instruments were employed by Jiangwei Shaanxi for hedging purpose during the aforesaid period.

### Significant Investment, Material Acquisition and Disposal

Jiangwei Shaanxi did not have any significant investment, material acquisition or disposal for the year ended 31 December 2018.

## FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

### Business and Financial Review

During the period for the nine months ended 30 September 2019, Jiangwei Shaanxi entered into two new project construction contracts and it had a total of six contracts as at 30 September 2019. For the nine months ended 30 September 2019, Jiangwei Shaanxi recorded a revenue of approximately RMB136,131,000, representing an increase of 239.73% as compared to that of RMB40,070,000 for the nine months ended 30 September 2018. The increase in revenue was mainly attributable to the commencement of construction of four projects during the period, including the two projects from 2018.

For the nine months ended 30 September 2019, Jiangwei Shaanxi recorded a gross profit of approximately RMB11,369,000, representing an increase of 236.86% as compared to that of RMB3,375,000 for the nine months ended 30 September 2018. The gross profit margin remained the same at approximately 8% as compared to the nine months ended 30 September 2018.

For the nine months ended 30 September 2019, Jiangwei Shaanxi recorded a net profit after taxation of approximately RMB7,157,000, representing an increase of 240.32% as compared to that of approximately RMB2,103,000 for the nine months ended 30 September 2018. The increase in net profit after taxation was mainly attributable to the four ongoing construction projects as discussed above.

**Liquidity, Financial Resources and Capital Structure**

As at 30 September 2019, the net current assets of Jiangwei Shaanxi was approximately RMB17,283,000. The current ratio, representing current assets divided by current liabilities was approximately 1.24.

As at 30 September 2019, Jiangwei Shaanxi had cash and cash equivalents denominated in RMB amounted to approximately RMB2,316,000.

As at 30 September 2019, Jiangwei Shaanxi did not have any borrowings.

For the nine months ended 30 September 2019, Jiangwei Shaanxi funded its working capital mainly through capital injection from shareholders as well as the operating activities.

To manage liquidity risk, the management of Jiangwei Shaanxi regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

**Charges of Assets**

Jiangwei Shaanxi did not have any charges of assets as at 30 September 2019.

**Contingent Liabilities**

Jiangwei Shaanxi did not have any material contingent liability as at 30 September 2019.

**Capital Commitments**

Jiangwei Shaanxi did not have any capital commitment as at 30 September 2019.

**Employees**

Jiangwei Shaanxi had 17 employees as at 30 September 2019.

The total remunerations paid to Jiangwei Shaanxi's employees for the nine months ended 30 September 2019 was approximately RMB994,000.

The employees were remunerated based on their working performance and experience, with consideration to the prevailing market conditions.

**Foreign Currency Exposure and Hedging**

Jiangwei Shaanxi operates its business in the PRC only, and all of the transactions are denominated in RMB. Jiangwei Shaanxi therefore had minimal exposure to foreign exchange risk as RMB is the main currency used during the nine months ended 30 September 2019. No financial instruments were employed by Jiangwei Shaanxi for hedging purpose during the aforesaid period.

**Significant Investment, Material Acquisition and Disposal**

Jiangwei Shaanxi did not have any significant investment, material acquisition or disposal for the nine months ended 30 September 2019.

**Future Plans for Material Investments and Capital Assets**

As at the Latest Practicable Date, Jiangwei Shaanxi did not have plan for material investments and capital assets.

## A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The accompanying unaudited pro forma statement of assets and liabilities of the Enlarged Group (the "Statement") has been prepared to illustrate the effect of the proposed acquisition of 100% equity interest of the Target Company (the "Acquisition"), assuming the transaction had been completed as at 30 June 2019 that might have affected the financial position of the Enlarged Group.

The Statement is prepared based on (i) the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2019 as extracted from the interim report of the Group for the six months ended 30 June 2019; and (ii) the audited combined statement of financial position of the Target Group as at 30 September 2019 as extracted from accountants' report set out in Appendix II to this circular, after making certain pro forma adjustments resulting from the Acquisition.

The Statement is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Statement, it may not give a true picture of the actual financial position of the Enlarged Group that would have been attained had the Acquisition actually occurred on 30 June 2019. Furthermore, the Statement does not purport to predict the Enlarged Group's future financial position.

The Statement should be read in conjunction with other financial information included elsewhere in the Circular.

**Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group**

| | The Group as at 30 June 2019 | Target Group as at 30 September 2019 | Pro forma adjustments | | Unaudited Pro forma total for the Enlarged Group |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Audited) | | | |
| | *Note 1* | *Note 2* | *Note 3* | *Note 4* | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 4,240 | – | | | 4,240 |
| Right of use assets | 21,939 | 1,349 | | | 23,288 |
| Investment properties | 131,278 | – | | | 131,278 |
| Goodwill | 65,121 | – | | 45,142 | 110,263 |
| Intangible assets | 811 | 5,766 | | | 6,577 |
| Interests in associates | 44,202 | – | | | 44,202 |
| Financial assets at fair value through profit or loss | 750 | – | | | 750 |
| Financial assets at fair value through other comprehensive income | 14,830 | – | | | 14,830 |
| Other loans receivables | 75,107 | – | | | 75,107 |
| Deposit for acquisition of a subsidiary | 30,000 | – | | | 30,000 |
| Regulatory deposits | 1,705 | – | | | 1,705 |
| Deferred tax assets | 8,673 | – | | | 8,673 |
| | 398,656 | 7,115 | | | 450,913 |
| **Current assets** | | | | | |
| Finance lease receivables | 32,588 | – | | | 32,588 |
| Loans and interest receivables | 448,418 | – | | | 448,418 |
| Other loan interest receivables | 2,367 | – | | | 2,367 |
| Trade and other receivables | 176,139 | 34,328 | | | 210,467 |
| Contract assets | – | 62,093 | | | 62,093 |
| Promissory note receivable | 90,000 | – | | | 90,000 |
| Financial assets at fair value through profit or loss | 2,145 | – | | | 2,145 |
| Pledged bank deposit | 58 | – | | | 58 |
| Bank balances and cash – trust and segregated accounts | 14,365 | – | | | 14,365 |
| Bank balances and cash – general accounts | 118,807 | 2,571 | | (56,000) | 65,378 |
| | 884,887 | 98,992 | | | 927,879 |

| | The Group as at 30 June 2019 | Target Group as at 30 September 2019 | Pro forma adjustments | | Unaudited Pro forma total for the Enlarged Group |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Audited) | | | |
| | *Note 1* | *Note 2* | *Note 3* | *Note 4* | |
| **Current liabilities** | | | | | |
| Trade and other payables | 34,431 | 88,171 | (22,200) | 14,000 | 114,402 |
| Contract liabilities | – | 8,089 | | | 8,089 |
| Lease liabilities | 15,060 | 1,382 | | | 16,442 |
| Tax liabilities | 7,890 | 4,366 | | | 12,256 |
| | 57,381 | 102,008 | | | 151,189 |
| **Net current assets/(liabilities)** | 827,506 | (3,016) | | | 776,690 |
| **Total assets less current liabilities** | 1,226,162 | 4,099 | | | 1,227,603 |
| **Non-current liabilities** | | | | | |
| Lease liabilities | 7,113 | – | | | 7,113 |
| Deferred tax liabilities | – | 1,441 | | | 1,441 |
| | 7,113 | 1,441 | | | 8,554 |
| **Net assets** | 1,219,049 | 2,658 | | | 1,219,049 |

**Notes to the Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group**

1. The balances have been extracted from the condensed consolidated statement of financial position as included in the interim report of the Company for the six months ended 30 June 2019.

2. The balances of the Target Group are extracted from the accountants' report as set out in Appendix II of the Circular. The presentation currency of Renminbi (RMB) was translated into Hong Kong Dollar (HKD) at a rate of RMB1 to HKD1.11.

3. Included in the balance of the trade and other payables of the Target Group was the consideration payable in connection with the acquisition of Jiangwei Shaanxi by the Target Group in September 2019 (''Consideration Payable'') amounted to RMB20,000,000. In November 2019, the Vendor injected RMB20,000,000 to the Target Group as additional paid up capital to Jiangwei Beijing and used for the settlement of the Consideration Payable. Therefore, the adjustment represents the capital paid up and settlement of the Consideration Payable of RMB20,000,000 (equivalent to approximately HK$22,200,000).

4. In accordance with Hong Kong Financial Reporting Standard 3 (Revised) ''Business Combinations'', the Group will apply the acquisition method to account for the Acquisition. In applying the acquisition method, the identifiable assets and liabilities of the Target Group will be recorded on the consolidated statement of financial position of the Group at their acquisition-date fair values.

   The adjustment represents the settlement of cash consideration of HK$70,000,000, of which HK$56,000,000 is to be paid upon the completion of the Acquisition and the remaining balance of HK$14,000,000 will be paid upon the issuance of profit confirmation notice regarding the requirement of the Guaranteed Profit of Jiangwei Shaanxi pursuant to the Agreement. It is assumed that the fair value of the financial assets arising from the Profit Guarantee and Adjustment is minimal.

The goodwill arising from the Acquisition represents the excess of the consideration of the Acquisition over the fair value of the identifiable assets and liabilities of the Target Group and is calculated as follows:

| | *HK$'000* |
|---|---|
| Carrying amount of identifiable assets and liabilities of the Target Group | 2,658 |
| Capitalisation of the consideration payable in connection with the acquisition of Jiangwei Shaanxi *(Note 3)* | 22,200 |
| Goodwill arising from the Acquisition | 45,142 |
| Consideration | 70,000 |
| Satisfied by: | |
| Cash consideration | 70,000 |

For the purpose of compilation of this unaudited pro forma financial information, the carrying amounts of the assets and liabilities of the Target Group as at 30 September 2019 are assumed to be the acquisition-date fair value of each of the identifiable assets and liabilities of the Target Group.

The Directors have assessed whether there is any impairment on the goodwill arising from the Acquisition in accordance with Hong Kong Accounting Standard ("HKAS") 36"Impairment of Assets" issued by the Hong Kong Institute of Certified Public Accountants. An impairment test involves the determination of the recoverable amount of the cash generating unit to which the goodwill arising from the Acquisition has been allocated ("CGU") which is determined based on fair value less cost of disposal. The Directors concluded that there is no impairment in respect of the CGU as the fair value less costs of disposal is in excess to the carrying amount of the CGU. The reporting accountants concurred with the Directors' assessment of impairment in the goodwill arising from the Acquisition in the Statement. The Directors will adopt consistent accounting policies and principal assumptions to assess the impairment of the CGU in subsequent reporting periods in accordance with the requirement of HKAS 36.

## B. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

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

ZHONGHUI ANDA CPA Limited
*Certified Public Accountants*

31 March 2020

The Board of Directors
China Best Group Holding Limited
26/F, World-Wide House,
19 Des Voeux Road Central,
Central, Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Best Group Holding Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 30 June 2019 (the "**Statement**") as set out on pages V-1 to V-5 of the circular issued by the Company dated 31 March 2020. The applicable criteria on the basis of which the directors have compiled the Statement are described on page V-1 in the Circular.

The Statement has been compiled by the directors to illustrate the impact of the proposed acquisition of 100% equity interest in Total Fame Holdings Limited as if the transaction had been taken place at 30 June 2019. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's condensed consolidated financial statements as included in the interim report of the Company for the six months ended 30 June 2019, on which no audit or review report has been published.

**Directors' Responsibility for the Statement**

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

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 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 Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Statement 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 Statement 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 accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Statement in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" 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 Statement, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Statement.

The purpose of the Statement included in the 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 30 June 2019 would have been as presented.

A reasonable assurance engagement to report on whether the Statement 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 Statement 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 Statement reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Statement has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Statement.

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 Statement 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 Statement as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

ZHONGHUI ANDA CPA Limited
*Certified Public Accountants*
**Sze Lin Tang**
*Practicing Certificate Number P03614*
Hong Kong

*The following is the text of a report dated 31 March 2020 prepared for the purpose of incorporation into this circular received from Roma Appraisals Limited in connection with its opinion on the market value of 100% equity interest in the Target Group as at 30 September 2019.*

ROMA

22/F, China Overseas Building,
139 Hennessy Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
http://www.romagroup.com

31 March 2020

**China Best Group Holding Limited**
26/F, World-Wide House,
19 Des Voeux Road Central,
Central, Hong Kong

Dear Sir/Madam,

**Re: Business Valuation of 100% Equity Interest in Total Fame Holdings Ltd. and its subsidiaries**

We refer to recent instructions from China Best Group Holding Limited (hereinafter referred to as the "Company") to us to conduct a business valuation on 100% equity interest in Total Fame Holdings Ltd. (hereinafter referred to as the "Target Company") and its subsidiaries (hereinafter together referred to as the "Target Group"), we are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing our valuation as at 30 September 2019 (hereinafter referred to as the "Date of Valuation").

This report states the purpose of valuation, scope of work, economic overview, industry overview, an overview of the Target Group, basis of valuation, investigation, valuation methodology, major assumptions, information reviewed, limiting conditions, remarks and presents our opinion of value.

## 1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. In addition, Roma Appraisals Limited (hereinafter referred to as "Roma Appraisals") acknowledges that this report may be made available to the Company for public documentation purpose only.

Roma Appraisals assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

## 2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and the information provided by the management of the Company, the management of the Target Group and/or their representative(s) (together referred to as the "Management").

In preparing this report, we have had discussions with the Management in relation to the development, operations and other relevant information of the Target Group. In arriving at our opinion of value, we have relied on the completeness, accuracy and representation of operational, financial and other pertinent data and information of the Target Group as provided by the Management to a considerable extent.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose. In case of any change in the assumptions, our opinion of value may vary materially.

## 3. ECONOMIC OVERVIEW

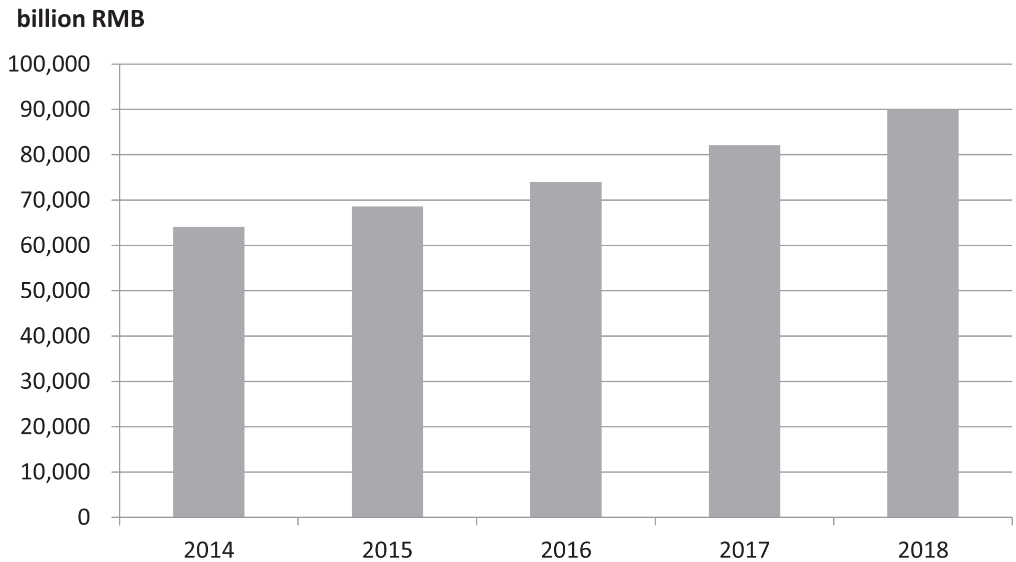
### 3.1 Overview of the Economy in China

According to the National Bureau of Statistics of China, the nominal gross domestic product ("GDP") of China in September 2019 was RMB69,780 billion, a year over year nominal increase of 7.9% comparing to September 2018. China was the largest economy in the world, in terms of nominal GDP measured by the International Monetary Fund ("IMF") in 2019. Despite the global financial crisis in late 2008, the Chinese economy continued to be supported by the Chinese government through spending in infrastructure and real estates.

Throughout 2009, the global economic downturn reduced foreign demand for Chinese exports for the first time in many years. The government vowed to continue reforming the economy and emphasized the need to increase domestic consumption in order to make China less dependent on foreign exports. China's economy rebounded quickly in 2010, outperforming all other major economies with robust GDP growth and the economy remained in strong growth since 2011.

Over the past five years from 2014 to 2018, compound annual growth rate of China's nominal GDP was 8.9%. An upward trend of China's nominal GDP was observed. Figure 1 illustrates the nominal GDP of China from 2014 to 2018.

**Figure 1 – China's Nominal GDP from 2014 to 2018**

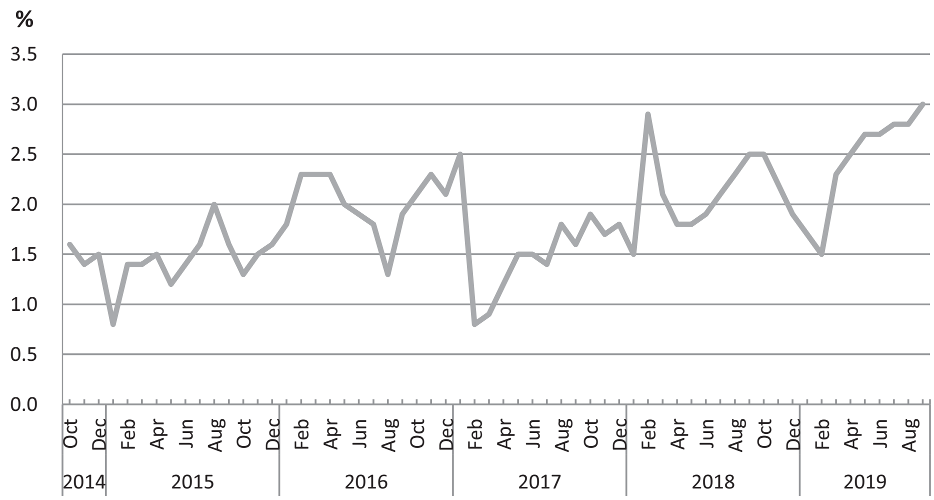



*Source: National Bureau of Statistics of China*

### 3.2 Inflation in China

Tackling inflation problem has long been the top priority of the Chinese government as high prices are considered as one of the causes of social unrest. For such a fast-growing economy, the middle-class' demand for food and commodities has been rising continuously. Inflation in China has been driven mainly by food prices, which have been stayed high in 2011. According to the National Bureau of Statistics of China, the consumer price index ("CPI") demonstrated an uptrend in the first half of 2011. Thanks to the government's policies in suppressing commodity prices, the year-over-year change in CPI dropped to 1.5% in December 2014. During first half of 2015, the year-over-year change in CPI maintained at around 0.8% to 1.5%, and fluctuated around 1.3% to 2.0% in second half of 2015. In 2016, the year-over-year change in CPI dropped from 2.3% in February to 1.3% in August, but rose in the later months and arrived at 2.1% in December. In 2017, the year-over-year change in CPI dropped from 2.5% in January to 0.8% in February and increased to 1.8% in December. In 2018, the year-over-year change in CPI reached its peak at 2.9% in February but fluctuated around 1.8% to 2.1% in the middle of the year, it then rose again to 2.5% in September and fell back to 1.9% in December. The figure in 2019 started out low at 1.5% in February, yet it was increased drastically in March to 2.3%, the increasing trend continued till September where the figure reached 3.0%. Figure 2 shows the year-over-year change in CPI of China from October 2014 to September 2019.

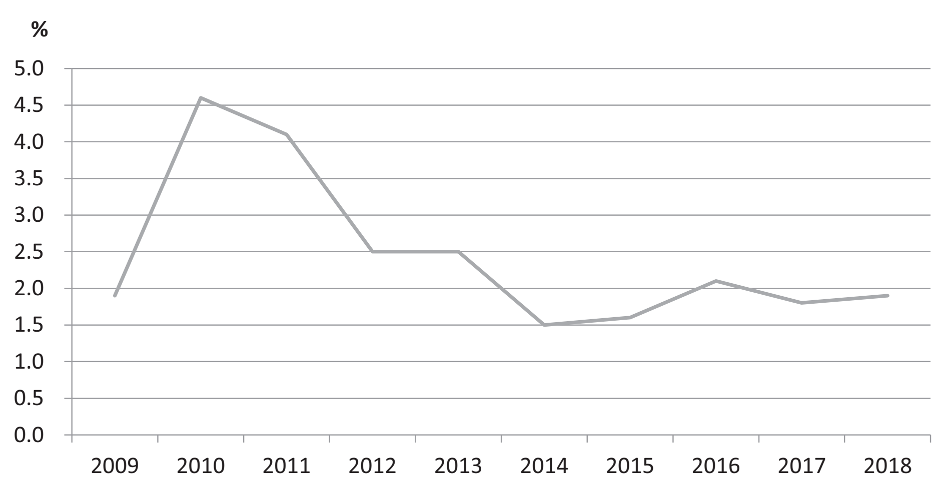
**Figure 2 – Year-over-year Change in China's CPI from October 2014 to September 2019**




*Source: Bloomberg*

China's inflation rate was volatile during the past decade. According to the IMF, the inflation rate in China increased from 2.8% in 2006 to 6.5% in 2007, and then dropped to 1.2% and 1.9% in 2008 and 2009 respectively. The inflation rate increased to 4.6% in 2010 and maintained at 4.1% in 2011. The inflation rate dropped again to 2.5% in 2012 and 2013, and further to 1.5% in 2014. The inflation rate has been fluctuating in recent years. It started to climb in 2015 and 2016 from 1.6% to 2.1%, then decreased in 2017 to 1.8%, eventually reaching 1.9% in 2018. According to IMF's forecast, the long-term inflation rate of China is expected to be around 3.0%. Figure 3 shows the historical trend of China's inflation rate from 2008 to 2018.

**Figure 3 – China's Inflation Rate from 2009 to 2018**




*Source: International Monetary Fund*

## 4. INDUSTRY OVERVIEW

### 4.1 Overview of the Construction Industry in China

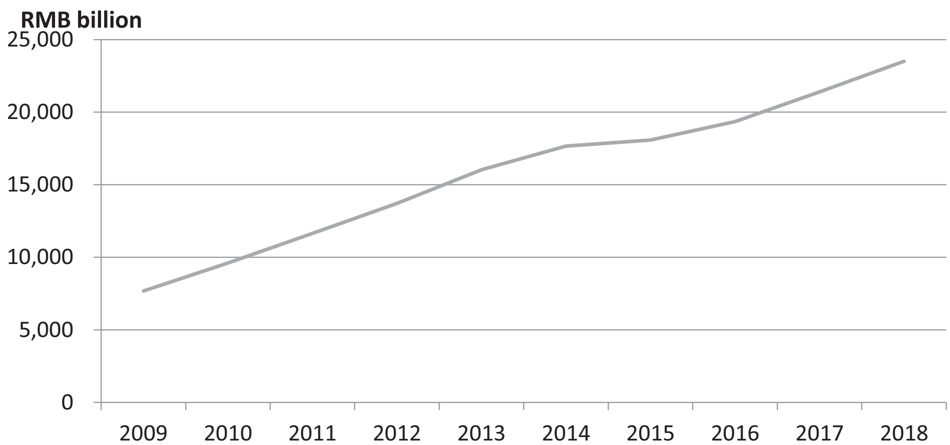
According to "Construction Industry Development Statistics 2018" published by China Construction Industry Association, in 2018, construction companies which were qualified general building contractors excluding subcontracted labor services in China, contributed a total output of RMB23,509 billion, an increase of 9.88% compared to that of 2017. While total completed output in 2018 increased to RMB12,079 billion, representing a 3.42% annual growth rate. For total contract sum, it rose by 12.49% and reached RMB49,441 billion thorough 2018, in which newly signed contract value totaled RMB27,285 billion which was 7.14% higher than that of 2017. At the end of 2018, the number of construction companies in China increased by 8.34% on a year-on-year basis to 95,400. In addition, the number of employees involved in the construction industry and the labor productivity with respect to total output of the construction industry in China were around 55.63 million and RMB373,187 per person correspondingly, representing annual increments of 0.48% and 7.40% respectively.

For the first half of 2019, with reference to "Construction Industry Development Statistics 2019 First Half" published by China Construction Industry Association, the total output of qualified general building contractors excluding subcontracted labor services in China was RMB10,162 billion, showing an increase of 9.88% compared to the same period of 2018 in which total completed output increased by 2.73% to RMB4,126 billion. For the first half of 2019, total contract sum was RMB36,398 billion, representing an annual increase of 8.53%, in which newly signed contract value totaled RMB12,031 billion which was 2.47% higher than that of 2018 first half. At the end of June 2019, there were 92,733 construction companies in China which was 7.84% more than that as at the end of June 2018. Besides, the number of employees involved in the industry in China expanded by 2.48% annually and reached 43.10 million by the end of 2019 first half. While labor productivity with respect to total output of the construction industry in China grew 8.61% annually and arrived at RMB221,424 per person.

### 4.2 Trend of the Construction Industry in China Over the Past Decade

According to the National Bureau of Statistics of China, total output of the construction industry in China grew from RMB7,681 billion in 2009 to RMB23,509 billion in 2018 with a compound annual growth rate of approximately 11.84%. Figure 4 shows the total output in relation to the construction industry from 2009 to 2018 with reference to the data obtained from the National Bureau of Statistics of China.

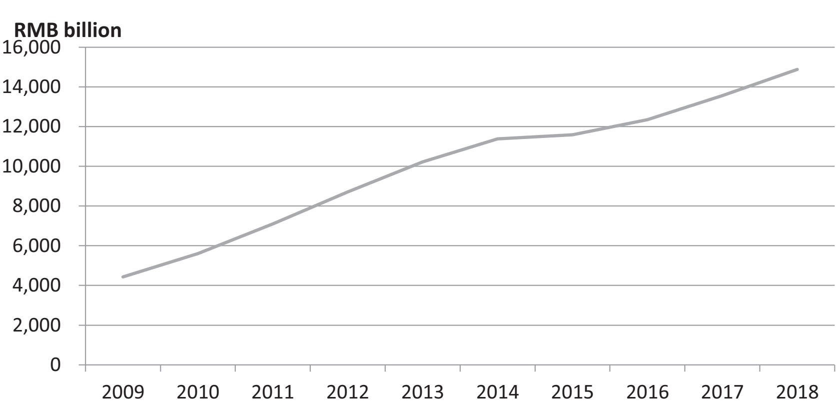
**Figure 4 – Total Output in Relation to the Construction Industry from 2009 to 2018**




*Source: National Bureau of Statistics of China*

In terms of residential building construction sector in China, there was a similar trend over the past decade compared to the overall construction industry in China. The total output of the relevant sector expanded steadily from RMB4,431 billion in 2009 to RMB14,883 billion in 2018. Figure 5 shows the total output in relation to the residential building construction sector from 2009 to 2018 with reference to the National Bureau of Statistics of China.

**Figure 5 – Total Output in Relation to the Residential Building Construction Sector from 2009 to 2018**




*Source: National Bureau of Statistics of China*

### 4.3 Forecast of the Construction Industry in China

According to "Construction in China - Key Trends and Opportunities to 2023" published by GlobalData, China's construction industry is expected to increase at a relatively slower pace over the forecast period from 2019 to 2023, as the government steadily shifts away from a policy of driving economic growth by investing huge sums in infrastructure developments. The double-digit growth in China's construction industry have long gone, with the authorities reining in excessive debt-driven investment in infrastructure and urban development, suggested by the study.

## 5. OVERVIEW OF THE TARGET GROUP

Total Fame Holdings Ltd. is a limited liability company incorporated in the British Virgin Islands in September 2019, which is owned as to 80% by Ms. Yang Xue and owed as to 20% by Mr. Zhao Guolin. It is an investment holding company. The Target Company through its wholly-owned subsidiaries holds 100% equity interest in Shaanxi Jiangwei Construction Projects Co., Ltd.* (hereinafter referred to as the "Target Subsidiary"). The Target Subsidiary is a limited liability company established in the People's Republic of China ("PRC") in August 2014, which principally engages in the business of projects construction contracting in the PRC.

As advised by the Management, the Target Company and its subsidiaries other than the Target Subsidiary have no material operation, assets and liabilities as at the Date of Valuation.

## 6. BASIS OF VALUATION

Our valuation is conducted on a market value basis. According to the International Valuation Standards established by the International Valuation Standards Council in 2017, **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".

## 7. INVESTIGATION

Our investigation included discussions with members of the Management in relation to the development, operations and other relevant information of the Target Group. In addition, we have made relevant inquiries and obtained further information and statistical figures regarding the economy in China as we considered necessary for the purpose of the valuation.

We have had discussions with the Management in relation to the development, operations and other relevant information of the Target Group. We have also consulted other sources of financial and business information. In arriving at our opinion of value, we have relied on the completeness, accuracy and representation of operational, financial and other pertinent data and information of the Target Group as provided by the Management to a considerable extent.

The valuation of the Target Group requires consideration of all pertinent factors, which may or may not affect the operation of the business and its ability to generate future investment returns. The factors considered in our valuation include, but are not necessarily limited to, the following:

- The business nature and prospect of the Target Group;
- The financial information of the Target Group;
- The economic outlook in general and the specific economic environment and market elements affecting the business, industry and market;
- Relevant licenses and agreements;
- The business risks of the Target Group such as the ability in maintaining competent technical and professional personnel; and
- Investment returns of entities engaged in similar lines of business.

## 8. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the market value of the Target Group, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

### 8.1 Market-Based Approach

The Market-Based Approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar business entities that have been sold recently.

The right transactions employed in analyzing indications of values need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

**8.2 Income-Based Approach**

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits. Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

**8.3 Asset-Based Approach**

The Asset-Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital ("equity and long term debt"). Under the Asset-Based Approach, the market value of equity of a business entity/group refers to the market values of various assets and liabilities on the statement of financial position of the business entity/group as at the measurement date, in which the market value of each asset and liability was determined by reasonable valuation approaches based on its nature.

**8.4 Business Valuation**

In the process of valuing the Target Group, we have taken into account of the operation and financial information of the Target Group and conducted discussions with the Management to understand the status and prospect of the Target Group and the industry it is participating. Also, we have considered the accessibility to available data in choosing among the valuation approaches.

The Income-Based Approach was not adopted because a lot of assumptions would have to be made and the valuation could be largely influenced by any inappropriate assumptions made. The Asset-Based Approach was also not adopted because it could not capture the future earning potential of the Target Group and therefore it could not reflect the market value of the Target Group. We have therefore considered the adoption of the Market-Based Approach in arriving at the market value of the Target Group.

By adopting the Market-Based Approach, we have to determine the appropriate valuation multiples of comparable companies, in which we have considered price-to-sales, price-to-earnings and price-to-book multiples. The operation of the Target Group and similar companies do not heavily depend on their assets hence the price-to-book multiples were not adopted. The price-to-sales multiples were not adopted because they could not fully capture the cost structure of the Target Group. Therefore, we have adopted the price-to-earnings ("P/E") multiple as we considered it as the most appropriate multiple in calculating the market value of the Target Group.

We adopted several listed companies with similar business nature and operations similar to those of the Target Group as comparable companies. The comparable companies were selected mainly with reference to the following selection criteria:

- The companies are principally engaged in construction contracting related businesses which contributed more than 50% of their total revenue in the financial years of 2017 and 2018;
- The companies have major operating segment in China;
- The companies have sufficient listing and operating histories; and
- The financial information of the companies is available to the public.

According to the aforementioned selection criteria and under best-effort basis, ten comparable companies were selected and adopted. Details of the exhaustive list of the comparable companies adopted based on our aforementioned selection criteria were illustrated as follows:

| Company Name | Stock Code | Listing Location | Business Description |
|---|---|---|---|
| Chongqing Construction Engineering Group Corporation Ltd. | 600939.CH | China | Chongqing Construction Engineering Group Corporation Ltd. is principally engaged in building construction engineering, infrastructure construction and investment. Building construction engineering businesses include public and civil building construction, mechanical and electrical installation engineering construction, and buildings decoration. Infrastructure construction and investment businesses include construction and investment of high-grade highways, highway roadbeds, pavements, bridges and tunnels. The company also involves in other businesses including manufacture and sales of construction machinery equipment, knits, components, steelworks and building materials. |
| Hebei Construction Group Corporation Ltd. | 1727.HK | Hong Kong | Hebei Construction Group Corporation Ltd. provides construction services. The company provides construction engineering, designing, steel structure, environmental protection, insulation, installation, pressure container fabrication, and project management services. The company serves customers in China. |
| Long Yuan Construction Group Co., Ltd. | 600491.CH | China | Long Yuan Construction Group Co., Ltd. undertakes various construction projects such as civil buildings, industrial buildings, municipal buildings, public facilities, and building decorations. |
| Shanghai Construction Group Co., Ltd. | 600170.CH | China | Shanghai Construction Group Co., Ltd. provides construction services. The company constructs residential buildings, industrial buildings, municipal buildings, public infrastructure facilities, and more. The company offers services worldwide. |
| Shenzhen Tagen Group Co., Ltd. | 000090.CH | China | Shenzhen Tagen Group Co., Ltd. undertakes a variety of construction projects including buildings, roads, bridges, tunnels, and other heavy construction projects. Through its subsidiaries, the company also operates in real estate development, property management, transportation, and construction materials manufacturing. |

| Company Name | Stock Code | Listing Location | Business Description |
|---|---|---|---|
| Beijing Dalong Weiye Real Estate Development Co., Ltd. | 600159.CH | China | Beijing Dalong Weiye Real Estate Development Co., Ltd. is a China-based company primarily engaged in the real estate development and construction business. The real estate development business mainly includes the development and sales of residential and commercial buildings. The construction business mainly includes the housing construction business. The company mainly operates its business in Shunyi District of Beijing, Zhongshan City of Guangdong, as well as Manzhouli city of Inner Mongolia Autonomous Region. |
| China State Construction Engineering Corporation Ltd. | 601668.CH | China | China State Construction Engineering Corporation Ltd. provides construction services. The company offers housing construction and other services. The company also operates real estate development and investment, infrastructure construction and investment, prospecting and designing, and other businesses. |
| China Haisum Engineering Co., Ltd. | 002116.CH | China | China Haisum Engineering Co., Ltd. is a China-based company principally engaged in engineering design, consulting, supervision and contracting business. The company serves various industries, including textile, construction, urban planning, commercial grain, electronic communications, chemical petrochemicals, machinery, agriculture, forestry, municipal utilities, electric power, environmental engineering, environmental impact assessment and others. The company conducts its businesses in domestic and overseas markets. |
| Jujiang Construction Group Co., Ltd. | 1459.HK | Hong Kong | Jujiang Construction Group Co., Ltd. is a construction company. The company focuses its effort in Zhejiang Province. |
| Baoye Group Co., Ltd. | 2355.HK | Hong Kong | Baoye Group Co., Ltd. undertakes and implements construction projects. The company also researches and develops, produces, and sells building materials. In addition, the company develops real estates. |

*Source: Bloomberg and Reuters*

The P/E multiples of the aforementioned comparable companies were listed as follows:

| **Company Name** | **Stock Code** | **P/E Multiple** |
|---|---|---|
| Chongqing Construction Engineering Group Corporation Ltd. | 600939.CH | 15.75 |
| Hebei Construction Group Corporation Ltd. | 1727.HK | 8.64 |
| Long Yuan Construction Group Co., Ltd. | 600491.CH | 12.10 |
| Shanghai Construction Group Co., Ltd. | 600170.CH | 8.29 |
| Shenzhen Tagen Group Co., Ltd. | 000090.CH | 11.23 |
| Beijing Dalong Weiye Real Estate Development Co., Ltd. | 600159.CH | 15.21 |
| China State Construction Engineering Corporation Ltd. | 601668.CH | 6.08 |
| China Haisum Engineering Co., Ltd. | 002116.CH | 14.47 |
| Jujiang Construction Group Co., Ltd. | 1459.HK | 3.14 |
| Baoye Group Company Ltd. | 2355.HK | 2.94 |
| **Median** | | **9.94** |

*Source: Bloomberg*

The P/E multiples of the comparable companies ranged from 2.94x to 15.75x. The P/E multiple adopted was the median of the P/E multiples of the above comparable companies as at the Date of Valuation as extracted from Bloomberg. The median of the P/E multiples of the comparable companies could minimize the effect brought by outliers and normally reflect a more relevant and representative value in the data set.

We obtained the estimated market value of the Target Group as at 30 September 2019 by applying the median P/E multiple to the trailing 12 months net profit of RMB9,666 thousand of the Target Group for the period from 1 October 2018 to 30 September 2019. The market value of the Target Group was then arrived by adjusting with the marketability discount, control premium and net non-operating assets.

The calculation details of the trailing 12 months net profit of the Target Group are as follows:

| | Notes | Year ended 31 December 2018 RMB'000 (A) | Nine months ended 30 September 2019 RMB'000 (B) | Nine months ended 30 September 2018 RMB'000 (unaudited) (C) | Year ended 30 September 2019 RMB'000 (unaudited) (A) + (B) – (C) |
|---|---|---|---|---|---|
| Operating (loss)/profit for the year/period | | 4,616 | 7,156 | 2,106 | 9,666 |

*Notes: Total figures may not sum up due to rounding.*

In calculating the trailing 12 months net profit of the Target Group, we have excluded the interest revenue and the one-off administrative penalty of Jiangwei Shaanxi due to non-operating/non-recurring in nature. The adopted income tax expense was derived from the actual effective rates for the year ended 31 December 2018, the nine months ended 30 September 2019 and 30 September 2018 respectively to arrive at the operating trailing 12 months net profit of approximately RMB9,666,000 of the Target Group.

As advised by the management of the Company and based on the financial information of the Target Group, the Target Company and Jiangwei Shaanxi, Jiangwei Shaanxi was the only operating subsidiary of Target Company within the Target Group in the trailing 12 months from 1 October 2018 to 30 September 2019 (the "**Date of Valuation**"). On individual company level, the Target Company and its subsidiaries other than Jiangwei Shaanxi have no material operation, assets and liabilities as at the Date of Valuation. Therefore the net profit of Jiangwei Shaanxi for the trailing 12 months from 1 October 2018 to 30 September 2019 could reasonably represent the net profit of the Target Group for the same period and hence the trailing 12 months net profit of Jiangwei Shaanxi was adopted in the calculation of the market value of the Target Group as at the Date of Valuation.

### 8.5 Marketability Discount and Control Premium

The marketability discount was the percentage difference between the private placement price per share and the market trading price per share. Compared to similar interest in public companies, ownership interest is not readily marketable for closely held companies. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. We have made reference to the result of the restricted stock study (the "Research") published in "Stout Restricted Stock Study 2019" by Stout Risius Ross, LLC, one of the national preeminent firms offering a broad range of financial advisory services to private and public companies.

According to the Research, a total of 751 private placement transactions of unregistered common stock issued by publicly traded companies from July 1980 through September 2019 were examined. With reference to the Research, we have adopted the median marketability discount for the 751 transactions of 15.80% in arriving at the market value of the Target Group as at the Date of Valuation. The median marketability discount was adopted to minimize effect of extreme data. This median figure was concluded in the Research and we have not adjusted nor selected the data.

In addition, as we are considering the market value of the Target Group from the perspective of controlling interest, the median control premium for international transaction of 28.80% has been adopted to reflect the higher marketability of a controlling interest compared to a minority interest with reference to the Mergerstat Control Premium Study (2nd Quarter 2018) (the "Study") published by FactSet Mergerstat, LLC., an independent information provider for merger and acquisition transaction data.

The median control premium was adopted to minimize effect of extreme data. The Study examined 100 transactions (comprising 57 U.S. transactions and 43 international transactions) whereby 50.01% or more of a company was acquired for the 2nd quarter of 2018. The control premium was the percentage difference between the purchase price per share and the market trading price per share unaffected by the acquisition announcement.

### 8.6 Calculation Details

The calculation details in arriving at the market value of the Target Group using the P/E multiple were illustrated as follows:

| | |
|---|---|
| Trailing 12-month Net Profit *(RMB'000)* | 9,666 |
| Multiplied by: Median P/E Multiple | 9.94 |
| Market Value of the Target Group before adjustments on Control Premium, Marketability Discount and Net Non-operating Assets *(RMB'000)* | 96,040 |
| Adjusted for Control Premium | (1 + 28.80%) |
| Add: Non-operating Assets/(Non-operating Liabilities) *(RMB'000)* | (20,761) |
| Adjusted for Marketability Discount | (1 – 15.80%) |
| Market Value of the Target Group *(RMB'000)* | 86,675 |
| **Market Value of the Target Group *(RMB'000)* (Rounded)** | **87,000** |

*Notes:* Total figures may not sum up due to rounding.

## 9. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in this valuation and they are:

- As advised by the Management, the Target Company is a holding company and the Target Subsidiary is the only operating subsidiary of the Target Company;

- As advised by the Management, the Target Company and its subsidiaries other than the Target Subsidiary have no material operation, assets and liabilities;

- As at the Date of Valuation, the Target Group's consolidated management accounts include a consideration payable ("Consideration Payable") of RMB20,000,000 in connection with the acquisition of the Target Subsidiary by the Target Group in September 2019. As advised by the Management, instead of the Target Group to settle the Considerable Payable, it will be settled by Smart Role Holdings Limited ("Vendor") through injecting RMB20,000,000 to the Target Group as paid up capital. Therefore, our opinion of value did not include the Consideration Payable;

- The unaudited management accounts of the Target Subsidiary for the year ended 31 December 2018, the nine months ended 30 September 2018 and the nine months ended 30 September 2019 can reasonably represent its financial positions since audited financial accounts as at the Date of Valuation were not available;

- The estimated net profit used in arriving the market value of the Target Group was calculated with reference to the unaudited management accounts of the Target Subsidiary for the year ended December 2018, the nine months ended September 2018 and the nine months ended 30 September 2019 as provided by the Management;

- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Group operates or intends to operate has or would be officially obtained and renewable upon expiry;

- There will be sufficient supply of technical staff in the industry in which the Target Group operates, and the Target Group will retain competent management, key personnel and technical staff to support its ongoing operations and developments;

- There will be no major change in the current taxation laws in the localities in which the Target Group operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Target Group operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Group; and

- Interest rates and exchange rates in the localities for the operation of the Target Group will not differ materially from those presently prevailing.

## 10. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors affecting the market value of the Target Group. The factors considered included, but not limited to, the followings:

- Separate management accounts of the Target Company for the period from 11 September 2019 up to 30 September 2019;

- Separate management accounts of Jiangwei (Beijing) Enterprises Management Co., Ltd.* for the period from 11 September 2019 up to 30 September 2019;

- Management accounts of the Target Subsidiary for the year ended 31 December 2018, the nine months ended 30 September 2018 and the nine months ended 30 September 2019;

- Relevant licenses of the Target Group;

- General descriptions in relation to the Target Group; and

- Economic outlook in China.

We have discussed the details with the Management on the information provided and assumed that such information is reasonable and reliable. We have assumed the accuracy of information provided and relied on such information to a considerable extent in arriving at our opinion of value.

## 11. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

We would particularly point out that our valuation was based on the information such as the company background, business nature and financial information of the Target Group provided to us.

To the best of our knowledge, all data set forth in this report are assumed to be reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

*Notes:* *the English name of the PRC entity is translation of the Chinese name, and is included herein for identification purpose only. In the event of any inconsistency, the Chinese name shall prevail.

We have relied on information provided by the Management to a considerable extent in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. The information has not been audited or compiled by us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We assumed that the Management is competent and perform duties under the company regulation. Also, ownership of the Target Group was in responsible hands, unless otherwise stated in this report. The quality of the Management may have direct impact on the viability of the business as well as the market value of the Target Group.

We have not investigated the title to or any legal liabilities of the Target Group, and have assumed no responsibility for the title to the Target Group appraised.

Our conclusion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The conclusion and various estimates may not be separated into parts, and/or used out of the context presented herein, and/or used together with any other valuation or study.

We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk.

No change to any item in any part of this report shall be made by anyone except Roma Appraisals. We have no responsibility for any such unauthorized change. Neither all nor any part of this report shall be disseminated to the public without the written consent and approval of Roma Appraisals through any means of communication or referenced in any publications, including but not limited to advertising, public relations, news or sales media.

This report may not be reproduced, in whole or in part, and utilized by any third parties for any purpose, without the written consent and approval of Roma Appraisals.

The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fee has been paid in full.

## 12. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi (RMB).

We hereby confirm that we have neither present nor prospective interests in the Target Group, the Target Company, the Company, their associated companies or the values reported herein.

## 13. OPINION OF VALUE

Based on the investigation stated above, the valuation method employed and key assumptions appended above, the market value of the 100% equity interest in the Target Group as at the Date of Valuation, in our opinion, was reasonably stated as **RMB87,000,000 (RENMINBI EIGHTY SEVEN MILLION ONLY)**.

Yours faithfully,
For and on behalf of

**Roma Appraisals Limited**

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### (a) Interests of Directors and Chief Executive

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 he/she is taken or deemed to have under such provisions of SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in the Listing Rules were as follows:

| Name of Director | Capacity and nature of interests | Number of Shares hold (Long Position) | Percentage of the issued share capital of the Company (Note) |
|---|---|---|---|
| Qin Jie | Beneficial owner | 10,000,000 | 0.20% |

*Note:* The percentage is calculated on the basis of 5,084,283,133 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practical Date, none of the other Directors and chief executive of the Company, or their respective associate, had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of 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 he is taken or deemed to have under such provisions of SFO), or, as recorded in the register required to be kept by the Company under section 352 of the SFO or required to be notified to the Company or the Stock Exchange under the Model Code.

**(b) Interests of Substantial Shareholders**

So far as is known to any Director, as at the Latest Practicable Date, the following persons, other than a Director or chief executive of the Company, had or deemed or taken to have an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept under section 336 of the SFO:

| **Name** | **Capacity** | **Interest in Shares (Long Position)** | **Percentage of the issued share capital of the Company** *(Note 3)* |
|---|---|---|---|
| Wang Baoning* *(Note1)* | Interest in a controlled corporation | 640,000,0000 | 12.59% |
| Sunbow Int'l Enterprise Limited *(Note1)* | Beneficial owner | 640,000,0000 | 12.59% |
| Fu Zizhen* *(Note 2)* | Interest in a controlled corporation | 299,320,000 | 5.89% |

*Notes:*

(1) As at the Latest Practicable Date, 640,000,000 Shares were held by Sunbow Int'l Enterprise Limited, which is wholly-owned by 王葆寧先生 (Mr. Wang Baoning*). By virtue of the SFO, he is deemed to be interested in such 640,000,000 Shares held by Sunbow Int'l Enterprise Limited.

(2) As at the Latest Practicable Date, 174,320,000 Shares and 125,000,000 Shares were held by Lenient Splendid Limited ("**Lenient**") and Global East Time Development Company Limited ("**Global East**") respectively. As 傅自振先生 (Mr. Fu Zizhen*) has the 100% shareholding in Lenient and the 50% shareholding in Global East, by virtue of the SFO, he is deemed to be interested in such 299,320,000 Shares in total held by Lenient and Global East.

(3) The percentage is calculated on the basis of 5,084,283,133 Shares in issue as at the Latest Practicable Date.

Save as disclosed above and as at the Latest Practicable Date, the Company had not been notified by any person, other than a Director or chief executive of the Company, who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept under section 336 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 which is not expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

## 4. COMPETING INTERESTS OF DIRECTORS

As at the Latest Practicable Date, as far as the Directors were aware, none of the Directors or their respective close associates had interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder.

## 5. DIRECTORS' INTERESTS IN ASSETS OF THE GROUP OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, 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 consolidated financial statements of the Company were made up.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Group.

## 6. LITIGATION

As at the Latest Practicable Date, there were no litigation or claims of material importance known to the Directors pending or threatened against any member of the Enlarged Group.

## 7. MATERIAL CONTRACTS

The following contracts (being contracts entered into outside the ordinary course of business) were entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

(i) a third supplemental deed dated 20 March 2020 entered into between Kang Yong International Limited ("**Kang Yong**"), a wholly-owned subsidiary of the Company, and Honghu Group Limited in relation to a promissory note of principal amount of HK$90,000,000 held by Kang Yong (the "**Promissory Note**") whereby (i) the parties agreed to further extend the maturity date of the Promissory Note by one (1) year, from 20 March 2020 to 20 March 2021; and (ii) Honghu Group Limited agreed to settle the outstanding interest payable under the Promissory Note, in the amount of approximately HK$5,415,000, on or before 20 March 2020;

(ii) the Supplemental Agreement;

(iii) an equity transfer agreement dated 18 February 2020 entered into by and among Guohua Jiaye Beijing, 青島茂捷企業管理合夥企業(有限合夥) (Qingdao Maojie Enterprise Management Partnership (LLP)*), 李靜 (Li Jing*) and 魏建東 (Wei Jiandong*), in relation to the transfer of 100% equity interest in 北京岳海企業管理有限公司 (Beijing Yuehai Enterprise Management Co., Ltd.*) at an aggregate consideration of RMB110,000,000;

(iv) an equity transfer agreement dated 14 January 2020 entered into by and among 深圳國華建業實業有限公司 (Shenzhen Guohua Construction Industrial Co., Ltd.*), a wholly-owned subsidiary of the Company, 寧波思行信息科技有限公司 (Ningbo Sixing Information Technology Co., Ltd.*), and 江蘇美麗空間建築設計產業發展有限公司 (Jiangsu Meili Kongjian Construction Design Development Co., Ltd.*) ("**Meili Kongjian**") in relation to the transfer of 100% equity interest in Meili Kongjian at an aggregate consideration of RMB41,000,000;

(v) the Agreement;

(vi) a share transfer agreement and a shareholders' agreement dated 21 June 2019 entered into between, among others, and China Best Financial Holdings Limited, a wholly-owned subsidiary of the Company and an independent third party in relation to acquiring 25% of the issued share capital of Treasure Cart Holdings Limited at a consideration of HK$45,000,000;

(vii) a loan agreement and relevant guarantee and share pledge contracts dated 30 April 2019 entered into between Guohua Jiaye Beijing, and independent third parties in relation to an advance of RMB6,000,000 with an interest rate of 8% per annum;

(viii) a second supplemental deed dated 20 March 2019 entered into between Kang Yong and Honghu Group Limited in relation to the Promissory Note whereby (i) the parties agreed to further extend the maturity date of the Promissory Note by one (1) year, from 20 March 2019 to 20 March 2020; and (ii) Honghu Group Limited agreed to settle the outstanding interest payable under the Promissory Note, in the amount of HK$5,400,000, on or before 20 March 2019;

(ix) a debt settlement agreement dated 1 March 2019 entered into among 融金達融資租賃有限公司 (Rongjinda Finance Lease Company Limited*) ("**Rongjinda Finance**"), a wholly-owned subsidiary of the Company, with a then existing client and Beijing Kaiyitong and a loan agreement entered into between Rongjinda Finance and Beijing Kaiyitong pursuant to which, among others, Beijing Kaiyitong assumed the debt in amount of RMB60,000,000;

(x) a share transfer agreement dated 18 January 2019 entered into between Guohua Jiaye Beijing, and an independent third party in relation to acquiring 100% equity interest in 上海圖炫建築設計有限公司 (Shanghai Tuxuan Construction Design Company Limited*) at a consideration of RMB6,250,000;

(xi) a share transfer agreement dated 18 January 2019 entered into between Guohua Jiaye Beijing and independent third parties in relation to acquiring 100% equity interest in 上海軒美房地產經紀有限公司 (Shanghai Xuanmei Property Agency Company Limited*) at a consideration of RMB6,000,000;

(xii) a share transfer and loan assignment agreement dated 31 December 2018 entered into between Esteem Sun Limited ("**Esteem Sun**"), a wholly-owned subsidiary of the Company, and Lucent Time Limited ("**Lucent Time**"), an independent third party, pursuant to which (i) Lucent Time conditionally agreed to sell, and Esteem Sun conditionally agreed to acquire, the entire issued share capital of Noble Realm Limited and (ii) Lucent Time conditionally agreed to assign and Esteem Sun conditionally agreed to assume all rights and benefits of the interest free shareholder's loan, at an aggregate consideration of HK$135,000,000;

(xiii) a placing agreement dated 31 August 2018 entered into between the Company and Kingston Securities Limited in relation to the placing of up to 1,452,000,000 Shares at the placing price of HK$0.101 per Share and the net proceeds from such placing was approximately HK$143,500,000;

(xiv) a placing agreement dated 30 May 2018 entered into between the Company and Kingston Securities Limited in relation to the placing of up to 1,452,000,000 Shares at the placing price of HK$0.07 per Share and the net proceeds from such placing was approximately HK$99,300,000; and

(xv) a supplemental deed dated 20 March 2018 entered into between Kang Yong and Honghu Group Limited in relation to the Promissory Note, whereby (i) the parties agreed to further extend the maturity date of the Promissory Note by one (1) year, from 20 March 2018 to 20 March 2019; and (ii) Honghu Group Limited agreed to settle the outstanding interest payable under the Promissory Note, in the amount of approximately HK$5,415,000, on or before 20 March 2018.

## 8. EXPERTS AND CONSENTS

The followings are the qualifications of the experts who have given opinion or advice that are contained or referred to in this circular:

| Name | Qualification |
|---|---|
| ZHONGHUI ANDA CPA Limited | Certified Public Accountants |
| Roma Appraisals Limited | Independent professional valuer |

As at the Latest Practicable Date, each of the above experts:

(a) had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letters, reports and references to its name and logo, in the form and context in which they respectively appear;

(b) had no shareholding in the Company or any other member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group; and

(c) had no direct or indirect interests in any assets which had been, or proposed to be, acquired or disposed of by or leased to any member of the Group since 31 December 2018 (the date to which the latest published audited consolidated financial statements of the Group were made up).

## 9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. on any weekdays (except public holidays) at the principal place of business of the Company in Hong Kong from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the annual reports of the Company for the three years ended 31 December 2016, 2017 and 2018, respectively;

(c) the letter from the Board, the text of which is set out on pages 5 to 27 of this circular;

(d) the accountants' report of the Target Group, the text of which is set out in Appendix II to this circular;

(e) the accountants' report of Jiangwei Shaanxi, the text of which is set out in Appendix III to this circular;

(f) the report on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix V to this circular;

(g) the valuation report of the Target Group, the text of which is set out in Appendix VI of this circular;

(h) the material contracts referred to in the paragraph headed "7. Material Contracts" above in this Appendix;

(i) the written consents referred to in the paragraphs headed "8. Experts and Consents" above in this Appendix; and

(j) this circular.

## 10. GENERAL INFORMATION

(a) The company secretary of the Company is Mr. Ho Yu, who is an associate member of The Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

(b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

(c) The head office and principal place of business in Hong Kong of the Company is at 26/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong.

(d) The share registrar and transfer office in Bermuda of the Company is MUFG Fund Services (Bermuda) Limited at 4th Floor North Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda.

(e) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(f) This circular and the accompanying proxy form have been prepared in both English and Chinese. In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

*The biographical details of the Director proposed to be re-elected at the SGM and in accordance with the Bye-laws are set out follows:*

**Mr. Qin Jie, aged 52, executive Director**

Mr. Qin has been appointed as an executive Director, a member of the executive committee of the Company and the chief executive officer of the Company with effect from 22 January 2020.

Mr. Qin graduated from Beijing University of Civil Engineering and Architecture*（北京建築大學）(formerly known as Beijing Institute of Architecture and Civil Engineering*（北京建築工程學院）) with a bachelor's degree in engineering in 1990 and obtained the qualification of senior engineer in December 2000.

Mr. Qin has nearly 30 years of experience in the real estate construction management industry. He served as the chief engineer of Sino-Ocean Group Holding Limited 遠洋集團控股有限公司 (stock code: 3377) (previously known as COSCO Real Estate Development Co., Ltd.*（中遠房地產開發有限公司）), which has been listed on the Stock Exchange since 2007, from 2002 to 2004; the project general manager, general manager of the intercity company and regional deputy general manager of the eastern China in Shanghai Industrial Urban Development Group Limited 上海實業城市開發集團有限公司 (stock code: 563) (previously known as Neo-China Group (Holdings) Limited), which has been listed on the Stock Exchange since 1993, from 2004 to 2009; the general manager of the Beijing company and the Shijiazhuang company in Dalian Wanda Group Co., Ltd.*（大連萬達集團股份有限公司）from 2009 to 2011; and the president of Newbeacon Group Limited*（紐賓凱集團有限公司）from 2014 to 2017. Currently, Mr. Qin is the general manager and/or director of two subsidiaries of the Company established in the PRC.

The Company has entered into a service agreement with Mr. Qin in relation to his aforesaid appointment for a term of thee (3) years commencing on 22 January 2020, which is determinable by either party serving on the other not less than three (3) months' written notice, subject to retirement by rotation and re-election in accordance with the Bye-laws and the Listing Rules. Pursuant to the Bye-laws, Mr. Qin shall hold office until the next general meeting of the Company and shall be eligible for re-election at such meeting. Mr. Qin is entitled to a director's remuneration of HK$170,000 per month and yearly discretionary bonus to be approved by the Board, which is recommended by the remuneration committee of the Company with reference to his experience and responsibilities in the Group and the prevailing market conditions.

As at the Latest Practicable Date, Mr. Qin is beneficially interested in 10,000,000 Shares.

Save as disclosed above, as at the Latest Practicable Date:

(1) Mr. Qin does not have or is not deemed to have any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);

(2) Mr. Qin does not hold any position with the Company or other members of the Group and does not have any relationship with any other directors, senior management, or substantial or controlling shareholders of the Company;

(3) Mr. Qin has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; and

(4) Mr. Qin does not have any other major appointments and professional qualifications.

There is no other information which is required to be disclosed pursuant to any requirements set out in Rules 13.51(2)(h) to (v) of the Listing Rules and there are no other matters which need to be brought to the attention of the Shareholders in respect of his re-election.

# CHINA BEST GROUP HOLDING LIMITED
# 國華集團控股有限公司*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 370)**

## NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** a special general meeting (the "**SGM**") of China Best Group Holding Limited (the "**Company**") will be held at 26/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong on Friday, 17 April 2020 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifying the following resolutions as ordinary resolutions of the Company:

### ORDINARY RESOLUTION

1. "**THAT**

   (a) the share transfer agreement dated 18 December 2019 (the "**Agreement**") and the supplemental agreement dated 2 March 2020 (the "**Supplemental Agreement**") entered into by and among Esteem Sun Limited, a wholly-owned subsidiary of the Company as purchaser, Smart Role Holdings Limited as vendor (the "**Vendor**") and Ms. Yang Xue and Mr. Zhao Guolin as guarantors in relation to the transfer of the entire issued share capital of Total Fame Holdings Limited, a wholly-owned subsidiary of the Vendor (the "**Transaction**") (copy of the Agreement and the Supplemental Agreement marked "A" signed by the chairman of the meeting for identification purpose, has been produced at the meeting), be and are hereby approved, confirmed and ratified; and

   (b) any one director of the Company (the "**Directors**") be and are hereby authorised to do all such acts and things and to sign and execute all such other documents or instrument for and on behalf of the Company (including the affixation of the common seal of the Company where required) as he or she may consider necessary, appropriate, expedient or desirable in connection with, or to give effect to, the Agreement, the Supplemental Agreement and the Transaction and to agree to such variations, amendments or waivers of matters relating thereto that are of administrative nature and ancillary to the implementation of the Agreement, the Supplemental Agreement and the Transaction or incidental to the Agreement, the Supplemental Agreement and the Transaction."

2. "**THAT** the re-election of Mr. Qin Jie as an executive Director be and is hereby approved and the Board be authorised to fix his remuneration."

By order of the Board
**China Best Group Holding Limited**
**Mr. Qin Jie**
*Executive Director and Chief Executive Officer*

Hong Kong, 31 March 2020

*Notes:*

(i) A member of the Company entitled to attend and vote at the SGM convened by the above notice is entitled to appoint one or if he/she is the holder of two or more shares, more than one proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his/her behalf. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

(ii) Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

(iii) A proxy form for use at the SGM is enclosed. Whether or not you intend to attend the SGM in person, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon.

(iv) In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the SGM or any adjournment thereof, should he/she so wish.

(v) As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above resolution will be decided by way of poll.

*As at the date of this notice, the board of Directors comprises five executive Directors, namely, Ms. Wang Yingqian (Chairman), Mr. Qin Jie (Chief Executive Officer), Mr. Liu Wei, Mr. Chen Wei and Mr. Fan Jie, and three independent non-executive Directors, namely, Mr. Ru Xiangan, Mr. Liu Haiping and Mr. Liu Tonghui.*