THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Kaisa Group Holdings Ltd., you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or the transferee(s) or to the bank manager, licensed securities dealer or other registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

KAISA GROUP HOLDINGS LTD.
佳兆業集團控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1638)

MAJOR TRANSACTION AND CONNECTED TRANSACTION – ACQUISITION OF THE SALE INTERESTS AND THE SALE LOANS; AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and Independent Shareholders

红日资本有限公司
RED SUN CAPITAL LIMITED

Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as defined under the section of "Definitions" of this circular.

A letter from the Board is set out on pages 7 to 24 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on pages 25 to 26 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 27 to 50 of this circular. A notice convening the EGM to be held at Harbour View Ballroom I (Level 4), Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong on Friday, 2 July 2021, at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish. In such event, the instrument appointing the proxy will be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE EGM

Please see page ii of this circular for measures being taken to try to prevent and control the spread of the Novel Coronavirus (COVID-19) at the EGM, including:

- **compulsory body temperature checks and health declarations**
- **recommended wearing of a surgical face mask for each attendee**
- **no distribution of corporate gift or refreshment**

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. The Company reminds shareholders that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting as an alternative to attending the meeting in person.

* *For identification purpose only*

28 May 2021

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The health of our Shareholders, staff and stakeholders is of paramount importance to us. In view of the ongoing Novel Coronavirus (COVID-19) pandemic, the Company will implement the following precautionary measures at the EGM to protect attending Shareholders, staff and stakeholders from the risk of infection:

(i) Compulsory body temperature checks will be conducted for every Shareholder, proxy or other attendee at each entrance of the meeting venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue.

(ii) The Company encourages each attendee to wear a surgical face mask throughout the meeting and inside the meeting venue, and to maintain a safe distance between seats.

(iii) No refreshment will be served, and there will be no corporate gift.

(iv) Each attendee may be asked whether (a) he/she travels outside of Hong Kong within the 14-day period immediately before the EGM; and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions may be denied entry into the meeting venue or be required to leave the meeting venue.

In addition, the Company reminds all Shareholders that physical attendance in person at the meeting is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting instead of attending the meeting in person, by completing and return the proxy form attached to this circular.

If any Shareholder has any question relating to the meeting, please contact Computershare Hong Kong Investor Services Limited, the Company's share registrar as follows:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong
Website: www.computershare.com/hk/contact
Tel: 2862 8555
Fax: 2865 0990

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

"Acquisition"	the acquisition of (i) Sale Interest A and Sale Loan A by the Group from Vendor A; (ii) Sale Interest B and Sale Loan B by the Group from Vendor B; and (iii) Sale Loan C by the Group from Vendor C pursuant to the terms and conditions of the SP Agreement
"associate(s)"	has the meaning as ascribed thereto in the Listing Rules
"Board"	the board of the Directors
"BVI"	the British Virgin Islands
"Century Profit"	Century Profit Zone Investments Limited (世紀協潤投資有限公司), a company incorporated in Hong Kong with limited liability which is in aggregate wholly owned by Target A and Target B and directly owns 96.8% equity interest in Target C as at the date of the SP Agreement and as at Completion
"Company"	Kaisa Group Holdings Ltd. (佳兆業集團控股有限公司*), a company incorporated in the Cayman Islands as an exempted company with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1638)
"Completion"	the completion of the Acquisition
"Completion Date"	the 30th business day after all conditions precedent (except for the conditions precedent that can only be fulfilled upon Completion) shall have been fulfilled or waived (where applicable) (or such other date as agreed by the Vendors and the Company), the date on which the Completion shall take place
"connected person(s)"	has the meaning as ascribed thereto in the Listing Rules
"Director(s)"	the director(s) of the Company

"EGM"	an extraordinary general meeting to be convened and held at Harbour View Ballroom I (Level 4), Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong, on Friday, 2 July 2021 at 11:00 a.m. to approve, among other things, the Acquisition, the SP Agreement and the transactions contemplated thereunder
"Enlarged Group"	the Group as enlarged by the Target Group after Completion. For the avoidance of doubt, the Enlarged Group shall include Kaisa Health, Kaisa Prosperity and their respective subsidiaries
"Group"	the Company and its subsidiaries
"Guarantor"	Mr. Kwok Ying Shing, the Chairman of the Board, an executive Director and a substantial Shareholder
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent board committee, comprising all independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Acquisition, the SP Agreement and the transactions contemplated thereunder
"Independent Financial Adviser"	Red Sun Capital Limited (紅日資本有限公司), a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the SP Agreement and the transactions contemplated thereunder
"Independent Shareholders"	the Shareholders, other than the Shareholders who have a material interest in the Acquisition, the SP Agreement and the transactions contemplated thereunder (i.e. Shareholders other than Mr. Kwok Ying Shing and Sino Life and their respective associates)
"Independent Third Party(ies)"	third party(ies) independent of the Company and its connected persons

"Kaisa Health"	Kaisa Health Group Holdings Limited (佳兆業健康集團控股有限公司) (formerly known as Mega Medical Technology Limited (美加醫學科技有限公司)), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 876), and a subsidiary of the Company
"Kaisa Prosperity"	Kaisa Prosperity Holdings Limited (佳兆業美好集團有限公司) (formerly known as Kaisa Property Holdings Limited (佳兆業物業集團有限公司)), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2168), and a subsidiary of the Company
"Latest Practicable Date"	25 May 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 July 2021 (or such later date as the Vendors and the Company may agree in writing)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules
"PRC"	the People's Republic of China (excluding, for the purposes of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
"Properties"	real estates (excluding the Reserved Portion and Southern District Post Office) constructed under the real estate project namely, 耀輝國際城項目 (Yaohui International City Project*) which was located in southeast corner of intersection of Xi Dawang Road and Jianguo Road, Chaoyang District in Beijing City in the PRC (中國北京市朝陽區西大望路與建國路交匯東南角), and are wholly owned by Target C as at the Latest Practicable Date and at Completion
"RMB"	Renminbi, the lawful currency of the PRC

"Reserved Portion"	collectively, Reserved Portion A and Reserved Portion B, which does not form part of the Properties and is excluded from the Acquisition
"Reserved Portion A"	a part of the Reserved Portion, comprising residential units, offices and retail units with a total gross floor area of approximately 23,366 square meters and 51 car parking spaces
"Reserved Portion B"	a part of the Reserved Portion, comprising residential units with a total gross floor area of approximately 7,704 square meters, which has been subject to pre-sale agreements for commercial apartments entered into by and among Target C and other third parties or transfer of the ownership by Target C in accordance with the court judgment as at the Latest Practicable Date
"Sale Interest A"	100% of the equity interest in Target A as at the date of the SP Agreement and Completion, to be acquired by the Group under the SP Agreement
"Sale Interest B"	100% of the equity interest in Target B as at the date of the SP Agreement and Completion, to be acquired by the Group under the SP Agreement
"Sale Interests"	collectively, Sale Interest A and Sale Interest B
"Sale Loan A"	the sum owing from Target A to Vendor A as at Completion. For information purpose only, the unaudited amount of Sale Loan A, which is non-interest bearing, as at the Latest Practicable Date was HK$706,378,481
"Sale Loan B"	the sum owing from Target B to Vendor B as at Completion. For information purpose only, the unaudited amount of Sale Loan B, which is non-interest bearing, as at the Latest Practicable Date was HK$14,478,671
"Sale Loan C"	the sum owing from Target C to Vendor C as at Completion. For information purpose only, the unaudited amount of Sale Loan C, which is non-interest bearing, as at the Latest Practicable Date was RMB4,615,769,571 (equivalent to approximately HK$5,510,709,000)

"Sale Loans"	collectively, Sale Loan A, Sale Loan B and Sale Loan C
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Sino Life"	Funde Sino Life Insurance Co., Ltd. (富德生命人壽保險股份有限公司), a substantial Shareholder, through itself and its associate, holding 1,537,696,106 Shares, representing approximately 21.92% of the total issued share capital of the Company as at the Latest Practicable Date
"SP Agreement"	the conditional sale and purchase agreement dated 25 March 2021 entered into by and among the Vendors, the Company and the Guarantor in respect of the Acquisition
"sq.m."	square meter
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target A"	Hong Da Development & Investment Holding Co. Limited (泓達投資有限公司), a company incorporated in Hong Kong with limited liability
"Target B"	Logic Capital Limited, a company incorporated in the BVI with limited liability
"Target C"	北京耀輝置業有限公司 (Beijing Yaohui Real Estate Co., Ltd.*), a company established in the PRC with limited liability
"Target Group"	collectively, Target A, Target B, Target C and Century Profit
"Total Consideration"	RMB13,000,000,000 (equivalent to approximately HK$15,520,535,000), being the total consideration for the Acquisition payable by the Group to the Vendors in accordance with the terms and conditions of the SP Agreement

"Vendor A"	Acme Victory Investments Limited (高捷投資有限公司), a company incorporated in the BVI with limited liability which is 100% ultimately and beneficially owned by the Guarantor
"Vendor B"	Ascending Power Investments Limited (昇晴投資有限公司), a company incorporated in the BVI with limited liability which is 100% ultimately and beneficially owned by the Guarantor
"Vendor C"	北京誠義豪泰投資管理有限公司 (Beijing Chengyi Haotai Investment Management Co., Ltd.*), a company established in the PRC with limited liability, which is de facto controlled by the Guarantor
"Vendors"	collectively, Vendor A, Vendor B and Vendor C
"%"	per cent

The English translation of a Chinese name which is marked with "" has been provided for identification purpose only.*

For the purposes of this circular, unless otherwise specified, all amounts denominated in RMB have been translated into HK$ using the exchange rate of RMB0.8376:HK$1.00. No representation is made that any amounts in RMB or HK$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

Certain figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as the currency conversion or percentage equivalents may not be an arithmetic sum of such figures. Any discrepancy in any table between totals and sums of amounts listed in this circular is due to rounding.

KAISA GROUP HOLDINGS LTD.
佳兆業集團控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1638)

Executive Directors:
Mr. Kwok Ying Shing
Mr. Sun Yuenan
Mr. Mai Fan
Mr. Li Haiming
Mr. Kwok Hiu Kwan

Non-Executive Director:
Ms. Chen Shaohuan

Independent Non-Executive Directors:
Mr. Rao Yong
Mr. Zhang Yizhao
Mr. Liu Xuesheng

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

Principal place of business in Hong Kong:
30/F
The Center
99 Queen's Road Central
Central
Hong Kong

28 May 2021

To the Shareholders

Dear Sir or Madam

MAJOR TRANSACTION AND CONNECTED TRANSACTION – ACQUISITION OF THE SALE INTERESTS AND THE SALE LOANS

INTRODUCTION

Reference is made to the announcement of the Company dated 25 March 2021 in relation to, among other things, the Acquisition, the SP Agreement and the transactions contemplated thereunder.

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition, the SP Agreement and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders regarding the transactions contemplated above; (iii) a letter of

* *For identification purpose only*

advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated above; and (iv) the notice of the EGM.

THE SP AGREEMENT

The major terms of the SP Agreement are set out below:

Date

25 March 2021

Parties

Vendors:

(a) Vendor A: Acme Victory Investments Limited (高捷投資有限公司), a company incorporated in the BVI with limited liability, which (i) is 100% ultimately and beneficially owned by the Guarantor; and (ii) is principally engaged in investment holding;

(b) Vendor B: Ascending Power Investments Limited (昇晴投資有限公司), a company incorporated in the BVI with limited liability, which (i) is 100% ultimately and beneficially owned by the Guarantor; and (ii) is principally engaged in investment holding; and

(c) Vendor C: 北京誠義豪泰投資管理有限公司 (Beijing Chengyi Haotai Investment Management Co., Ltd.*), a company established in the PRC with limited liability, which is principally engaged in investment management and consultancy. The Guarantor is the de facto controller of Vendor C.

Purchaser: the Company

Guarantor: Mr. Kwok Ying Shing, the Chairman of the Board, an executive Director and a substantial Shareholder. He is a businessman.

The Guarantor joined as a party to the SP Agreement to give warranties, representations and undertakings in relation to the acquisition of the Sale Interests and the Sale Loans as well as the Target Group in the SP Agreement on a joint and several basis with the Vendors.

Assets to be acquired

In accordance with the terms and conditions of the SP Agreement,

(a) Vendor A has conditionally agreed to sell, and the Company has conditionally agreed to acquire, (i) Sale Interest A, representing 100% of the equity interest in Target A as at the date of the SP Agreement and as at Completion; and (ii) Sale Loan A;

(b) Vendor B has conditionally agreed to sell, and the Company has conditionally agreed to acquire, (i) Sale Interest B, representing 100% of the equity interest in Target B as at the date of the SP Agreement and as at Completion; and (ii) Sale Loan B; and

(c) Vendor C has conditionally agreed to sell, and the Company has conditionally agreed to acquire Sale Loan C,

free from all encumbrances and third party rights, and together with all rights and benefits attaching thereto as at Completion. To the best of the Directors' knowledge, information and belief, there is no restriction which applies to the subsequent sale of the Sale Interests under the SP Agreement.

Under the SP Agreement, the Company may designate other party(ies) to take up Sale Interest A, Sale Interest B, Sale Loan A and Sale Loan B at Completion. The Company may also designate qualified party(ies), i.e. any of its PRC wholly-owned subsidiaries, to take up Sale Loan C in accordance with the terms and conditions of the SP Agreement.

The Company intends to nominate a subsidiary incorporated in the BVI to take up Sale Interest A, Sale Interest B, Sale Loan A and Sale Loan B, and a subsidiary established in the PRC to take up Sale Loan C, in each case, upon Completion.

It is a term of the SP Agreement that unless the completion of the acquisition of all the Sale Interests and all the Sale Loans takes place concurrently, the Company is not under any obligation to proceed with the Completion.

Consideration

The Total Consideration for the Acquisition is RMB13,000,000,000 (equivalent to approximately HK$15,520,535,000) which comprises:

(a) the aggregate purchase price of Sale Interest A and Sale Loan A: RMB4,461,866,775 (equivalent to approximately HK$5,326,966,000) ("**Consideration A**") (Notes a and d);

(b) the aggregate purchase price of Sale Interest B and Sale Loan B: RMB4,969,261,475 (equivalent to approximately HK$5,932,738,000) ("**Consideration B**") (Notes b and d); and

(c) the purchase price of Sale Loan C: RMB3,568,871,750 (equivalent to approximately HK$4,260,831,000) ("**Consideration C**") (Note c).

Notes:

a. Subject to as mentioned below, the purchase price of Sale Loan A is the RMB equivalent of the face value of Sale Loan A as at the Completion Date; while the purchase price of Sale Interest A is Consideration A less the purchase price of Sale Loan A.

b. Subject to as mentioned below, the purchase price of Sale Loan B is the RMB equivalent of the face value of Sale Loan B as at the Completion Date; while the purchase price of Sale Interest B is Consideration B less the purchase price of Sale Loan B.

c. It is a term of the SP Agreement that the amount of Sale Loan C shall not be reduced pending Completion. For information purpose only, the unaudited amount of Sale Loan C, which is non-interest bearing, was RMB4,615,769,571 (equivalent to approximately HK$5,510,709,000) as at the Latest Practicable Date.

d. To calculate the RMB equivalent of the face value of Sale Loan A and Sale Loan B, the exchange rate between HK$ and RMB of Sale Loan A and Sale Loan B will be based on the mid-point of intra-day exchange rate between HK$ and RMB as of the business day immediately preceding the Completion Date as announced by The People's Bank of China.

Subject to compliance with applicable laws and regulations, the parties to the SP Agreement agree that if the amount of any of Sale Loan A or Sale Loan B (being their respective face value as at the Completion Date) exceeds Consideration A or Consideration B (as the case may be) respectively, (i) the purchase price of Sale Interest A or Sale Interest B (as the case may be) shall be deemed as zero; (ii) the purchase price of Sale Loan A or Sale Loan B (as the case may be) shall be equal to Consideration A or Consideration B (as the case may be) respectively; and (iii) no adjustment should be made to the Total Consideration. For the avoidance of doubt, there will not be any adjustment made to the Total Consideration if the amount of Sale Loan C (being its face value as at the Completion Date) exceeds Consideration C.

Subject to compliance with applicable laws and regulations, the Total Consideration is payable by the Group to the Vendors (or their designated parties) in cash in the following manner:

(a) Consideration A:

(i) the sum of RMB473,100,000 (equivalent to approximately HK$564,828,000) (or its equivalent foreign currency) ("**Deposit A**") shall be paid to Vendor A (or its designated party) as refundable deposit at any time as determined by the Group within 10 business days after the date of the SP Agreement;

(ii) the sum of RMB3,515,666,775 (equivalent to approximately HK$4,197,310,000) (or its equivalent foreign currency) shall be paid to Vendor A (or its designated party) as the first instalment at any time as determined by the Group within 10 business days after the Completion Date; and

(iii) the balance of Consideration A of RMB473,100,000 (equivalent to approximately HK$564,828,000) (or its equivalent foreign currency) shall be paid to Vendor A (or its designated party) as the last instalment at any time as determined by the Group within one year after the Completion Date;

(b) Consideration B:

(i) the sum of RMB526,900,000 (equivalent to approximately HK$629,059,000) (or its equivalent foreign currency) ("**Deposit B**", together with Deposit A, referred to as the "**Deposits**") shall be paid to Vendor B (or its designated party) as refundable deposit at any time as determined by the Group within 10 business days after the date of the SP Agreement;

(ii) the sum of RMB3,915,461,475 (equivalent to approximately HK$4,674,620,000) (or its equivalent foreign currency) shall be paid to Vendor B (or its designated party) as the first instalment at any time as determined by the Group within 10 business days after the Completion Date; and

(iii) the balance of Consideration B of RMB526,900,000 (equivalent to approximately HK$629,059,000) (or its equivalent foreign currency) shall be paid to Vendor B (or its designated party) as the last instalment at any time as determined by the Group within one year after the Completion Date; and

(c) Consideration C: the full amount of RMB3,568,871,750 (equivalent to approximately HK$4,260,831,000) shall be paid to Vendor C (or its designated party) by the Company's designated qualified party at any time as determined by the Group within 10 business days after the Completion Date.

The exchange rate between RMB and the foreign currency for the payment of the Total Consideration will be based on the mid-point of intra-day exchange rate between RMB and the foreign currency as of the business day immediately preceding the date of payment as announced by The People's Bank of China.

The Total Consideration will be funded by (i) the entire net proceeds of approximately HK$2,552 million from the rights issue of the Company as disclosed in the prospectus of the Company dated 15 April 2021; (ii) loans of approximately HK$9 billion to be granted by financial institution; and (iii) the internal resources of the Group.

The Total Consideration was determined after arm's length negotiations between the Vendors and the Group on normal commercial terms taking into account, among other things, (i) the preliminary valuation of the Properties of approximately RMB18.6 billion (equivalent to approximately HK$22.2 billion) as at 31 December 2020 by Savills Valuation and Professional Services Limited ("**Independent Valuer**"), an independent property valuer, based on the income capitalisation and direct comparison approaches; (ii) the future business prospects of the Target Group and the industry in which the Target Group is engaging; and (iii) other reasons for and benefits of the Acquisition as stated under the section headed "Reasons for and benefits of the Acquisition" below.

The preliminary valuation of the Properties conducted by the Independent Valuer based on the income capitalisation and direct comparison approaches amounted to approximately RMB18.6 billion (equivalent to approximately HK$22.2 billion) as at 31 December 2020.

In arriving at the Total Consideration for the Acquisition of RMB13 billion, the Company has considered, among others, (i) the aggregation of the net asset value of Target A and the consolidated net asset value of Target B and its subsidiaries (excluding the net asset value of the Reserved Portion) as at 31 December 2020; (ii) the estimated fair value surplus on the revaluation of the Properties as at Completion; and (iii) the Sale Loans to be acquired by the Group as at Completion. As at 31 December 2020, having disregarded the net asset value of the Reserved Portion, the audited net asset value of Target A amounted to approximately RMB0.5 billion and the audited consolidated net asset value of Target B and its subsidiaries amounted to approximately RMB2.6 billion. Based on the preliminary valuation of the Properties conducted by the Independent Valuer, it is expected that a fair value surplus of approximately RMB9.8 billion can be recognised upon Completion. As the Group will also acquire the Sale Loans as at Completion, by making reference to the above and the estimated aggregate amount of the Sale Loans, it is considered that the Total Consideration for the Acquisition of RMB13 billion could reflect the estimated fair value of the Target Group acquired upon Completion and the Group's acquisition of the Sale Loans.

Based on the above, the Directors (including the independent non-executive Directors) consider that the Total Consideration is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

The investment cost in the Target Group incurred by the Guarantor and/or companies controlled by him is approximately RMB6,766.15 million (equivalent to approximately HK$8,078.02 million).

To the best of the Directors' knowledge, information and belief, part of the Total Consideration will be used by the Guarantor, being the ultimate beneficial owner or de facto controller of the Vendors, to repay the loans owing from him and/or his controlled companies to Sino Life, being a substantial Shareholder, and/or companies controlled by it.

Conditions Precedent

Completion shall be conditional upon the following conditions precedent being fulfilled or (if applicable) waived:

(1) each of the Vendors having obtained all necessary consents, approvals, waivers and authorisations in respect of the sale and purchase of Sale Interest A and Sale Interest B and/or Sale Loan A, Sale Loan B or Sale Loan C (as the case may be), respectively, and the entering into and execution of the SP Agreement, and such consents, approvals, waivers and authorisations not being withdrawn at or before Completion;

(2) in relation to the SP Agreement and the transactions contemplated thereunder, the Company having complied with all the requirements as set out in the Listing Rules, including (but not limited to) the passing of the relevant resolution(s) by the Shareholders (who are not required to abstain from voting in such respect under the Listing Rules or other applicable rules) at a general meeting of the Company to approve the SP Agreement and the transactions contemplated thereunder;

(3) the Company having completed the due diligence exercise (including but not limited to legal, accounting, financial, business, operational and other aspects that the Company may consider necessary) on the Target Group and its businesses, assets, liabilities, activities, operations, prospects and other aspects that the Company, its agents or professional advisers think necessary and appropriate;

(4) there being no occurrence of any material adverse impact (or change) on the Target Group;

(5) from the date of the SP Agreement to the Completion Date, each of the Vendors and Guarantor having complied with all undertakings and obligations under the SP Agreement that are required to be performed on or before the Completion Date, and the warranties, representations and undertakings given by the Vendors and the Guarantor remaining correct, accurate and not misleading in all respects, and there being no situation that constitutes or may constitute any violation of the warranties, representations and undertakings or any circumstance, fact or condition relating to the Vendors and the Guarantor and the Target Group that constitutes or may constitute any violation of the warranties, representations and undertakings; and

(6) all charges (if any) over all equity interests of Target A, Target B and Century Profit and the 96.8% equity interest in Target C directly held by Century Profit and assets of the Target Group being fully discharged before Completion.

The Vendors and the Guarantor shall use their best efforts to procure the fulfilment of all the conditions precedent (except for the condition precedent set out in paragraph (2) above).

The Company has the right to notify the Vendors in writing at any time to waive any of the above conditions precedent (except for the conditions precedent set out in paragraphs (1), (2) and (6) above which cannot be waived) and such waiver may be subject to any term(s) imposed by the Company. If any of the conditions precedent is not fulfilled or (if applicable) waived at or before 4 p.m. on the Long Stop Date, the SP Agreement shall terminate, save and except for certain provisions in relation to confidentiality, costs and expenses and miscellaneous matters which provisions shall remain in full force and effect, and no party to the SP Agreement shall have any claim against the others save for the claim (if any) in respect of any antecedent breach thereof. In case of such termination, the Vendors shall refund the Deposits to the Group in full within 30 business days from the date of the termination of the SP Agreement.

As at the Latest Practicable Date, none of the conditions precedent have been fulfilled or waived under the SP Agreement.

The SP Agreement also contains other provisions on representations, warranties and undertakings which are usual and customary for a transaction of this nature.

Completion

Subject to the fulfilment or waiver (if applicable) of all the conditions precedent set out above, Completion shall take place on the Completion Date. Subject to Completion having taken place, the Group shall, and the Vendors and the Guarantor shall jointly and severally undertake to, procure Target C, in compliance with applicable laws and regulations, to transfer or by other way to dispose of Reserved Portion A at a consideration jointly agreed by the Vendors. Regarding the proceeds from the transfer and/or disposal of the Reserved Portion received by Target C ("**Reserved Portion Consideration**"), the Group shall pay to the Vendors a sum which equals to the Reserved Portion Consideration minus relevant taxes (including but not limited to taxes arising from the transfer of the Reserved Portion and the enterprise income tax arising from the sale of the Reserved Portion) and other related expenses and costs incurred by Target C.

At Completion, the Vendors and the Guarantor will enter into a deed of tax indemnity, pursuant to which the Vendors and the Guarantor will undertake to indemnify the Group from and against, among other things, (i) any tax liabilities due to the income or profit earned by the Target Group on or prior to the Completion Date; (ii) any losses arising from the non-compliance of laws or rules of the Target Group on or prior to the Completion Date; and (iii) any losses arising from the sale or lease of properties by the Target Group on or prior to the Completion Date and/or the sale or lease of the Reserved Portion by the Target Group. In addition, the Guarantor will also enter into a deed of financial indemnity to indemnify the Group for, among others, any financial liabilities incurred by the Target Group arising from any unrecorded liabilities and/or unrecorded accounts payable on or prior to the Completion Date.

THE RESERVED PORTION

As at the Latest Practicable Date, the breakdown of the total gross floor area of Reserved Portion A and Reserved Portion B is as follows:

	Reserved Portion A	Reserved Portion B
Residential units	13,869.30 sq.m.	7,703.55 sq.m.
Office	5,804.31 sq.m.	–
Retail	3,692.82 sq.m.	–
Basement car park	3,314.69 sq.m. (51 car parking spaces)	–
Total gross floor area	26,681.12 sq.m.	7,703.55 sq.m.
% over the total gross floor area of the Yaohui International City Project	11.21%	3.24%
% over the total gross floor area of the Properties (excluding the Reserved Portion and Southern District Post Office)	13.23%	3.82%

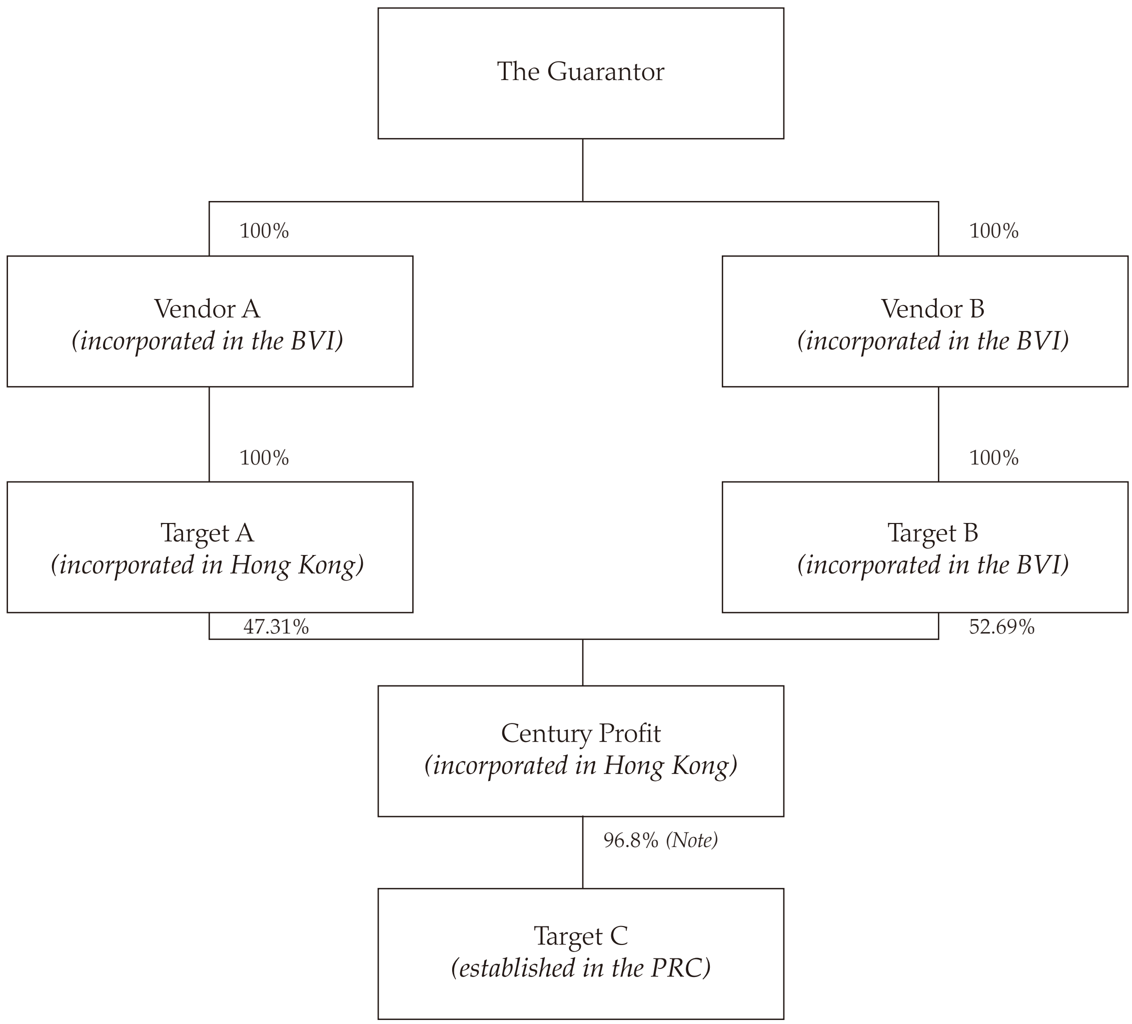
For Reserved Portion A, when the Guarantor acquired the Yaohui International City Project through the Vendors from Beijing Wangfu Shiji Development Co.,Ltd.* (北京王府世紀發展有限公司) ("**Original Owner**") in 2013, it was agreed among the parties that Reserved Portion A would be sold to the Original Owner or any party designated by the Original Owner at pre-determined prices after completion of the Yaohui International City Project.

For Reserved Portion B, before the Guarantor acquired the Yaohui International City Project through the Vendors from the Original Owner in 2013, Reserved Portion B which only comprised residential units had been subject to the pre-sale agreements entered into by the Original Owner in or around 2010 or the transfer of ownership by Target C in accordance with the court judgments at pre-determined prices. The purchasers or transferees of Reserved Portion B are natural persons who are Independent Third Parties.

In view of the aforementioned, both Reserved Portion A and Reserved Portion B are subject to relevant pre-existing agreements to be transferred to the Original Owner or other purchasers or transferees and hence they should be excluded from the Acquisition. Further, at Completion, the Vendors and the Guarantor will undertake to indemnify the Group from and against any losses arising from the sale or lease of the Reserved Portion by the Target Group, the Directors considered that the exclusion of the Reserved Portion from the Acquisition is in the interests of the Shareholders as a whole.

SHAREHOLDING STRUCTURE OF THE TARGET GROUP IMMEDIATELY BEFORE COMPLETION

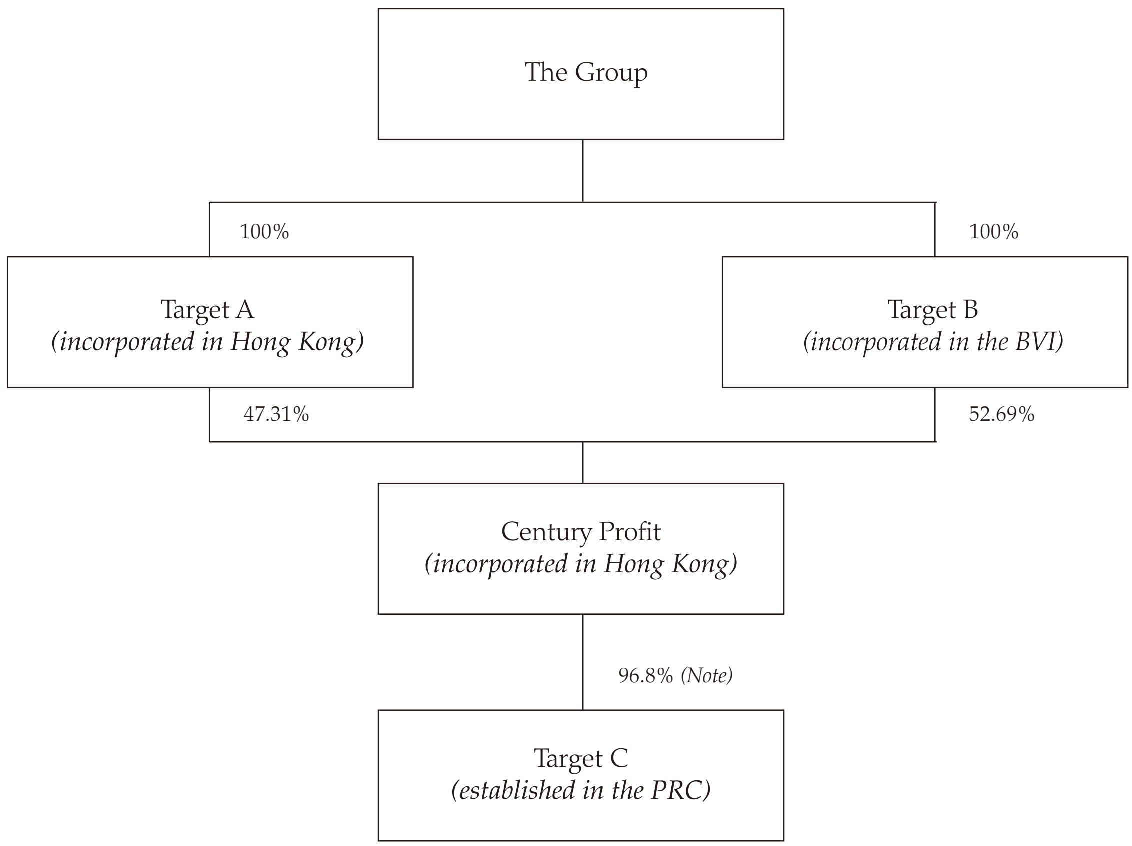
The shareholding structure showing the beneficial ownership of the Target Group immediately before Completion is as follows:



Note: The remaining 3.2% equity interest in Target C was ultimately and beneficially owned by the Guarantor through Vendor C immediately before Completion.

SHAREHOLDING STRUCTURE OF THE TARGET GROUP IMMEDIATELY AFTER COMPLETION

The shareholding structure showing the beneficial ownership of the Target Group upon Completion is as follows:



Note: The remaining 3.2% equity interest in Target C will continue to be ultimately and beneficially owned by the Guarantor through Vendor C immediately after Completion.

Upon Completion, each member of the Target Group (other than Target C) will become a wholly-owned subsidiary of the Company while Target C will become a non-wholly owned subsidiary of the Company. The financial results of the Target Group will therefore be consolidated into the results of the Group upon Completion.

INFORMATION ON THE TARGET GROUP

Target A is a company incorporated in Hong Kong with limited liability. Target B is a company incorporated in the BVI with limited liability. Target A and Target B are principally engaged in investment holding. As at the Latest Practicable Date and as at Completion, Target A and Target B together indirectly hold 96.8% of the equity interest in Target C through Century Profit. Century Profit is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. Vendor C is interested in the remaining 3.2% equity interest in Target C.

Target C is a company established in the PRC with limited liability. It is principally engaged in the business of property development, property holding and sale and leasing of property. As at the Latest Practicable Date, Target C is running a real estate project in Beijing, the PRC, namely 耀輝國際城項目 (Yaohui International City Project*). The Properties constructed under the project are located in the southeast corner of intersection of Xi Dawang Road and Jianguo Road in Chaoyang District in Beijing City in the PRC (中國北京市朝陽區西大望路與建國路交匯東南角). Yaohui International City Project covers a site area of approximately 26,812 square meters and the Properties cover a total gross floor area of approximately 201,601 square meters. The Properties comprise business apartments, residential, retail, hotel, public facilities and car parking spaces etc.

The Yaohui International City Project was acquired by the Guarantor through the Vendors from the Original Owner in 2013. By that time, only the concrete structure construction of the buildings was completed. After the Guarantor acquired the Yaohui International City Project through the Vendors, the construction works of the Properties, including the construction of the exterior facade, garden and interior partition and decoration of the buildings, were carried out. The Yaohui International City Project was completed in 2018.

Set out below are the revenue, profit before and after taxation of Target A and Target B as extracted from the audited financial statements of Target A and, as the case may be, the audited consolidated financial statements of Target B and its subsidiaries (including Century Profit and Target C) for the two years ended 31 December 2019 and 2020 respectively:

Target A

	For the year ended 31 December	
	2019	**2020**
	Approximately	*Approximately*
Revenue	–	–
Profit before taxation	RMB71,637,000 (equivalent to approximately HK$85,527,000)	RMB19,687,000 (equivalent to approximately HK$23,504,000)
Profit after taxation	RMB71,637,000 (equivalent to approximately HK$85,527,000)	RMB19,687,000 (equivalent to approximately HK$23,504,000)

The audited total asset value and net asset value of Target A as at 31 December 2020 were approximately RMB1,109,246,000 (equivalent to approximately HK$1,324,315,000) and approximately RMB514,758,000 (equivalent to approximately HK$614,563,000) respectively.

Target B and its subsidiaries (including Century Profit and Target C)

	For the year ended 31 December	
	2019	**2020**
	Approximately	*Approximately*
Revenue	RMB156,995,000 (equivalent to approximately HK$187,434,000)	RMB176,069,000 (equivalent to approximately HK$210,207,000)
Profit before taxation	RMB170,980,000 (equivalent to approximately HK$204,131,000)	RMB66,230,000 (equivalent to approximately HK$79,071,000)
Profit after taxation	RMB132,980,000 (equivalent to approximately HK$158,763,000)	RMB19,544,000 (equivalent to approximately HK$23,333,000)

The audited consolidated total asset value and net asset value of Target B and its subsidiaries (including Century Profit and Target C) as at 31 December 2020 were approximately RMB8,918,876,000 (equivalent to approximately HK$10,648,133,000) and approximately RMB2,584,148,000 (equivalent to approximately HK$3,085,181,000) respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company and the Group is principally engaged in property development, property investment, property management, hotel and catering operations, cinema, department store and cultural centre operations, water-way passenger and cargo transportation and health care operations in the PRC.

The Group has been paying close attention to the development opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta, Beijing-Tianjin-Hebei, Central China, and Western China. The Group has been exploring opportunities for business development in first-tier cities including Shanghai and Beijing and major second-tier cities as well as their surrounding areas. With the excellent location in the central business district of Beijing, the Properties embrace the top surrounding amenities and luxurious landscape gardens. In addition, the Company is of the view that the Acquisition is strategically important to the Group's expansion in Beijing which is in line with its overall business strategy in light of its recent development in other first-tier cities such as Shanghai, Guangzhou and Shenzhen. The Acquisition also has strategic importance as it fosters the Group's "Shenzhen-Beijing Dual-headquarters" strategy with the addition of these saleable resources and trophy investment property in Beijing. The premium location and quality of the Properties in core CBD of Beijing would further enhance the Group's brand image and reputation. Therefore, considering the recent property market in the PRC as well as the location of the Properties, the Company considers that the Acquisition represents a promising investment to the Group which may generate sustainable returns for the Shareholders and consolidate the market presence of the Group in the first-tier cities of the PRC.

The management of the Company considers that the Acquisition would create value for the Shareholders financially and strategically. The Acquisition presents an excellent opportunity and timing for the Group to replenish immediate saleable resources in a first-tier city without exposure to significant development cycle and risks. The Group hence expects to recognise revenue and profit from 耀輝國際城項目 (Yaohui International City Project*) in the near term. At the same time, the project would give the Group a quality source of recurring income and further diversify the revenue source to support the Group's long-term development.

The Acquisition is expected to enhance the Group's net asset value immediately and over time through profit recognition. The Board sees promising and positive growth prospects given the quality and location of the Properties, with a view to bringing more investment returns for the Shareholders by fully unlocking the value of the Properties.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the SP Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Kwok Ying Shing (i.e. the Guarantor), the Chairman of the Board, an executive Director and a substantial Shareholder, is the ultimate beneficial owner or de facto controller of the Vendors. Accordingly, Mr. Kwok Ying Shing is considered to have a material interest in the Acquisition. Also, Mr. Kwok Hiu Kwan, the son of Mr. Kwok Ying Shing, is an associate of Mr. Kwok Ying Shing. Ms. Chen Shaohuan is a Director nominated by Sino Life to the Board. Mr. Kwok Ying Shing, Mr. Kwok Hiu Kwan and Ms. Chen Shaohuan have abstained from voting at the meeting of the Board approving the SP Agreement and the transactions contemplated thereunder.

PROPERTY VALUATION RECONCILIATION

In compliance with Rule 5.07 of the Listing Rules, the Independent Valuer has updated the valuation of the market value of the Properties as at 31 March 2021 ("**Updated Valuation**"). According to the Updated Valuation on the Properties, the market value of the Properties was RMB18.6 billion (equivalent to approximately HK$22.2 billion) as at 31 March 2021. Please refer to the Updated Valuation set out in Appendix V to this circular.

The statement below shows the reconciliation of the net book value of the Properties as at 31 December 2020 to the market value of the Properties as at 31 March 2021 conducted in the Updated Valuation.

	Approximately RMB'000
Net book value of the Properties as at 31 December 2020	8,785,809
Less: Depreciation for the three months ended 31 March 2021	(19,854)
Add: Valuation surplus *(Note)*	9,834,045
Valuation of the Properties as at 31 March 2021	18,600,000

Note: The valuation surplus is arrived from the difference between the net book value of the Properties as at 31 March 2021 and the market value of the Properties as at 31 March 2021 conducted in the Updated Valuation.

FINANCIAL EFFECT OF THE ACQUISITION ON THE GROUP

Assets and liabilities

Based on the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV to this circular, the total assets of the Enlarged Group as at 31 December 2020 would increase from approximately RMB309.9 billion to approximately RMB315.6 billion and its total liabilities as at 31 December 2020 would increase from approximately RMB231.2 billion to approximately RMB234.9 billion as a result of the Acquisition.

Earnings

Upon Completion, the members of the Target Group will become subsidiaries of the Company and the consolidated financial results of the Target Group will be consolidated into the consolidated financial results of the Company. It is expected that the Group will record additional revenue stream and earnings from the Target Group. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, it is expected that the Enlarged Group will recognise a bargain purchase in income statement as a result of the Acquisition.

LISTING RULES IMPLICATIONS

Major transaction

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

Connected transaction

As at the Latest Practicable Date, Mr. Kwok Ying Shing, being the Chairman of the Board, an executive Director and a substantial Shareholder, is the ultimate beneficial owner or de facto controller of the Vendors. Each of Vendor A, Vendor B and Vendor C, being an associate of Mr. Kwok Ying Shing, is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Acquisition is therefore subject to announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapters 14A and (where applicable) 14 of the Listing Rules.

An Independent Board Committee, comprising Mr. Rao Yong, Mr. Zhang Yizhao and Mr. Liu Xuesheng, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in relation to the Acquisition, the SP Agreement and the transactions contemplated thereunder, after taking into account the recommendations of the Independent Financial Adviser.

The Company has appointed Red Sun Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, the SP Agreement and the transactions contemplated thereunder.

The EGM will be convened and held for the Independent Shareholders to consider, if thought fit, to approve, among others, the Acquisition, the SP Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, (i) Da Chang Investment Company Limited ("**Da Chang**") held 809,181,003 Shares, representing approximately 11.54% of the total issued share capital of the Company; (ii) Da Feng Investment Company Limited ("**Da Feng**") held 964,388,735 Shares, representing approximately 13.75% of the total issued share capital of the Company; (iii) Da Zheng Investment Company Limited ("**Da Zheng**") held 963,503,287 Shares, representing approximately 13.74% of the total issued share capital of the Company; (iv) Sino Life held 649,700,957 Shares, representing approximately 9.26% of the total issued share capital of the Company; and (v) Fund Resources Investment Holding Group Company Limited ("**Fund Resources**") held 887,995,149 Shares, representing approximately 12.66% of the total issued share capital of the Company. Da Chang is wholly owned by Mr. Kwok Ying Shing (i.e. the Guarantor) while Da Zheng is wholly owned by Mr. Kwok Ying Chi, the brother of Mr. Kwok Ying Shing. Da Feng is 100% beneficially owned by a family trust set up by the Guarantor for the benefit of his family members. As such, each of Da Chang, Da Feng and Da Zheng is an associate of Mr. Kwok Ying Shing. Fund Resources is wholly owned by Sino Life and is therefore an associate of Sino Life.

As discussed above, Mr. Kwok Ying Shing is considered to have a material interest in the Acquisition by virtue of his relationship with the Vendors and being a party to the SP Agreement. Part of the Total Consideration will be used by Mr. Kwok Ying Shing, the ultimate beneficial owner or de facto controller of the Vendors, to repay the loan owing from him and/or his controlled companies to Sino Life and/or companies controlled by it.

As such, Mr. Kwok Ying Shing and Sino Life and their respective associates shall abstain from voting on the resolution(s), to be proposed at the EGM, to approve the Acquisition, the SP Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, save as disclosed above, no other Shareholder is required to abstain from voting on the resolution(s), to be proposed at the EGM, to approve the Acquisition, the SP Agreement and the transactions contemplated thereunder.

EGM

The Company will convene the EGM at Harbour View Ballroom I (Level 4), Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong on Friday, 2 July 2021 at 11:00 a.m. for the Independent Shareholders to consider and approve, among other things, the Acquisition, the SP Agreement and the transactions contemplated thereunder.

The notice of the EGM is set out on pages EGM-1 and EGM-2 of this circular. The voting on resolution to be proposed at the EGM will be conducted by way of poll in accordance with Rule 13.39(4) of the Listing Rules.

The Company will publish an announcement on the results of the EGM with respect to whether or not the proposed resolution has been passed by the Independent Shareholders.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish. In such event, the instrument appointing the proxy will be deemed to be revoked.

To determine the entitlement of the members of the Company to attend and vote at the EGM to be held on 2 July 2021, the register of members of the Company will be closed on Monday, 28 June 2021 to Friday, 2 July 2021, both days inclusive. In order to qualify for attending and voting at the EGM, all transfer documents should be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 25 June 2021.

RECOMMENDATION

Your attention is drawn to the letter of the Independent Board Committee set out on pages 25 to 26 of this circular, and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 27 to 50 of this circular in respect of the Acquisition, the SP Agreement and the transactions contemplated thereunder.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the view that the Acquisition, the SP Agreement and the transactions contemplated thereunder, which have been reached after arm's length negotiations among the parties thereto, are on normal commercial terms, fair and reasonable, and the transactions contemplated above are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed for approving the Acquisition, the SP Agreement and the transactions contemplated thereunder at the EGM.

The Board (including independent non-executive Directors) considers that the Acquisition, the SP Agreement and the transactions contemplated thereunder, which have been reached after arm's length negotiations among the parties thereto, are on normal commercial terms, fair and reasonable, and the transactions contemplated above are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including independent non-executive Directors) recommends the Independent Shareholders to vote in favour of the resolution approving the Acquisition, the SP Agreement and the transactions contemplated thereunder at the EGM.

GENERAL

Completion of the Acquisition is subject to, among other conditions, the full discharge of all charges (if any) over relevant equity interests and assets of the Target Group. As such, upon Completion, the Group shall acquire the Sale Interests and the Sale Loans free from all encumbrances and third party rights, and together with all rights and benefits attaching thereto as at Completion. Completion of the Acquisition is subject to the fulfilment (or waiver) of the conditions precedent set out in the SP Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and other securities of the Company.

FURTHER INFORMATION

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

Yours faithfully
On behalf of the Board
KAISA GROUP HOLDINGS LTD.
Kwok Ying Shing
Chairman and executive Director

KAISA GROUP HOLDINGS LTD.
佳兆業集團控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1638)

28 May 2021

To the Independent Shareholders

Dear Sir or Madam

MAJOR TRANSACTION AND CONNECTED TRANSACTION – ACQUISITION OF THE SALE INTERESTS AND THE SALE LOANS

We refer to the circular of the Company dated 28 May 2021 (the "**Circular**") of which this letter forms part. Unless the context otherwise requires, terms and expressions defined in the Circular shall have the same meanings herein.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Acquisition, the SP Agreement and the transactions contemplated thereunder are fair and reasonable, whether the transactions contemplated above are on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. Red Sun Capital Limited (紅日資本有限公司) has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to (i) the letter from the Board set out on pages 7 to 24 of the Circular; (ii) the letter from the Independent Financial Adviser as set out on pages 27 to 50 of the Circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Acquisition, the SP Agreement and the transactions contemplated thereunder as well as the principal factors and reasons considered by the Independent Financial Adviser in arriving at its recommendation; and (iii) the additional information as set out in the appendices to the Circular.

* *For identification purpose only*

After taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we concur with its views and consider that the terms of the Acquisition, the SP Agreement and the transactions contemplated thereunder are fair and reasonable as far as the Independent Shareholders are concerned, and the SP Agreement and transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the transactions contemplated above.

Yours faithfully
For and on behalf of the
Independent Board Committee

Rao Yong **Zhang Yizhao** **Liu Xuesheng**
Independent non-executive Directors

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.

红日资本有限公司
RED SUN CAPITAL LIMITED

Room 3303, 33/F
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

28 May 2021

To: The Independent Board Committee and the Independent Shareholders of Kaisa Group Holdings Ltd.

Dear Sir/Madam,

MAJOR TRANSACTION AND CONNECTED TRANSACTION – ACQUISITION OF THE SALE INTERESTS AND THE SALE LOANS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, the SP Agreement and the transaction contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 28 May 2021 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 25 March 2021 (after trading hours), the Company (as the purchaser), Acme Victory Investments Limited (as Vendor A), Ascending Power Investments Limited (as Vendor B), 北京誠義豪泰投資管理有限公司 (Beijing Chengyi Haotai Investment Management Co., Ltd.*) (as Vendor C) and the Guarantor entered into the SP Agreement in respect of the Acquisition.

As at the Latest Practicable Date, Mr. Kwok Ying Shing, being the Chairman of the Board, an executive Director and a substantial Shareholder, is the ultimate beneficial owner or de facto controller of the Vendors. Each of Vendor A, Vendor B and Vendor C, being an associate of Mr. Kwok Ying Shing, is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Acquisition is therefore subject to announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapters 14A and (where applicable) 14 of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

The EGM will be convened and held for the Independent Shareholders to consider, if thought fit, to approve, among others, the Acquisition, the SP Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, (i) Da Chang Investment Company Limited ("**Da Chang**") held 809,181,003 Shares, representing approximately 11.54% of the total issued share capital of the Company; (ii) Da Feng Investment Company Limited ("**Da Feng**") held 964,388,735 Shares, representing approximately 13.75% of the total issued share capital of the Company; (iii) Da Zheng Investment Company Limited ("**Da Zheng**") held 963,503,287 Shares, representing approximately 13.74% of the total issued share capital of the Company; (iv) Sino Life held 649,700,957 Shares, representing approximately 9.26% of the total issued share capital of the Company; and (v) Fund Resources Investment Holdings Group Company Limited ("**Fund Resources**") held 887,995,149 Shares, representing approximately 12.66% of the total issued share capital of the Company. Da Chang is wholly owned by Mr. Kwok Ying Shing (i.e. the Guarantor) while Da Zheng is wholly owned by Mr. Kwok Ying Chi, the brother of Mr. Kwok Ying Shing. Da Feng is 100% beneficially owned by a family trust set up by the Guarantor for the benefit of his family members. As such, each of Da Chang, Da Feng and Da Zheng is an associate of Mr. Kwok Ying Shing. Fund Resources is wholly owned by Sino Life and is therefore an associate of Sino Life.

Mr. Kwok Ying Shing is considered to have a material interest in the Acquisition by virtue of his relationship with the Vendors and being a party to the SP Agreement. Part of the Total Consideration will be used by Mr. Kwok Ying Shing, the ultimate beneficial owner or de facto controller of the Vendors, to repay the loan owing from him and/or his controlled companies to Sino Life and/or companies controlled by it. As such, Mr. Kwok Ying Shing and Sino Life and their respective associates shall abstain from voting on the resolution(s) to approve the Acquisition, the SP Agreement and the transactions contemplated thereunder at the EGM. To the best of the Directors' knowledge, information and belief, save as disclosed above, no other Shareholder is required to abstain from voting on the resolution(s) to approve the Acquisition, the SP Agreement and the transactions contemplated thereunder at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Rao Yong, Mr. Zhang Yizhao and Mr. Liu Xuesheng, being the independent non-executive Directors, has been established to advise the Independent Shareholders in relation to the Acquisition, the SP Agreement and the transactions contemplated thereunder. We, Red Sun Capital Limited, have been appointed as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company or other parties that could reasonably be regarded as relevant to our independence, and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders. Save for our appointment as the Independent Financial Adviser, we did not act as independent financial adviser to the Company under the Listing Rules in the past two years.

Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR ADVICE

In formulating our advice to the Independent Board Committee and the Independent Shareholders, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the management of the Company (the "**Management**"). We have assumed that all information, representations and opinions contained or referred to in the Circular which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be as at the Latest Practicable Date.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been reasonably arrived at after due and careful consideration and there are no other material facts not contained in the Circular the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion.

We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the Management, nor have we conducted an independent investigation into the business and affairs of the Group and any parties in relation to the Acquisition.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Acquisition, except for its inclusion in the Circular being made available for public inspection, are not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons:

1. Information on the Group

As stated in the Letter from the Board, the Company is an investment holding company and the Group is principally engaged in property development, property investment, property management, hotel and catering operations, cinema, department store and cultural centre operations, water-way passenger and cargo transportation and health care operations in the PRC.

Set out below is the summary of the key financial information of the Group for the three years ended 31 December 2018, 2019 and 2020, which were extracted from the Company's annual report for the year ended 31 December 2019 (the "**2019 Annual Report**") and the Company's annual report for the year ended 31 December 2020 (the "**2020 Annual Report**"):

	For the year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*
Revenue			
– Sales of properties	36,080,552	43,848,644	51,194,413
– Rental income	278,592	455,728	543,704
– Property management services	516,221	912,299	1,349,154
– Hotel and catering operations	249,932	276,862	263,415
– Cinema, department store and cultural centre operations	491,099	664,433	158,185
– Water-way passenger and cargo transportation	810,634	869,842	424,371
– Health care operations	–	223,532	490,999
– Others	277,937	770,345	1,345,940
	38,704,967	48,021,685	55,770,181
Gross Profit	11,128,758	13,830,063	15,907,468
Profit for the year attributable to equity shareholders of the Company	2,750,206	4,594,265	5,447,125

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*
Non-current assets	65,915,004	80,314,972	81,791,864
Current assets	163,113,036	190,587,390	228,106,695
Total assets	229,028,040	270,902,362	309,898,559
Non-current liabilities	96,278,821	91,427,400	103,398,130
Current liabilities	96,409,907	123,768,389	127,781,055
Total liabilities	192,688,728	215,195,789	231,179,185
Equity attributable to owners of the Company	21,640,110	25,716,347	32,333,739
Non-controlling interests	14,699,202	29,990,226	46,385,635
Total equity	36,339,312	55,706,573	78,719,374

For the year ended 31 December 2019

According the to the 2019 Annual Report, the revenue of the Group increased by approximately RMB9,316.7 million or 24.1% from approximately RMB38,705.0 million for the year ended 31 December 2018 to approximately RMB48,021.7 million for the year ended 31 December 2019. Such increase was mainly due to (i) an increase of the revenue from sales of properties by approximately RMB7,768.1 million or 21.5% which was primarily attributable to an increase in the total delivered gross floor area ("**GFA**") from approximately 2.1 million sq.m. for the year ended 31 December 2018 to approximately 2.5 million sq. m. for the year ended 31 December 2019; (ii) an increase in rental income by approximately RMB177.1 million or 63.6% which was primarily attributable to more GFA for rental; (iii) an increase in revenue from property management services by approximately RMB396.1 million or 76.7% which was primarily attributable to the increased GFA under property management; (iv) an increase in revenue from hotel and catering operations of the Group by approximately RMB27.0 million or 10.8% which was mainly attributable to the business expansion in this segment; (v) an increase in revenue from cinema, department store and cultural centre operations by approximately RMB173.3 million or 35.3% which was primarily attributable to the business expansion in this segment; and (vi) an increase in revenue from water-way passenger and cargo transportation by approximately RMB59.2 million or 7.3% which was primarily attributable to the business expansion in this segment.

Profit for the year attributable to equity shareholders of the Company increased by approximately 67.1% from approximately RMB2,750.2 million for the year ended 31 December 2018 to approximately RMB4,594.3 million for the year ended 31 December 2019. Such increase was mainly because the Group recorded a decrease in net finance costs of approximately RMB1,135.8 million which was mainly attributable to the decrease in net exchange losses of approximately RMB707.8 million or 46.4%. The decrease in net exchange losses mainly arose from the U.S. dollar denominated offshore financing as a result of the less depreciation of Renminbi against the U.S. dollar for the year ended 31 December 2019 as compared with the year ended 31 December 2018.

As at 31 December 2019, the Group had total assets, total liabilities and net assets of approximately RMB270,902.4 million, RMB215,195.8 million and RMB55,706.6 million, respectively.

For the year ended 31 December 2020

According to the 2020 Annual Report, the revenue of the Group increased by approximately RMB7,748.5 million or 16.1% from approximately RMB48,021.7 million for the year ended 31 December 2019 to approximately RMB55,770.2 million for the year ended 31 December 2020. Such increase was mainly the combined effect of (i) an increase of the revenue from sales of properties by approximately RMB7,345.8 million or 16.7% which was primarily attributable to an increase in total delivered GFA from approximately 2.5 million sq.m. for the year ended 31 December 2019 to approximately 3.2 million sq.m. for the year ended 31 December 2020; (ii) an increase in rental income by approximately RMB88.0 million or 19.3% which was primarily due to commencement of rental at certain properties during the year ended 31 December 2020; (iii) an increase in revenue from property management services by approximately RMB436.9 million or 47.9% which was primarily attributable to the increased GFA under property management; (iv) a decrease in revenue from hotel and catering operations of the Group by approximately RMB13.5 million or 4.9% which was primarily due to the outbreak of COVID-19 pandemic; (v) a decrease in revenue from cinema, department store and cultural centre operations by approximately RMB506.2 million or 76.2% which was primarily due to the closure of cinema and culture centre in early 2020 as a results of the outbreak of the COVID-19 pandemic; (vi) a decrease in revenue from water-way passenger and cargo transportation by approximately RMB445.5 million or 51.2% which was primarily due to the significant decrease in the passenger volume as a result of the outbreak of COVID-19 pandemic; and (vii) an increase in revenue from health care operations by approximately RMB267.5 million or 119.7% which was primarily due to acquisition of a pharmaceutical company in 2019.

Profit for the year attributable to equity shareholders of the Company increased by approximately RMB852.8 million or 18.6% from approximately RMB4,594.3 million for the year ended 31 December 2019 to approximately RMB5,447.1 million for the year ended 31 December 2020. Such increase was mainly attributable to (i) the increase in gross profit of approximately RMB2,077.4 million; (ii) the increase in other gains and losses from a loss of approximately RMB1,494.3 million for the year ended 31 December 2019 to a gain of approximately RMB334.7 million for the year ended 31 December 2020; (iii) the increase in net gain on disposal of subsidiaries of approximately RMB528.5 million; (iv) the increase in share of results of joint venture from a loss of approximately RMB197.7 million for the year ended 31 December 2019 to a profit of approximately RMB37.6 million for the year ended 31 December 2020; and (v) the increase in fair value of financial derivatives from a loss of approximately RMB82.2 million for the year ended 31 December 2019 to a gain of approximately RMB52.8 million for the year ended 31 December 2020, and partially offset by (i) the decrease in the net gain on deemed disposals of subsidiaries of approximately RMB1,644.1 million; (ii) the decrease in share of results of associates from a gain of approximately RMB92.6 million for the year ended 31 December 2019 to a loss of approximately RMB44.8 million for the year ended 31 December 2020; and (iii) increase in finance cost of approximately RMB1,485.8 million.

As at 31 December 2020, the Group had total assets, total liabilities and total equity of approximately RMB309,898.6 million, RMB231,179.2 million and RMB78,719.4 million, respectively.

2. Information of the Vendor A, the Vendor B, and the Vendor C

Vendor A, Acme Victory Investments Limited (高捷投資有限公司), is a company incorporated in the BVI with limited liability which (i) is 100% ultimately and beneficially owned by the Guarantor; and (ii) is principally engaged in investment holding.

Vendor B, Ascending Power Investments Limited (昇晴投資有限公司), is a company incorporated in the BVI with limited liability which (i) is 100% ultimately and beneficially owned by the Guarantor; and (ii) is principally engaged in investment holding.

Vendor C, 北京誠義豪泰投資管理有限公司 (Beijing Chengyi Haotai Investment Management Co., Ltd.*), a company established in the PRC with limited liability which is principally engaged in investment management and consultancy. The Guarantor is the de facto controller of Vendor C.

3. Information of the Target Group

Target A is a company incorporated in Hong Kong with limited liability. Target B is a company incorporated in the BVI with limited liability. Target A and Target B are principally engaged in investment holding. As at the Latest Practicable Date and as at Completion, Target A and Target B together indirectly hold 96.8% of the equity interest in Target C through Century Profit. Century Profit is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. Vendor C is interested in the remaining 3.2% equity interest in Target C.

Target C is a company established in the PRC with limited liability. It is principally engaged in the business of property development, property holding, sale and leasing of property. As at the Latest Practicable Date, Target C is running a real estate project in Beijing, the PRC, namely 耀輝國際城項目 (Yaohui International City Project*). The Properties constructed under the project are located in the Southeast corner of intersection of Xi Dawang Road and Jianguo Road in Chaoyang District in Beijing City in the PRC (中國北京市朝陽區西大望路與建國路交匯東南角). Yaohui International City Project covers a site area of approximately 26,812 square meters and the Properties cover a total gross floor area of approximately 201,601 square meters. The Properties comprise business apartments, residential, retail, hotel, public facilities and car parking spaces etc.

The Yaohui International City Project was acquired by the Guarantor through the Vendors from the Original Owner in 2013. By that time, only the concrete structure construction of the buildings was completed. After the Guarantor acquired the Yaohui International City Project through the Vendors, the construction works of the Properties, including the construction of the exterior facade, garden and interior partition and decoration of the buildings, were carried out. The Yaohui International City Project was completed in 2018.

As Target A, Target B and Century Profit are principally engaged in investment holding. Set out below are the revenue, profit before and after taxation of Target A and Target B as extracted from the audited financial information of Target A and, as the case may be, the audited consolidated financial statement of Target B and its subsidiaries (including Century Profit and Target C) for the two years ended 31 December 2019 and 2020, respectively:

Target A

	For the year ended 31 December	
	2019	**2020**
	Approximately	*Approximately*
Revenue	–	–
Profit before taxation	RMB71,637,000 (equivalent to approximately HK$85,527,000)	RMB19,687,000 (equivalent to approximately HK$23,504,000)
Profit after taxation	RMB71,637,000 (equivalent to approximately HK$85,527,000)	RMB19,687,000 (equivalent to approximately HK$23,504,000)

The audited total asset value and net asset value of Target A as at 31 December 2020 were approximately RMB1,109,246,000 (equivalent to approximately HK$1,324,315,000) and approximately RMB514,758,000 (equivalent to approximately HK$614,563,000) respectively.

Target B and its subsidiaries (including Century Profit and Target C)

	For the year ended 31 December	
	2019	**2020**
	Approximately	*Approximately*
Revenue	RMB156,995,000 (equivalent to approximately HK$187,434,000)	RMB176,069,000 (equivalent to approximately HK$210,207,000)
Profit before taxation	RMB170,980,000 (equivalent to approximately HK$204,131,000)	RMB66,230,000 (equivalent to approximately HK$79,071,000)
Profit after taxation	RMB132,980,000 (equivalent to approximately HK$158,763,000)	RMB19,544,000 (equivalent to approximately HK$23,333,000)

The audited consolidated total asset value and net asset value of Target B and its subsidiaries (including Century Profit and Target C) as at 31 December 2020 were approximately RMB8,918,876,000 (equivalent to approximately HK$10,648,133,000) and approximately RMB2,584,148,000 (equivalent to approximately HK$3,085,181,000) respectively.

4. Reasons for and benefits of the Acquisition

The Company is an investment holding company and the Group is principally engaged in property development, property investment, property management, hotel and catering operations, cinema, department store and cultural centre operations, water-way passenger and cargo transportation and health care operations in the PRC.

As set out in the Letter from the Board, the Group has been paying close attention to the development opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta, Beijing-Tianjin-Hebei, Central China, and Western China. The Group has been exploring opportunities for business development in first-tier cities including Shanghai and Beijing and major second-tier cities as well as their surrounding areas. With the excellent location in the central business district of Beijing, the Properties embrace the top surrounding amenities and luxurious landscape gardens. In addition, the Company is of the view that the Acquisition is strategically important to the Group's expansion in Beijing which is in line with its overall business strategy in light of its recent development in other first-tier cities such as Shanghai, Guangzhou and Shenzhen. The Acquisition also has strategic importance as it fosters the Group's "Shenzhen-Beijing Dual-headquarters" strategy with the addition of these saleable resources and trophy investment property in Beijing. The premium location and quality of the Properties in core

CBD of Beijing would further enhance the Group's brand image and reputation. Therefore, considering the recent property market in the PRC as well as the location of the Properties, the Company considers that the Acquisition represents a promising investment to the Group which may generate sustainable returns for the Shareholders and consolidate the market presence of the Group in the first-tier cities of the PRC.

The Management considers that the Acquisition would create value for the Shareholders financially and strategically. The Acquisition presents an excellent opportunity and timing for the Group to replenish immediate saleable resources in a first-tier city without exposure to significant development cycle and risks. The Group hence expects to recognise revenue and profit from 耀輝國際城項目 (Yaohui International City Project*) in the near term. At the same time, the project would give the Group a quality source of recurring income and further diversify the revenue source to support the Group's long-term development.

In considering whether the Acquisition is in the interests of the Company and the Shareholders as a whole, we have taken into consideration the following factors:

(i) Economic overview of Beijing

According to National Bureau of Statistics of China, Beijing is ranked second in terms of GDP in 2020 amongst all China's cities. According to Beijing Municipal Bureau of Statistics, the GDP of Beijing has increased with CAGR of approximately 7.81% from approximately RMB2,477.9 billion in 2015 to approximately RMB3,610.3 billion in 2020.

According to the "Statistical Communique on the National Economy and Social Development of Beijing in 2020" issued by the Beijing Municipal Bureau of Statistics in March 2021, the per capita disposable income of residents in Beijing in 2020 reached RMB69,434, representing an increase of approximately 2.5% as compared to the previous year. Per capita disposable income of low-income rural households in 2020 was approximately RMB17,588, with a growth of approximately 16.8% over the previous year, and the growth rate was approximately 14.3 percentage points higher than the per capita disposable income growth rate of Beijing as a whole.

(ii) Market overview on real estate industry in Beijing

Target C is a company established in the PRC with limited liability. It is principally engaged in property development, property holding, sale and leasing of property. As advised by the Management, we are given to understand that the Properties constructed under the project are located in the Southeast corner of intersection of Xi Dawang Road and Jianguo Road in Chaoyang District in Beijing City in the PRC (中國北京朝陽區西大望路與建國路交匯東南角). The project covers a site area of approximately 26,812 square meters and the Properties cover a total gross floor area of approximately 201,601 square meters. The Properties comprise business apartments, residential, retail, hotel, public facilities and car parking spaces etc.

According to the price indices of newly constructed residential published by National Bureau of Statistics of China, Beijing's sales price index of newly constructed residential buildings for February 2021 remained stable and recorded a slight increase of approximately 3.4% as compared to that for February 2020 and a slight increase of approximately 0.7% as compared to that for January 2021.

According to Beijing Municipal Bureau of Statistics, the sales of commercial and residential housing in terms of square meters remained stable at approximately 9.4 million square meters and 9.7 million square meters in 2019 and 2020, respectively, in which (i) the sales of residential housing decreased slightly from approximately 7.9 million square meters in 2019 to approximately 7.3 million square meters in 2020, representing a decrease of approximately 7.6%; (ii) the sales of office increased from approximately 0.5 million square meters in 2019 to approximately 0.7 million square meters in 2020, representing an increase of approximately 40.0%; and (iii) the sales of commercial housing increased from approximately 0.3 million square meters in 2019 to approximately 0.5 million square meters in 2020, representing an increase of approximately 66.7%.

Accordingly, we are of the view that the increase in both the sales prices index and sales area reflects a positive outlook of real estate market in Beijing.

(iii) The Group's focus on property development in first-tier and major second-tier cities

According to the Letter from the Board, the Group has been paying close attention to the development opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta, Beijing-Tianjin-Hebei, Central China, and Western China. The Group has been exploring opportunities for business development in first-tier cities including Shanghai, Beijing and major second-tier cities as well as their surrounding areas. For the year ended 31 December 2020, the Group's attributable contracted sales exceeded RMB100,000 million for the first time and reached a record high of RMB106,896 million, representing a year-on-year increase of 21.3%. During the year ended 31 December 2020, more than 20 projects of the Company were granted more than 30 international and domestic awards in terms of design, provincial and municipal quality and safety. By virtue of its good reputation and brand bargaining power, projects including Shenzhen Kaisa Sky-high Summit, Guangzhou Kaisa Yuejiang Mansion, Huizhou Kaisa Shiguangdao, Shanghai Kaisa City Plaza and Nanjing Kaisa Eminent Residence received overwhelming responses after launching.

Having considered that (i) the positive outlook of Beijing's economy as well as the real estate market; (ii) the development plan of the Properties and the expected steady income to be generated upon its completion; (iii) the Acquisition is in line with the Group's business strategies to focus on property development opportunities in first-tier and major second-tier cities, we concur with the view of the Directors that the entering into the Acquisition is in the interests of the Company and the Shareholders as a whole.

5. Principal terms of the SP Agreement

The major terms of the SP Agreement are set out below:

Date

25 March 2021

Parties

Vendors:	Vendor A:	Acme Victory Investments Limited (高捷投資有限公司), a company incorporated in the BVI with limited liability which (i) is 100% ultimately and beneficially owned by the Guarantor; and (ii) is principally engaged in investment holding;
	Vendor B:	Ascending Power Investments Limited (昇晴投資有限公司), a company incorporated in the BVI with limited liability which (i) is 100% ultimately and beneficially owned by the Guarantor; and (ii) is principally engaged in investment holding; and
	Vendor C:	北京誠義豪泰投資管理有限公司 (Beijing Chengyi Haotai Investment Management Co., Ltd.*), a company established in the PRC with limited liability which is principally engaged in investment management and consultancy. The Guarantor is the de facto controller of Vendor C.

Purchaser: the Company

Guarantor: Mr. Kwok Ying Shing, the Chairman of the Board, an executive Director and a substantial Shareholder

Assets to be acquired

In accordance with the terms and conditions of the SP Agreement,

(a) Vendor A has conditionally agreed to sell, and the Company has conditionally agreed to acquire, (i) Sale Interest A, representing 100% of the equity interest in Target A as at the date of the SP Agreement and as at Completion; and (ii) Sale Loan A;

(b) Vendor B has conditionally agreed to sell, and the Company has conditionally agreed to acquire, (i) Sale Interest B, representing 100% of the equity interest in Target B as at the date of the SP Agreement and as at Completion; and (ii) Sale Loan B; and

(c) Vendor C has conditionally agreed to sell, and the Company has conditionally agreed to acquire Sale Loan C,

free from all encumbrances and third party rights, and together with all rights and benefits attaching thereto as at Completion. To the best of the Directors' knowledge, information and belief, there is no restriction which applies to the subsequent sale of the Sale Interests under the SP Agreement.

Consideration

The Total Consideration for the Acquisition is RMB13,000,000,000 (equivalent to approximately HK$15,520,535,000) which comprises:

(a) the aggregate purchase price of Sale Interest A and Sale Loan A: RMB4,461,866,775 (equivalent to approximately HK$5,326,966,000) ("**Consideration A**") *(Notes a and d)*;

(b) the aggregate purchase price of Sale Interest B and Sale Loan B: RMB4,969,261,475 (equivalent to approximately HK$5,932,738,000) ("**Consideration B**") *(Notes b and d)*; and

(c) the purchase price of Sale Loan C: RMB3,568,871,750 (equivalent to approximately HK$4,260,831,000) ("**Consideration C**") *(Note c)*.

Notes:

a: Subject to as mentioned below, the purchase price of Sale Loan A is the RMB equivalent of the face value of Sale Loan A as at the Completion Date; while the purchase price of Sale Interest A is Consideration A less the purchase price of Sale Loan A.

b: Subject to as mentioned below, the purchase price of Sale Loan B is the RMB equivalent of the face value of Sale Loan B as at the Completion Date; while the purchase price of Sale Interest B is Consideration B less the purchase price of Sale Loan B.

c: It is a term of the SP Agreement that the amount of Sale Loan C shall not be reduced pending Completion. For information purpose only, the unaudited amount of Sale Loan C, which is non-interest bearing, was RMB4,615,769,571 (equivalent to approximately HK$5,510,709,000) as at the Latest Practicable Date.

d: To calculate the RMB equivalent of the face value of Sale Loan A and Sale Loan B, the exchange rate between HK$ and RMB of Sale Loan A and Sale Loan B will be based on the mid-point of intra-day exchange rate between HK$ and RMB as of the business day immediately preceding the Completion Date as announced by The People's Bank of China.

Subject to compliance with applicable laws and regulations, the Total Consideration is payable by the Group to the Vendors (or their designated parties) in cash in the following manner:

(a) Consideration A

(i) the sum of RMB473,100,000 (equivalent to approximately HK$564,828,000) (or its equivalent foreign currency) ("**Deposit A**") shall be paid to Vendor A (or its designated party) as refundable deposit at any time as determined by the Group within 10 business days after the date of the SP Agreement;

(ii) the sum of RMB3,515,666,775 (equivalent to approximately HK$4,197,310,000) (or its equivalent foreign currency) shall be paid to Vendor A (or its designated party) as the first instalment at any time as determined by the Group within 10 business days after the Completion Date; and

(iii) the balance of Consideration A of RMB473,100,000 (equivalent to approximately HK$564,828,000) (or its equivalent foreign currency) shall be paid to Vendor A (or its designated party) as the last instalment at any time as determined by the Group within one year after the Completion Date;

(b) Consideration B

(i) the sum of RMB526,900,000 (equivalent to approximately HK$629,059,000) (or its equivalent foreign currency) ("**Deposit B**" together with the Deposit A, referred to as the "**Deposits**") shall be paid to Vendor B (or its designated party) as refundable deposit at any time as determined by the Group within 10 business days after the date of the SP Agreement;

(ii) the sum of RMB3,915,461,475 (equivalent to approximately HK$4,674,620,000) (or its equivalent foreign currency) shall be paid to Vendor B (or its designated party) as the first instalment at any time as determined by the Group within 10 business days after the Completion Date; and

(iii) the balance of Consideration B of RMB526,900,000 (equivalent to approximately HK$629,059,000) (or its equivalent foreign currency) shall be paid to Vendor B (or its designated party) as the last instalment at any time as determined by the Group within one year after the Completion Date; and

(c) Consideration C — the full amount of RMB3,568,871,750 (equivalent to approximately HK$4,260,831,000) shall be paid to Vendor C (or its designated party) by the Company's designated qualified party at any time as determined by the Group within 10 business days after the Completion Date.

The exchange rate between RMB and the foreign currency for the payment of the Total Consideration will be based on the mid-point of intra-day exchange rate between RMB and the foreign currency as of the business day immediately preceding the date of payment as announced by The People's Bank of China.

For further details in respect of the major terms of the SP Agreement, please refer to the paragraph headed "The SP Agreement" in the Letter from the Board.

Evaluation of the Total Consideration

As stated in the Letter from the Board, the Total Consideration for the Acquisition is RMB13,000,000,000 (equivalent to approximately HK$15,520,535,000) was determined after arm's length negotiations between the Vendors and the Group on normal commercial terms taking into account, among other things, (i) the preliminary valuation of the Properties of approximately RMB18.6 billion (equivalent to approximately HK$22.2 billion) as at 31 December 2020 by Savills Valuation and Professional Services Limited (the "**Independent Valuer**"), an independent property valuer, based on the income capitalisation and direct comparison approaches; (ii) the future business prospects of the Target Group and the industry in which the Target Group is engaging; and (iii) other reasons for and benefits of the Acquisition as stated under the section headed "Reasons for and benefits of the Acquisition" in the Letter from the Board.

Assessment of the valuation of the Properties

The valuation of the Properties (the "**Valuation**") of approximately RMB18.6 billion (equivalent to approximately HK$22.2 billion) as at 31 March 2021 (the "**Valuation Date**") prepared by the Independent Valuer was conducted based on the income capitalisation and direct comparison approaches. Details of the Valuation is set out in the valuation report enclosed in Appendix V to the Circular (the "**Valuation Report**"). The Valuation has been undertaken in accordance with the HKIS Valuation Standards 2020 of The Hong Kong Institute of Surveyors ("**HKIS**"), which incorporates the International Valuation Standards ("**IVS**"), and (where applicable) the relevant HKIS or jurisdictional supplement. The Independent Valuer has also complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We understand that in the course of the Valuation, unless otherwise stated, the Independent Valuer has assumed that transferable land use rights of the Properties for their specific terms at nominal annual land use fee have been granted and that any premium payable has been fully paid. The Independent Valuer has also assumed that the owner of the Properties has good legal titles to the Properties and has free and uninterrupted rights to occupy, use, transfer or lease the Properties for the whole of the respective unexpired terms as granted. No allowance has been made in the Valuation for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, the Independent Valuer has also assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their value.

We also noted that the Independent Valuer has carried out site inspection on 11 October 2020, and no serious defects was noted. In arriving their opinion of value, the Independent Valuer has adopted the direct comparison approach to value (i) the business apartment and hotel portions of the Properties by making reference to sales of comparable properties and taking account of the cost to be expended to reinstate such portions of the Properties to their designated uses; and (ii) the residential units and car parking spaces portion of the Properties by making reference to sales of comparable properties as available in the market. Apart from the abovementioned portions of the Properties, the Independent Valuer has adopted the income capitalisation approach to value the retail portion of the Properties by taking into account the rental income derived from the existing tenancies with due allowance for the reversionary income potential of such portion of the Properties.

We have reviewed the Valuation Report prepared by the Independent Valuer. We have also discussed with the Independent Valuer regarding the methodology of and the principal bases and assumptions adopted for the Valuation of the Properties. We understand that the car parking spaces portions of the Properties, the retail portion of the Properties and the business apartment, hotel and residential units of the Properties are separately valuated. Therefore, we consider the adoption of the sum of the appraised values of those three portions as the value of the Properties is appropriate.

We also understand that the common valuation approaches are the direct comparison approach, the income capitalisation approach and the cost approach. The direct comparison approach, which is primarily based on the ratio analysis of comparable, was adopted for the valuation of (a) the business apartment, hotel and residential units and (b) the car parking spaces portions in the Valuation Report given (i) the income capitalisation approach was not appropriate because, both the business apartment, hotel and residential units and car parking spaces were assumed to be held for sale, and direct comparison approach could more accurately reflect their market value and also financial forecasts would involve high level of uncertainties; and (ii) the cost approach was also not appropriate because it could not capture earning potentials. The income capitalisation approach for the retail portion of the Properties, which is primarily based on the capitalisation of rental income, was adopted to quantify the rental income in the Valuation Report given (i) the direct comparison approach was not appropriate because there were not many recent transactions involving large-scale properties of the same tenancy structure and the rental comparables were readily available; and (ii) the cost approach was also not appropriate because it could not reflect income generation potentials.

In arriving at the valuation of the retail portion of the Properties, the Independent Valuer has made reference to the lettings of other developments which have characteristics similar to the Properties. As advised by the Independent Valuer, the selection criteria for the Development Comparables (as defined below) were (i) the date of asking/transaction being within two years from the Valuation Date; and (ii) the subject located in Chaoyang District, and if the market evidences of Chaoyang District are not sufficient, Haidian District, Xicheng District and Dongcheng District will also be considered. Appropriate adjustments have been made to reflect the difference in factors between the Properties and comparable properties such as time, location, size, floor level and quality in arriving at the key assumptions. We have reviewed and discussed with the Independent Valuer in relation to the selections on the market comparables and the relevant adjustments made. We noted that the monthly unit rents of the five market comparables ranged from RMB900 to RMB1,200 per sq.m. for retail units (the "**Development Comparables**"), while the average unit rates adopted in the Valuation are about RMB1,000 per sq.m. per month, which are consistent with the Development Comparables.

In arriving at the valuation of the business apartment and residential units of the Properties, the Independent Valuer has made reference to various market comparables which have characteristics similar to the Properties. The selection criteria for the Business Apartment Comparables and Residential Unit Comparable (as defined below) were (i) the date of asking/transaction being within two years from the Valuation Date; (ii) the subject located in Chaoyang District, and if the market evidences of Chaoyang District are not sufficient, Haidian District, Xicheng District and Dongcheng District will also be considered; and (iii) building age being less than 20 years. Appropriate adjustments have been made to reflect the difference in factors such as time, location, scale and floor level in arriving at the key assumptions. We have reviewed and discussed with the Independent Valuer in relation to the selections on the market comparables and the relevant adjustments made. We noted that the unit price of (i) the four market comparables ranged from RMB90,000 to RMB96,000 per sq.m. for business apartment (the "**Business Apartment Comparables**"); and (ii) the five market comparables ranged from RMB140,000 to RMB178,000 per sq.m. for residential units (the "**Residential Unit Comparables**"), while the average unit rates adopted in the Valuation are about RMB90,000 per sq.m. for business apartment and RMB169,000 per sq.m. for residential units, which are consistent with the relevant comparables.

In arriving at the valuation of the hotel portion of the Properties, the Independent Valuer has made reference to various market comparables which have characteristics similar to the Properties. Due to the limited number of transactions for hotel in the market, the selection criteria for the Hotel Comparables (as defined below) was only the subject located in Chaoyang District, and if the market evidences of Chaoyang District are not sufficient, Haidian District, Xicheng District and Dongcheng District will also be considered. Appropriate adjustments have been made to reflect the difference in factors such as time, location, scale and floor level in arriving at the key assumptions. We have reviewed and discussed with the Independent Valuer in relation to the selections on the market comparables and the relevant adjustments made. We noted that the unit price of the three market comparables ranged from RMB33,000 to RMB39,000 per sq.m. for hotel (the "**Hotel Comparables**"), while the average unit rates adopted in the Valuation is RMB39,000 per sq.m. which is consistent with the Hotel Comparables and we considered to be appropriate and reasonable after taken into account the prime location of the Properties (i.e. Beijing central business district) and the building ages of the Hotel Comparables being over 10 years.

In arriving at the valuation of the car parking spaces portions of the Properties, the Independent Valuer has made reference to various sale reference of car parking spaces which have characteristics similar to the Properties. The selection criteria for the Car Parking Space Comparables (as defined below) were (i) the date of asking/transaction being within two years from the Valuation Date; and (ii) the subject located in Chaoyang District, and if the market evidences of Chaoyang District are not sufficient, Haidian District, Xicheng District and Dongcheng District will also be considered. Appropriate adjustments have been made to reflect the difference in factors such as time and location in arriving at the key assumptions. We have reviewed and discussed with the Independent Valuer in relation to the selections on the market comparables and the relevant adjustments made. We noted that the unit price of the six market comparables ranged from RMB500,000 to RMB700,000 per car parking space (the "**Car Parking Space Comparables**"), while the average unit price adopted in the Valuation is RMB600,000 per car parking space, which is consistent with the Car Parking Space Comparables.

The Independent Valuer has confirmed that the comparable companies selected by it for the Valuation Report represents an exhaustive list based on its best knowledge and information available. As advised by the Independent Valuer, the details of the market comparables adopted in the Valuation are set out below:

Name	Geographical location	Referenced gross floor area *(sq.m.)* *Approximately*	Referenced monthly rent *(RMB/sq.m.)* *Approximately*
Development Comparables			
Retail shop at Sanlitun SOHO	Chaoyang District	20.00	900
Retail shop at Guomao Yanjiu City	Chaoyang District	40.00	1,140
Retail shop at Carrefour (Shuangjing branch)	Chaoyang District	15.00	1,200
Retail shop at Hopson One	Chaoyang District	168.00	1,050
Retail shop at Jianwai SOHO	Chaoyang District	22.00	1,100

Name	Geographical location	Referenced gross floor area *(sq.m.)* *Approximately*	Referenced rate *(RMB/sq.m.)* *Approximately*
Business Apartment Comparables			
Blue Castle International Mansion	Chaoyang District	54.00	95,000
Huacai International Mansion	Chaoyang District	53.00	96,000
Palm Springs	Chaoyang District	136.00	92,000
China Central Place	Chaoyang District	77.00	90,000

Name	Geographical location	Referenced gross floor area *(sq.m.)* *Approximately*	Referenced rate *(RMB/sq.m.)* *Approximately*
Hotel Comparables			
Jade Palace Hotel	Haidian District	68,629.00	39,000
Plaza Hotel Beijing	Chaoyang District	21,906.00	33,000
Novotel Beijing Sanyuan and Ibis Beijing Sanyuan	Chaoyang District	32,586.00	36,000

Name	Geographical location	Referenced gross floor area (sq.m.) Approximately	Referenced rate (RMB/sq.m.) Approximately
Residential Unit Comparables			
Wanliu House	Haidian District	263.66	178,000
Sunny Era	Chaoyang District	92.00	144,000
One Sino Park	Chaoyang District	306.00	150,000
Beijing One Central	Dongcheng District	236.27	150,000
108 Inner Peace	Chaoyang District	257.12	140,000

Name	Geographical location	Referenced gross floor area (sq.m.) Approximately	Referenced rate (RMB) Approximately
Car Parking Space Comparables			
Carparking space at Palm Springs	Chaoyang District	N/A	700,000
Carparking space at Sanlitun SOHO	Chaoyang District	N/A	500,000
Carparking space at Taoran North Coast	Xicheng District	N/A	600,000
Carparking Space at Beijing A-Z Town	Chaoyang District	N/A	550,000
Carparking Space at Jiamingtongcheng	Chaoyang District	N/A	500,000
Carparking Space at Xinhejiayuan	Xicheng District	N/A	600,000

Having considered above, we are of the view that the basis of selection of market comparables (including the similarities of the market comparables) and the adjustments, including various factors taken into account, made for reflecting the difference between the selected comparables and the Properties are appropriate, reasonable and relevant for the purpose of establishing the appraised value of the Properties.

We are given to understand that the Independent Valuer was able to identify sufficient comparable market comparables of similar developments, hence the mix of direct comparison approach and the income capitalisation approach is considered to be appropriate methodology for the valuation of the Properties.

After taking into account the above, we consider that the valuation methodology, together with its bases and assumptions, adopted by the Independent Valuer as discussed above are reasonable and in line with market practice.

On the other hand, as stated in the Valuation Report, the outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a 'Global Pandemic' on the 11 March 2020, has impacted many aspects of daily life and the global economy with some real estate markets experiencing significantly lower levels of transactional activity and liquidity. It is expected that property values will be very sensitive to the development of the pandemic and its impact on the economy. The extents of impact on different sectors of the market are different and the time for marketing and negotiating sale of a property will be longer than usual time. The Valuation is valid only as at 31 March 2021. However, there will be less certainty as to how long a valuation may sustain and property prices may fluctuate rapidly and materially over a short period of time. Any changes in market conditions and impacts on property value subsequent to the date of Valuation cannot be taken into account.

From our discussion with the Independent Valuer, the Independent Valuer maintain its opinion that the Valuation Report, as well as the underlying bases, methodology and assumptions are appropriate and that the Valuation Report is an appropriate reference for determining the valuation of the Properties since nothing material has come to the Independent Valuer's attention that the underlying assumptions and factors have changed as at the Latest Practicable Date.

Furthermore, we have been furnished with the qualifications and experience of the Independent Valuer in relation to the conduct of valuation of the Properties. We note that it possesses experience in property valuations. The responsible person in charge of the Valuation Report is the director of the Independent Valuer and is a corporate member of the HKIS with over 28 years' experience in valuation of properties in the PRC. He has sufficient knowledge of the relevant market, the skills and understanding to handle the valuation exercise competently. Based on our review of the Valuation Report and our discussion with the Independent Valuer on areas, including but not limited to the valuation methodologies and assumptions being adopted in preparing the Valuation Report and the key person involved, nothing has come to our attention that causes us to doubt the fairness and reasonableness of the preparation of the Valuation Report. We have also reviewed the Independent Valuer's terms of engagement with the Company (including its scope of work) and we are not aware of any irregularities based on our discussion with the Independent Valuer and our review of their work. In view of the above, we consider that the procedures of the valuation carried out by the Independent Valuer as well as the bases, assumptions and methodologies adopted for the Valuation Report are appropriate. The Independent Valuer has also confirmed that it is independent from the Company and its connected persons. The value of the Properties as set out in the Valuation Report is therefore considered indicative in determining the consideration of the Properties. As such, we consider the Valuation is a fair reference for our assessment of the consideration.

Fairness and reasonableness of the Total Consideration

In determining the fairness of the Total Consideration, we have compared it to the fair transaction value of the Sale Shares in aggregate. In this regard, the fair value for the Acquisition so calculated is approximately RMB14.8 billion (the "**Transaction Value**") which represents:

(a) the net asset value of the Target Group of approximately RMB9.7 billion as at 31 December 2020 which is resulted from (i) the aggregation of the net asset value of Target A of approximately RMB0.5 billion and the consolidated net asset value of Target B of approximately RMB2.6 billion (excluding the net asset value of the Reserved Portion); (ii) inclusion of the fair value gain on the revaluation of the Properties of approximately RMB9.8 billion, being the excess of market value of the Properties attributable to the Vendors as at 31 March 2021 over their book values attributable to the Vendors as at 31 December 2020, and the deferred income tax liabilities arising from the differences between the tax base and the carrying amount of the hotel portion under property, plant and equipment, investment properties and completed properties held for sale in connection with the Acquisitions of approximately RMB2.5 billion; and (iii) elimination of intercompany investment cost of approximately RMB0.7 billion;

(b) adding back the Sale Loans of approximately RMB5.2 billion as at 31 December 2020; and

(c) subtracting out the gain on bargain purchase attributable to non-controlling interest of approximately RMB0.1 billion, details of which were set out in the Appendix IV to the Circular.

In addition, as stated in the Valuation Report set out in the Appendix V to the Circular, the business apartment and hotel portion of the Properties are currently occupied as office use. As confirmed by the Directors, such portions of the Properties will be renovated and reinstated to their designated uses. The Valuation is based on the Company's renovation proposal. As advised by the Directors, the renovation period is expected to be last for six months starting from 1 June 2021 and the total renovation cost is approximately RMB184,000,000 according to the proposal.

In light of the above, the aggregated value of (i) the Total Consideration of RMB13.0 billion; and (ii) the total renovation cost pursuant to the renovation proposal of approximately RMB184,000,000, being approximately RMB13.2 billion, is lower as compared to the Transaction Value.

Based on the abovementioned factors, we concur with the Directors' view that the Total Consideration for the Acquisition is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

The Total Consideration will be funded by (i) the entire net proceeds of approximately HK$2,552 million from the rights issue of the Company as disclosed in the prospectus of the Company dated 15 April 2021; (ii) loans of approximately HK$9 billion to be granted by a financial institution; and (iii) the internal resources of the Group. In the light of (i) the cash and bank balances amounted to approximately RMB36.1 billion as at 31 December 2020 according to the 2020 Annual Report; and (ii) the rights issue, we consider the Group has sufficient internal resources funding to the Total Consideration.

6. Possible financial effects of the Acquisition

Effect on earnings

As extracted from the 2020 Annual Report, the revenue and profit for the year attributable to owners of the Company amounted to approximately RMB55,770.2 million and RMB5,447.1 million, respectively. In light of the potential future prospects of the Target Group, the Directors are of the view that the Acquisition would likely to have a positive impact on the future earnings of the Enlarged Group.

Effect on net assets value

According to the 2020 Annual Report, the net asset value of the Group was approximately RMB78,719.4 million as at 31 December 2020. An unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to the Circular was prepared based on the consolidated financial position of the Group as at 31 December 2020 and adjusted by considering the Acquisition. Based on the aforesaid, upon completion, the unaudited pro forma net assets of the Enlarged Group would increase from the Group's net assets before the Acquisition and becomes approximately RMB80,741.6 million.

Effect on working capital and gearing

According to the 2020 Annual Report, the Group's working capital (as calculated by current assets minus current liabilities) was approximately RMB100,325.6 million as at 31 December 2020. On a pro forma basis, due to the fair value gain from the Properties as a result of the Acquisition and partially offset by the payment of consideration of the Acquisition, the working capital will increase slightly to approximately RMB105,766.4 million upon completion of the Acquisition.

As at 31 December 2020, the net gearing ratio of the Group (i.e. total borrowings and the perpetual capital securities minus cash and cash equivalents and divided by total equity (excluding perpetual capital securities)) was approximately 97.9%. According to the pro forma information, the net gearing ratio of the Enlarged Group increased to approximately 111.7% as if the Acquisition had been completed on 31 December 2020 which was mainly due to the decrease in cash and cash equivalents as a result of the Acquisition and partially offset by the increased total equity of the Enlarged Group.

In light of the foregoing financial effects of the Acquisition on the Group, the Directors are of the view, and we concur, that the Acquisition would likely have a positive impact on the future earnings of the Enlarged Group and have a positive impact on the Enlarged Group's financial performance. Therefore, we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group would be upon Completion.

RECOMMENDATION

Having considered the aforementioned factors and reasons, we are of the view that (i) the Acquisition is in the ordinary and usual course of the business of the Group; (ii) the Acquisition is in the interests of the Company and the Shareholders as a whole; and (iii) the terms of the SP Agreement and the Acquisition are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we advise the Independent Board Committee to recommend, and we recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition, the SP Agreement and the transaction contemplated thereunder.

Yours faithfully
For and on behalf of
Red Sun Capital Limited
Robert Siu
Managing Director

Note: Mr. Robert Siu is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 22 years of experience in corporate finance industry.

*The English translation of the Chinese name(s) in this letter, where indicated with * is included for information purpose only and should not be regarded as the official English name(s) of such Chinese names.*

1. FINANCIAL INFORMATION OF THE GROUP

Details of the audited consolidated financial information of the Company for each of the three years ended 31 December 2018, 2019 and 2020 are disclosed in the following annual reports of the Company for the years ended 31 December 2018, 2019 and 2020, respectively, which have been published and are available on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (http://www.kaisagroup.com):

- the annual report of the Company for the year ended 31 December 2018 (pages 87 to 253) published on 29 April 2019, available on: http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0429/LTN201904293244.pdf;
- the annual report of the Company for the year ended 31 December 2019 (pages 131 to 304) published on 29 April 2020, available on: https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0429/2020042901978.pdf; and
- the annual report of the Company for the year ended 31 December 2020 (pages 106 to 280) published on 29 April 2021, available on https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042901891.pdf.

2. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY

The following is a summary of the audited consolidated financial information of the Company for the years ended 31 December 2018, 2019 and 2020 as extracted from the published annual financial statements of the Group for the relevant years.

	For the year ended 31 December		
	2018	**2019**	**2020**
	(audited)	**(audited)**	**(audited)**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	38,704,967	48,021,685	55,770,181
Profit before income tax	7,771,885	9,467,603	10,502,356
Income tax expenses	(4,477,629)	(5,303,595)	(5,223,975)
Profit/(loss) for the year attributable to:			
Owners of the Company	2,750,206	4,594,265	5,447,125
Non-controlling interest	544,050	(430,257)	(168,744)
	3,294,256	4,164,008	5,278,381

	As at 31 December		
	2018	**2019**	**2020**
	(audited)	**(audited)**	**(audited)**
	RMB'000	*RMB'000*	*RMB'000*
Total assets	229,028,040	270,902,362	309,898,559
Total liabilities	192,688,728	215,195,789	231,179,185

3. STATEMENT OF INDEBTEDNESS OF THE ENLARGED GROUP

As at 30 April 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had the following indebtedness:

Borrowings and debts

As at the close of business on 30 April 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had outstanding borrowings of approximately RMB123,684 million, details of which are set out below:

	RMB'000
Bank and other borrowings	
Secured	32,562,755
Unsecured	19,417,441
Senior Notes	70,938,209
Convertible Bonds	657,130
Loan from a related company	108,781

The Enlarged Group's secured bank and other borrowings were secured by land and buildings, land use rights, investment properties, properties under development, completed properties held for sales, short-term bank deposits and restricted cash.

Financial guarantee and contingent liabilities

As at the close of business on 30 April 2021, the Enlarged Group's financial guarantee and contingent liabilities were as follows:

	RMB'000
Mortgage facilities for certain purchasers of properties	27,655,249

Note: The guarantees in respect of mortgage facilities granted by certain banks related to mortgage loans arranged for certain purchasers of the Enlarged Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Enlarged Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Enlarged Group is entitled to take over the legal title and possession of the related properties. Such guarantees expire or terminate upon the earlier of (i) issuance of the property ownership certificates which are generally be available within six months to one year after the purchasers take possession of the relevant properties; and (ii) the mortgage loans obtained by the purchasers of properties.

Lease liabilities

The Group has adopted HKFRS 16 Leases using a modified retrospective approach on 1 January 2019. The Enlarged Group applies HKFRS 16 to contracts that were previously identified as leases under Hong Kong Accounting Standard 17 Leases and uses the exemptions allowed by the standard on short-term leases and lease contracts whose lease terms end within 12 months as of the date of the initial application. The Enlarged Group measures the lease liability at the present value of the remaining lease payments, discounted using the Enlarged Group's incremental borrowing rate and measures the right-of-use asset at an amount equal to the lease liability, adjusted by any prepaid or accrued lease payments. As at 30 April 2021, the Enlarged Group had current and non-current lease liabilities of RMB74 million and RMB451 million, respectively.

Commitments

As at the close of business on 30 April 2021, the Enlarged Group had capital commitments, which were contracted but not provided for, in respect of acquisitions of land use rights and property development activities of approximately RMB23,438 million, acquisitions of subsidiaries of approximately RMB54 million and acquisition of an associate and a joint venture of RMB360 million.

Save as disclosed above, the Enlarged Group did not have any outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptance, acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities as at 30 April 2021.

4. WORKING CAPITAL STATEMENT OF THE ENLARGED GROUP

The Directors are of opinion that, after due and careful enquiry and taking into account the Acquisition, the SP Agreement and the transactions contemplated thereunder, and the financial resources available to the Enlarged Group including the internally generated funds, the available banking facilities and the net proceeds of the rights issue conducted by the Company in March 2021, the Enlarged Group will have sufficient working capital for at least the next 12 months commencing from the date of this circular in the absence of unforeseen circumstances.

5. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there has been no material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

6. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in property development, property investment, property management, hotel and catering operations, cinema, department store and cultural centre operations, water-way passenger and cargo transportation and health care operations in the PRC.

The Group's revenue was primarily derived from the following business segments: (i) property development, (ii) property investment, (iii) property management, (iv) hotel and catering operations, (v) cinema, department store and cultural centre operations, (vi) water-way passenger and cargo transportation, (vii) health care operations and (viii) others.

Property Development

Revenue of the Group from sales of properties amounted to approximately RMB51,194.4 million in 2020. As at 31 December 2020, the Group had 105 projects under development with an aggregate of gross floor area ("**GFA**") of approximately 16.44 million sq.m..

Property Investment

Revenue of the Group from rental income amounted to approximately RMB543.7 million in 2020. The Group develops commercial properties such as office buildings, retail stores and car parks for leasing purpose. In managing its investment property portfolio, the Group takes into account long-term growth potential, the overall market conditions, and its cash flows and financial condition. As at 31 December 2020, the Group held 19 investment property projects, with an aggregate GFA of 1.33 million sq.m., including completed investment properties of GFA of 0.54 million sq.m. for leasing purpose.

Property Management

Revenue of the Group from property management services amounted to approximately RMB1,349.2 million in 2020. The Group managed a total GFA of approximately 57.5 million sq.m.. The Group's property management is striving to deliver excellent and professional services to its customers and enhance brand and corporate image. As at 31 December 2020, the Group's property services penetrated into 51 cities nationwide, covering residential, commercial, office, tourism and large-scale stadiums.

Hotel and Catering Operations, Cinema, Department Store and Cultural Centre Operations and Water-way Passenger and Cargo Transportation

Revenue of the Group from hotel and catering operations, cinema, department store and cultural centre operations and water-way passenger and cargo transportation amounted to approximately RMB263.4 million, RMB158.2 million and RMB424.4 million respectively in 2020. Due to the outbreak of the COVID-19 pandemic, the performance of these business segments have been negatively affected. It is expected that the COVID-19 pandemic will gradually come under control. However, the degree of recovery and rebound in growth of the global economy still hinge on the integrated effects of a series of factors including the development trend of the COVID-19 pandemic, the adjustment of global value chain, the foreign economic policy of the U.S. government, the intensity and effect of different countries' fiscal and monetary policies as well as the stability of the global financial market.

Health Care Operations

The Group acquired a pharmaceutical company in 2019 and the health care operations have become significant to the Group. Revenue from health care operations of the Group amounted to approximately RMB491.0 million in 2020 and is expected to continue to increase in 2021.

The Company received high recognition for its performance in the capital market during 2020. Subsequent to the inclusion in Hang Seng Composite Index, Hang Seng Composite LargeCap & MidCap Index, and Hang Seng Stock Connect Greater Bay Area Index, the Company was included as a constituent of Hang Seng Large-Mid Cap Value Tilt Index and Hang Seng Large-Mid Cap (Investable) Index in May and October 2020, respectively, which help the Company to become the investment target of more index funds. The Company's share performance outperformed by far Hang Seng Index and Hang Seng Properties Sub-index during the year ended 31 December 2020.

The Company will implement a prudent land acquisition strategy on the investment side and develop projects through cooperation, to realise complementary strengths, reduce investment risks, lower land expenditures, and ensure sufficient cash flow. At the same time, the Group will accelerate the conversion of urban renewal projects to develop high-quality projects with high profitability by the Company. On the sales side, the Group will continue to accelerate collection of sales proceeds and boost sales through online and offline collaborative sales activities. On the operation side, through continuous improvements in product research and development capacity and cost control ability, the Company will accelerate project construction, display, delivery and provision of services, which in turn will enhance product price premium and increase profits. On the financing side, the Company will strive to actively expand financing channels, improve maturity profile and reduce financing costs. As urbanisation continues to benefit China's real estate industry and with the ongoing advantages provided by the Central Government's favourable policies regarding the Greater Bay Area and the pilot demonstration area of Shenzhen, the Company will ride the tide of time to keep on actively exploring investment opportunities brought by the development of large and medium-sized city clusters in China, grasp the potential of regional economic and industrial development and population policy, and achieve balance between the development of scale and profit enhancement in order to steadily forge ahead.

The following is the text of a report on Target A set out on pages II(A)-1 to II(A)-17, received from the reporting accountants, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this circular.

Grant Thornton
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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF HONG DA TO THE DIRECTORS OF KAISA GROUP HOLDINGS LTD.

Introduction

We report on the historical financial information of Hong Da Development & Investment Holding Co., Ltd. ("**Hong Da**") set out on pages II(A)-3 to II(A)-17, which comprises the statements of financial position of Hong Da as at 31 December 2018, 2019 and 2020, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of Hong Da for each of the years ended 31 December 2018, 2019 and 2020 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II(A)-3 to II(A)-17 forms an integral part of this report, which has been prepared for inclusion in the circular of Kaisa Group Holdings Ltd. (the "**Company**") dated 28 May 2021 (the "**Circular**") in connection with the connected transaction and acquisition of the entire issued share capital of Logic Capital Limited ("**Logic Capital**") and Hong Da.

Directors' Responsibility for the Historical Financial Information

The directors of Hong Da (the "**Hong Da Directors**") are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2.1 to the Historical Financial Information and for such internal control as the Hong Da Directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants' Responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Hong Da directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the financial positions of Hong Da as at 31 December 2018, 2019 and 2020 and of Hong Da's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 2.1 to the Historical Financial Information.

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

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II(A)-3 have been made.

Dividends

We refer to note 6 to the Historical Financial Information which states that no dividends have been paid by Hong Da in respect of the Relevant Periods.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

28 May 2021

Chiu Wing Ning
Practising Certificate Number: P04920

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

The financial statements of Hong Da Development & Investment Holding Co., Ltd. ("**Hong Da**") for the Relevant Periods, on which the Historical Financial Information is based, were audited by Grant Thornton Hong Kong Limited in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") ("**Underlying Financial Statements**").

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF HONG DA

	Notes	**2018**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*4*	–	–	–
Administrative expenses		(1)	–	–
Share of result of an associate	*8*	560,456	71,637	19,687
Profit before income tax		560,455	71,637	19,687
Income tax expenses	*5*	–	–	–
Profit and total comprehensive income for the year		560,455	71,637	19,687

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF HONG DA

	Notes	**2018**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*
Non-current asset				
Interest in an associate	*8*	1,017,922	1,089,559	1,109,246
Current liabilities				
Amount due to a holding company	*9*	(594,488)	(594,488)	(594,488)
Net current liabilities		(594,488)	(594,488)	(594,488)
Net assets		423,434	495,071	514,758
EQUITY				
Share capital	*10*	8	8	8
Reserves		423,426	495,063	514,750
Total equity		423,434	495,071	514,758

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF CHANGES IN EQUITY OF HONG DA

	Share capital	Other reserves	(Accumulated losses)/ Retained profits	Sub-total	(Capital deficiencies)/ Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	8	(4)	(137,025)	(137,029)	(137,021)
Profit and total comprehensive income for the year	–	–	560,455	560,455	560,455
At 31 December 2018 and 1 January 2019	8	(4)	423,430	423,426	423,434
Profit and total comprehensive income for the year	–	–	71,637	71,637	71,637
At 31 December 2019 and 1 January 2020	8	(4)	495,067	495,063	495,071
Profit and total comprehensive income for the year	–	–	19,687	19,687	19,687
At 31 December 2020	**8**	**(4)**	**514,754**	**514,750**	**514,758**

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF CASH FLOWS OF HONG DA

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities			
Profit before income tax	560,455	71,637	19,687
Adjustment for:			
Share of result of an associate	(560,456)	(71,637)	(19,687)
Cash used in operations	(1)	–	–
Interest received	1	–	–
Net cash generated from operating activities	–	–	–
Net increase in cash and cash equivalents	–	–	–
Cash and cash equivalents at the beginning of the year	–	–	–
Cash and cash equivalents at the end of the year, represented by bank balances	–	–	–

The accompanying notes form part of the Historical Financial Information.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Hong Da was established in Hong Kong with limited liability on 14 October 2006. The address of its registered office is Suites 4102-4105, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong.

The principal activity of Hong Da is investment holding.

In the opinion of Hong Da Directors, the immediate and ultimate holding company of Hong Da is Acme Victory Investments Limited, a company incorporated in the British Virgin Islands. The controlling shareholder of Hong Da is Mr. Kwok Ying Shing ("**Mr. Kwok**").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation and presentation

The Historical Financial Information set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the accounting principles generally accepted in Hong Kong. The Historical Financial Information also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

In preparing the Historical Financial Information, the directors of Hong Da has given consideration to the future liquidity of Hong Da in light of its net current liabilities of RMB594,488,000 as at 31 December 2020. The Historical Financial Information of Hong Da have been prepared on a going concern, notwithstanding the net current liabilities position prevailing as at 31 December 2020, based on that the ultimate beneficial owner of Hong Da has agreed to provide continuous financial support to enable Hong Da to meet its liabilities and obligations as and when they fall due and to continue its operations until the date when the ownership will be transferred to other party. In addition, Kaisa Group Holdings Ltd. (the "**Company**") has undertaken, from the date that the Company becomes the controlling shareholder of Hong Da, to provide continuous financial support to enable Hong Da to meet its liabilities and obligations as and when they fall due and to continue its operations with effective from the completion of the proposed acquisition by the Company. As a result, the directors of Hong Da consider that it is appropriate for Hong Da to adopt the going concern basis in preparing the Historical Financial Information.

The significant accounting policies that have been used in the preparation of the Historical Financial Information have been consistently applied throughout the Relevant Periods. The adoption of new and amended HKFRSs that issued but not yet effective and their impact on Historical Financial Information, if any, are disclosed in Note 3.

The Historical Financial Information has been prepared on the historical cost basis. The measurement bases are fully described in the accounting policies below.

The Historical Financial Information is presented in Renminbi ("**RMB**"), rounded to the nearest thousand ('000), which is also the functional currency of Hong Da.

2.2 Associate

An associate is an entity over which Hong Da has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control of these policy, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associate is accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Hong Da's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When Hong Da's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, Hong Da does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Hong Da determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, Hong Da calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "Share of results of an associate" in profit or loss.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of time value of money and the risk specific to the asset.

An impairment loss is reversed and recognised as income immediately if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in Hong Da's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by Hong Da.

Gains or losses on dilution of equity interest in associates are recognised in profit or loss.

2.3 Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when Hong Da becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

All financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("**FVTPL**"), plus transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets are classified as measured at amortised cost.

The classification is determined by both:

– the entity's business model for managing the financial asset; and

– the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or finance income, except for expected credit losses ("**ECL**") of financial assets which is presented within administrative expenses.

Debt investments

Subsequent measurement of financial assets

Financial assets at amortised cost:

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

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

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

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in other income in profit or loss. Discounting is omitted where the effect of discounting is immaterial. Hong Da's amount due from an associate fall into this category of financial assets.

Financial liabilities

Classification and measurement of financial liabilities

Hong Da's financial liabilities include amount due to a holding company.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method. All interest-related charges are included within finance costs.

Amount due to a holding company

These are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2.4 Impairment of financial assets

HKFRS 9's impairment requirements use forward-looking information to recognise ECL – the "ECL model".

Hong Da's amount due from an associate fall within the scope of ECL model.

Hong Da considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

– financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("**Stage 1**") and

– financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("**Stage 2**").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Other financial assets measured at amortised cost

Hong Da measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, Hong Da then recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, Hong Da considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on Hong Da's historical experience and informed credit assessment and including forward-looking information.

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

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

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

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

– an actual or expected significant deterioration in the operating results of the debtor; and

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the foregoing, Hong Da assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

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

Detailed analysis of the ECL assessment of the other financial assets measured at amortised cost are set out in note 11.2.

2.5 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share or options are shown in equity as a deduction, net of tax, from the proceeds.

2.6 Provisions and contingent liabilities

Provisions are recognised when Hong Da has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

2.7 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at each reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the Relevant Periods. All changes to current tax assets or liabilities are recognised as a component of income tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at each reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse and (ii) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

– income or loss excluding reversals of temporary differences; and

– reversals of existing temporary differences.

2.8 Related parties

For the purposes of the Historical Financial Information, a party is considered to be related to Hong Da if:

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

(i) has control or joint control of Hong Da;

(ii) has significant influence over Hong Da; or

(iii) is a member of the key management personnel of Hong Da or Hong Da's parent.

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

(i) the entity and Hong Da are members of the same group.

(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) the entities and Hong Da 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 Hong Da or an entity related to Hong Da and the sponsoring employers are also related to Hong Da.

(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 Hong Da or to the parent of Hong Da.

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

3. ISSUED BUT NOT YET EFFECTIVE HKFRSs

Hong Da has not early adopted the following new and amended HKFRSs which have been issued but are not yet effective for the Relevant Periods:

HKFRS 17	Insurance Contracts and Related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[6]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[4]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020[3]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[6]

1 Effective for annual periods beginning on or after 1 June 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2023
5 Effective date to be determined
6 Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022

The directors anticipate that all of the pronouncements will be adopted in Hong Da's accounting policies for the first period beginning on or after the effective date of the new and amended HKFRSs. The new and amended HKFRSs are not expected to have a material impact on the Historical Financial Information.

4. REVENUE

Hong Da did not derive any revenue for the years ended 31 December 2018, 2019 and 2020.

5. INCOME TAX EXPENSES

Hong Kong Profits Tax has not been provided as Hong Da has no assessable profit for the years ended 31 December 2018, 2019 and 2020.

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	560,455	71,637	19,687
Tax at Hong Kong profits tax rate of 16.5%	92,475	11,820	3,248
Tax effect of non-taxable income	(92,475)	(11,820)	(3,248)
Income tax expenses	–	–	–

6. DIVIDENDS

No dividends were paid, declared or proposed during the Relevant Periods, nor has any dividend been proposed subsequent to 31 December 2020.

7. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

No emolument was paid or payable to the directors of Hong Da during the Relevant Periods.

During the Relevant Periods, there were no amounts paid or payable by Hong Da to the directors as an inducement to join or upon joining Hong Da or as a compensation for loss of office. There was no arrangement under which a director or the five highest paid individual has waived or agreed to waive any emoluments during the Relevant Periods.

(b) Five highest paid individuals

No emolument was paid or payable to the five highest paid individuals in Hong Da during the Relevant Periods.

8. INTEREST IN AN ASSOCIATE

	2018 *RMB'000*	**2019** *RMB'000*	**2020** *RMB'000*
Investment cost (unlisted)	597,997	597,997	597,997
Add: share of post-acquisition results and other comprehensive income/(loss), net of dividend received	(37,541)	34,096	53,783
	560,456	632,093	651,780
Amount due from an associate	457,466	457,466	457,466
	1,017,922	1,089,559	1,109,246

Set out below are the details of the associate (unlisted entity) of Hong Da as at 31 December 2018, 2019 and 2020.

Name	**Form of business structure**	**Place of incorporation and business**	**Particulars of issued and paid-up capital/ registered capital**	**Equity interest attributable to Hong Da**	**Principal activities**
Directly held by Hong Da					
Century Profit Zone Investments Limited ("**Century Profit**")	Limited liabilities company	Hong Kong	10,000 shares	47.31%	Investment holding

Set out below are the summarised financial information Century Profit and its subsidiary, Beijing Yaohui Real Estate Co., Ltd. (collectively, the "**Century Profit Group**") which is accounted for using the equity method:

	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	2,735,896	2,307,945	2,328,598
Non-current assets	4,714,407	5,218,491	5,184,247
Current liabilities	(4,296,498)	(4,282,604)	(4,220,524)
Non-current liabilities	(1,026,720)	(960,320)	(965,820)
Net assets	2,127,085	2,283,512	2,326,501
Reconciliation to Hong Da's interest in an associate:			
Proportion of Hong Da's ownership	45.796%	45.796%	45.796%
Interest in an associate	974,120	1,045,757	1,065,444
Less: accumulated share of losses	(413,664)	(413,664)	(413,664)
Carrying amount of Hong Da's investment	560,456	632,093	651,780
Revenue	407,545	156,995	176,069
Fair value gain on investment properties	3,210,667	152,000	22,000
Interest expenses	(15,516)	(5,991)	–
Income tax expenses	(861,410)	(38,000)	(46,686)
Profit for the year and total comprehensive profit for the year	2,457,359	156,427	42,989

Hong Da has not incurred any contingent liabilities or other commitments relating to its investment in associate. The associate is private company and there is no quoted market price available for their shares.

Amount due from an associate is unsecured, interest-free and repayable on demand.

As at 31 December 2018, 2019 and 2020, Hong Da's controlling shareholder, Mr. Kwok, has undertaken and indemnify Hong Da against any losses that may arise from the non-recovery of the amount due from an associate.

9. AMOUNT DUE TO A HOLDING COMPANY

The amount is unsecured, interest-free and repayable on demand and expected to be settled within 12 months from the end of each Relevant Periods and is therefore classified as current liabilities.

10. SHARE CAPITAL

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Issued and fully paid:			
10,000 ordinary shares of HK$10,000 issued			
At beginning and end of the year	8	8	8

11. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

Hong Da is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include credit risk, liquidity risk and interest rate risk. Hong Da's overall risk management strategy seeks to minimise potential adverse effects on Hong Da's financial performance. Risk management is carried out by the board of directors of Hong Da.

11.1 Categories of financial assets and financial liabilities

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities:

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Financial asset at amortised cost:			
– Amount due from an associate	457,466	457,466	457,466
Financial liabilities at amortised cost:			
– Amount due to a holding company	594,488	594,488	594,488

11.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to Hong Da. Hong Da's maximum exposure to credit risk in relation to financial assets is limited to the carrying amount at each reporting date as disclosed in note 11.1.

Financial assets at amortised cost

Financial assets at amortised cost include amount due from an associate. In order to minimise the credit risk of amount due from an associate, the management would make periodic collective and individual assessment on the recoverability of amount due from an associate based on historical settlement records and past experience as well as collateral and current external information. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the management is of opinion that there is no significant increase in credit risk on these financial assets since initial recognition as the risk of default is low after considering the factors as set out in note 2.3 and, thus, ECL recognised is based on 12-month ECL and the impact of ECL is insignificant to the Historical Financial Information.

11.3 Liquidity risk

Liquidity risk relates to the risk that Hong Da will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Hong Da is exposed to liquidity risk in respect of settlement of their recognised financial liabilities as summarised in note 11.1, and also in respect of its cash flow management. Hong Da's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when Hong Da can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which Hong Da is committed to pay.

As at 31 December 2018, 2019 and 2020, Hong Da's contractual maturity for its financial liabilities were repayable on demand. The carrying amounts of its financial liabilities approximate their contractual undiscounted cash flows.

12. CAPITAL MANAGEMENT

Hong Da's capital management objectives are to ensure Hong Da's ability to continue as a going concern and to provide an adequate return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

Hong Da actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. As part of this review, the directors of Hong Da consider cost of capital and the risks associated with the issued share capital. Hong Da may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Hong Da in respect of any period subsequent to 31 December 2020 up to the date of this report.

The following is the text of a report on Target B and its subsidiaries set out on pages II(B)-1 to II(B)-39, received from the reporting accountants, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this circular.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF LOGIC CAPITAL GROUP TO THE DIRECTORS OF KAISA GROUP HOLDINGS LTD.

Introduction

We report on the historical financial information of Logic Capital Limited "**Logic Capital**" and its subsidiaries (hereinafter collectively referred to as "**Logic Capital Group**") set out on pages II(B)-4 to II(B)-39, which comprises the consolidated statements of financial position of Logic Capital Group as at 31 December 2018, 2019 and 2020, the statements of financial position of Logic Capital as at 31 December 2018, 2019 and 2020, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity, the consolidated statements of cash flows of Logic Capital Group for each of the years ended 31 December 2018, 2019 and 2020 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II(B)-4 to II(B)-39 forms an integral part of this report, which has been prepared for inclusion in the circular of Kaisa Group Holdings Ltd. (the "**Company**") dated 28 May 2021 (the "**Circular**") in connection with the connected transaction and acquisition of the entire issued share capital of Logic Capital and Hong Da Development & Investment Holding Co., Ltd. ("**Hong Da**").

Directors' Responsibility for the Historical Financial Information

The directors of the Logic Capital (the "**Logic Capital Directors**") are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the Logic Capital Directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants' Responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Logic Capital directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the financial position of Logic Capital as at 31 December 2018, 2019 and 2020, the consolidated financial position of Logic Capital Group as at 31 December 2018, 2019 and 2020 and of Logic Capital Group's consolidated financial performance and consolidated cash flows for the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

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

Adjustments

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

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by Logic Capital Group in respect of the Relevant Periods.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

28 May 2021

Chiu Wing Ning
Practising Certificate Number: P04920

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

The consolidated financial statements of Logic Capital Limited ("**Logic Capital**") and its subsidiaries (hereinafter collectively referred to as ("**Logic Capital Group**") for the Relevant Periods, on which the Historical Financial Information is based, were audited by Grant Thornton Hong Kong Limited in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA ("**Underlying Financial Statements**").

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF LOGIC CAPITAL GROUP

	Notes	**2018** *RMB'000*	**2019** *RMB'000*	**2020** *RMB'000*
Revenue	*5*	407,545	156,995	176,069
Cost of sales		(317,679)	(106,165)	(108,527)
Gross profit		89,866	50,830	67,542
Other (losses) and gains, net	*7*	(2,327)	286	(4,123)
Selling and marketing costs		(19,383)	(5,832)	(2,801)
Administrative expenses		(18,248)	(20,340)	(16,453)
Fair value gain of investment properties	*14*	3,108,874	152,000	22,000
Operating profit		3,158,782	176,944	66,165
Finance income		40	28	65
Finance costs		(15,516)	(5,992)	–
Finance (costs)/income, net	*8*	(15,476)	(5,964)	65
Profit before income tax		3,143,306	170,980	66,230
Income tax expenses	*9*	(861,410)	(38,000)	(46,686)
Profit and total comprehensive income for the year		2,281,896	132,980	19,544
Profit and total comprehensive income attributable to:				
Owners of Logic Capital		1,163,856	67,825	9,968
Non-controlling interests		1,118,040	65,155	9,576
		2,281,896	132,980	19,544

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF LOGIC CAPITAL GROUP

	Notes	**2018** *RMB'000*	**2019** *RMB'000*	**2020** *RMB'000*
Non-current assets				
Property, plant and equipment	*13*	1,008,269	1,509,959	1,430,269
Investment properties	*14*	4,002,000	4,154,000	4,176,000
		5,010,269	5,663,959	5,606,269
Current assets				
Completed properties held for sale	*15*	3,762,029	3,180,404	3,180,404
Debtors, deposits and other receivables	*16*	128,502	104,973	125,558
Cash and bank balances	*18*	2,427	6,579	6,645
		3,892,958	3,291,956	3,312,607
Current liabilities				
Accrued construction costs		24,984	28,794	7,728
Amount due to a holding company	*17*	4,642,349	4,748,747	4,627,956
Amount due to a related company	*17*	457,466	457,466	457,466
Income tax payable		59,185	58,440	104,977
Bank borrowings	*19*	84,800	–	–
Other payables	*20*	176,099	137,544	170,781
		5,444,883	5,430,991	5,368,908
Net current liabilities		(1,551,925)	(2,139,035)	(2,056,301)
Total assets less current liabilities		3,458,344	3,524,924	3,549,968
Non-current liabilities				
Bank borrowings	*19*	104,400	–	–
Deferred tax liabilities	*21*	922,320	960,320	965,820
		1,026,720	960,320	965,820
Net assets		2,431,624	2,564,604	2,584,148

	Note	**2018** *RMB'000*	**2019** *RMB'000*	**2020** *RMB'000*
EQUITY				
Share capital	22	–*	–*	–*
Retained earnings		981,908	1,049,733	1,059,701
Equity attributable to owners of Logic Capital		981,908	1,049,733	1,059,701
Non-controlling interests		1,449,716	1,514,871	1,524,447
Total equity		2,431,624	2,564,604	2,584,148

* *Amounts less than RMB1,000.*

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF LOGIC CAPITAL

	Notes	**2018**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Investment in a subsidiary	*27*	1,575,969	1,575,969	1,575,969
		1,575,969	1,575,969	1,575,969
Current assets				
Amount due from a subsidiary	*17*	993,206	993,206	993,206
		993,206	993,206	993,206
Current liabilities				
Amount due to a holding company	*17*	2,569,175	2,569,175	2,569,175
Other payables		27	27	27
		2,569,202	2,569,202	2,569,202
Net current liabilities		(1,575,996)	(1,575,996)	(1,575,996)
Net liabilities		(27)	(27)	(27)
EQUITY				
Share capital		–*	–*	–*
Accumulated losses		(27)	(27)	(27)
Capital deficiencies		(27)	(27)	(27)

* *Amounts less than RMB1,000.*

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY OF LOGIC CAPITAL GROUP

	Attributable to owners of Logic Capital				
	Share capital	**(Accumulated losses)/ Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	–*	(181,948)	(181,948)	331,676	149,728
Profit and total comprehensive income for the year	–	1,163,856	1,163,856	1,118,040	2,281,896
At 31 December 2018 and 1 January 2019	–*	981,908	981,908	1,449,716	2,431,624
Profit and total comprehensive income for the year	–	67,825	67,825	65,155	132,980
At 31 December 2019 and 1 January 2020	–*	1,049,733	1,049,733	1,514,871	2,564,604
Profit and total comprehensive income for the year	–	9,968	9,968	9,576	19,544
At 31 December 2020	–*	1,059,701	1,059,701	1,524,447	2,584,148

* *Amounts less than RMB1,000.*

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS OF LOGIC CAPITAL GROUP

	Notes	**2018**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities				
Profit before income tax		3,143,306	170,980	66,230
Adjustments for:				
Loss on disposal of property, plant and equipment	*7*	2	–	1
Depreciation of property, plant and equipment	*6*	50,911	79,969	79,820
Fair value gain on investment properties	*14*	(3,108,874)	(152,000)	(22,000)
Interest income	*8*	(40)	(28)	(65)
Interest expenses	*8*	15,516	5,992	–
Changes in working capital				
Completed properties held for sale		323,407	–	–
Debtors, deposits and other receivables		(122,528)	23,529	(20,585)
Accrued construction costs		9,509	3,810	5,934
Other payables		131,896	(20,003)	6,237
Cash generated from operations		443,105	112,249	115,572
Income tax (paid)/refund		(4,961)	(745)	5,351
Interest paid		–	(24,544)	–
Net cash from operating activities		438,144	86,960	120,923
Cash flows from investing activities				
Additions to property, plant and equipment		(212)	(34)	(131)
Additions to investment properties		–	–	–
Proceed from disposal of property, plant and equipment		1	–	–
Interest received		40	28	65
Net cash used in investing activities		(171)	(6)	(66)

	Notes	**2018** *RMB'000*	**2019** *RMB'000*	**2020** *RMB'000*
Cash flows from financing activities				
Proceeds from bank borrowings	*23*	104,400	–	–
Repayment of bank borrowings	*23*	–	(189,200)	–
(Decrease)/increase in amount due to a holding company	*23*	(565,224)	106,398	(120,791)
Increase in amount due to a related company	*23*	22,873	–	–
Net cash used in financing activities		(437,951)	(82,802)	(120,791)
Net increase in cash and cash equivalents		22	4,152	66
Cash and cash equivalents at the beginning of the year		2,405	2,427	6,579
Cash and cash equivalents at the end of the year, represented by bank balances	*18*	2,427	6,579	6,645

The accompanying notes form part of the Historical Financial Information.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF LOGIC CAPITAL GROUP

1. GENERAL INFORMATION

Logic Capital Limited (the "**Logic Capital**") was established in the British Virgin Islands with limited liability on 26 July 2013. The address of its registered office is Wickhams Cay 1, Road Town, Tortola, VG1110, British Virgin Islands ("**BVI**").

Logic Capital is an investment holding company and its subsidiaries (together, the "**Logic Capital Group**") are principally engaged in business of property holding, property development, sale and leasing of property in the People's Republic of China (the "**PRC**").

In the opinion of the directors of Logic Capital Group, as at 31 December 2020, the immediate and ultimate holding company of Logic Capital Group is Ascending Power Investments Limited, a company incorporated in the the British Virgin Islands. Mr. Kwok Ying Sing ("**Mr. Kwok**") is the ultimate controlling party of Logic Capital Group since 2012.

As at the date of this report, Logic Capital had interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Entity name	Place and date of establishment and place of operation operation	Particulars of issued and paid-up shares/ registered capital	Percentage of issued capital held by the Company		Principal activities
			Direct	Indirect	
Century Profit Zone Investments Limited *(note)*	Hong Kong 14 October 2006	10,000 shares	52.69%	–	Investment holding
Beijing Yaohui Real Estate Co., Ltd. * (北京耀輝置業有限公司) *(note)*	the PRC 29 March 2001	RMB600,000,000	–	51%	Property holding, property development, sale and leasing of property

Note: No statutory audited financial statements has been issued for the years ended 31 December 2018, 2019 and 2020.

* The English translation of the name of this entity established in the PRC is for reference only. The official name of this entity is in Chinese.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Historical Financial Information set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and accounting principles generally accepted in Hong Kong. The Historical Financial Information also comply with the applicable disclosure requirement of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. All HKFRSs effective for the accounting period commencing from 1 January 2020, together with the relevant transitional provision, have been early adopted by Logic Capital Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

In preparing the Historical Financial Information, the directors of Logic Capital Group has given consideration to the future liquidity of Logic Capital Group in light of its net current liabilities of RMB1,551,925,000, RMB2,139,035,000 and RMB2,056,301,000 as at 31 December 2018, 2019 and 2020, respectively. The Historical Financial Information have been prepared on a going concern, notwithstanding the net current liabilities position prevailing as at 31 December 2020, based on that the ultimate beneficial owner of Logic Capital agreed to provide continuous financial support to enable Logical Capital Group to meet its liabilities and obligations as and when they fall due and to continue its operations until the date when the ownership will be transferred to other party. In addition, Kaisa Group Holdings Ltd. (the "**Company**") has undertaken, from the date that the Company becomes the controlling shareholder of Logic Capital Group, to provide continuous financial support to enable Logic Capital Group to meet its liabilities and obligations as and when they fall due and to continue its operations with effective from the completion of the proposed acquisition by the Company. As a result, the directors of Logic Capital Group consider that it is appropriate for Logic Capital Group to adopt the going concern basis in preparing the Historical Financial Information.

The Historical Financial Information has been prepared on the historical cost basis except for investment properties which are stated at fair values. The measurement bases are fully described in the accounting policies below.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 below.

The significant accounting policies that have been used in the preparation of the Historical Financial Information have been consistently applied throughout the Relevant Periods, The adoption of new and amended HKFRSs that issued but not yet effective and their impact on Historical Financial Information, if any, are disclosed in Note 3.

The Historical Financial Information is presented in Renminbi ("**RMB**") which is the functional currency of Logic Capital Group, and all value are rounded to the nearest thousand (RMB'000), unless otherwise stated.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of Logic Capital and its subsidiaries made up to 31 December each year.

Subsidiaries are entities controlled by Logic Capital Group. Logic Capital Group controls an entity when Logic Capital Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether Logic Capital Group has power over the entity, only substantive rights relating to the entity (held by Logic Capital Group and others) are considered.

Logic Capital Group includes the income and expenses of a subsidiary in the Historical Financial Information from the date it gains control until the date when Logic Capital Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the Historical Financial Information. Where unrealised losses on sales of intra-group asset are reversed on consolidation, the underlying asset is also tested for impairment from Logic Capital Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by Logic Capital Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to Logic Capital, and in respect of which Logic Capital Group has not agreed any additional terms with the holders of those interests which would result in Logic Capital Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, Logic Capital Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from the equity attributable to the owners of Logic Capital. Non-controlling interests in the results of Logic Capital Group are presented on the face of the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of Logic Capital Group.

In Logic Capital's statements of financial position, subsidiaries are carried at cost less any impairment loss (see note 2.14) unless the subsidiary is held for sale or included in a disposal group.

2.3 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss (see note 2.14). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Logic Capital Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are recognised in profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values, if any, over their estimated useful lives, as follows:

Hotel	20 – 22 years
Furniture and fixtures	5 – 6 years
Motor vehicles	5 – 6 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.14).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within "other gains and (losses), net" in profit or loss.

2.4 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by Logic Capital Group, is classified as investment property. Properties and land use right that are currently being constructed or developed for future use as investment property is classified as investment property.

Investment property is measured initially at its cost, including related costs attributable to the acquisition of the investment property.

After initial recognition, investment property is carried at fair value unless fair value cannot be reliably determined at that time. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Logic Capital Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to Logic Capital Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in profit or loss during the financial period in which they are incurred.

Changes in fair values or the sale of an investment property are recognised in profit or loss in the period in which they arise.

2.5 Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when Logic Capital Group becomes a party to the contractual provisions of the instrument.

Financial assets

Classification and initial measurement of financial assets

Except for those trade debtors that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("**FVTPL**"), plus transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets are classified as measured at amortised cost.

The classification is determined by both:

– the entity's business model for managing the financial asset; and

– the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or finance income or other financial items, except for expected credit losses ("**ECL**") of trade debtors and other receivable which is presented within administrative expenses.

Subsequent measurement of financial assets

Debt investment

Financial assets at amortised costs:

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

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

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

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in other gain and losses, net in profit or loss. Discounting is omitted where the effect of discounting is immaterial. Logic Capital Group's debtors, deposits and other receivables, cash and bank balances and Logic Capital's amount due from a subsidiary fall into this category.

Financial liabilities

Classification and measurement of financial liabilities

Logic Capital Group's financial liabilities mainly include other payables, accrued construction costs, bank borrowings, amount due to a holding company, amount due to a related company and Logic Capital's amount due to a holding company.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method. All interest-related charges are included within finance costs.

Other payables, accrued construction costs, amount due to a holding company, amount due to a related company and Logic Capital's amount due to a holding company.

These are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowing are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowing using the effective interest method.

Borrowing are classified as current liabilities unless Logic Capital Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

2.6 Impairment of financial assets

HKFRS 9's impairment requirements use forward-looking information to recognise ECL – the ("**ECL model**").

Logic Capital Group's debtors, deposits and other receivables and cash and bank balances fall within the scope of ECL model.

Logic Capital Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

– financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("**Stage 1**") and

– financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("**Stage 2**").

"Stage 3" would cover financial assets that have objective evidence of impairment at each reporting date.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade debtors

For trade debtors, Logic Capital Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at the end of each Relevant Periods. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, Logic Capital Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the trade debtors and the economic environment.

To measure the ECL, trade debtors have been grouped based on shared credit risk characteristics and the days past due.

Other financial assets measured at amortised cost

Logic Capital Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, Logic Capital Group then recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

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

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

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

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– existing or forecast adverse changes in regulatory business, financial or economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; or

– an actual or expected significant deterioration in the operating results of the debtor.

Despite the foregoing, Logic Capital Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each Relevant Periods. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

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

Details analysis of the ECL assessment of trade receivable and other financial assets measured at amortised cost are set out in Note 28.3.

2.7 Completed properties held for sales

Completed properties remaining unsold at the end of each Relevant Periods are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the estimated selling price in the ordinary course of business, less applicable estimated selling expenses to make the sale.

The amount of any write-down of completed properties held for sales to net realisable value is recognised as expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of completed properties held for sales is recognised as a reduction in the amount of completed properties held for sales recognised as an expense in the period in which the reversal occurs.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand, deposits held by banks, other short-term highly liquidity investment with original maturities of three months or less.

2.9 Share capital

Share capital is determined using the nominal value of shares that have been issued. Incremental costs directly attributable to the issue of new share are shown in equity as a deduction, net of tax, from the proceeds.

2.10 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are recognised as an expense in the period in which they are incurred.

2.11 Revenue recognition

Logic Capital Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of Logic Capital Group's activities as described below. Logic Capital Group bases its estimates on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

To determine whether to recognise revenue, Logic Capital Group follows a 5-step process:

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognising revenue when (or as) performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative standalone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) Logic Capital Group satisfies performance obligations by transferring the promised goods or services to its customers.

Further details of Logic Capital Group's revenue and other income recognition policies are as follows:

(i) Sales of properties

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the law that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if Logic Capital Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as Logic Capital Group performs; or
- does not create an asset with an alternative use to Logic Capital Group and Logic Capital Group has an enforceable right to payment for performance completed to date.

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

(ii) Rental income

Rental income from properties leasing under operating leases is recognised on a straight-line basis over the lease terms.

(iii) Hotel operation income

Revenue from hotel operation is recognised in the accounting period in which the services are rendered.

(iv) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. For financial assets measured at amortised cost are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of ECL allowance) of the asset.

2.12 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and Logic Capital Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate. Government grants relating to the purchase of assets are included in other payables as deferred government grants in the consolidated statements of financial position and are recognised in profit or loss on a straight-line basis over the expected lives of the related assets.

Government grants relating to income is presented in gross under "Other gains/losses, net" in the consolidated statements of profit or loss and other comprehensive income.

2.13 Provisions and contingent liabilities

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

2.14 Impairment of non-financial assets

Property, plant and equipment and Logic Capital's investment in a subsidiary are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses recognised is charged pro rata to the assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.15 Employee benefits

Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of Logic Capital Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which Logic Capital Group and the PRC based employees are required to make monthly contributions to these plans calculated at a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, Logic Capital Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of Logic Capital Group in independently administrated funds managed by the PRC government.

Bonus entitlements

The expected cost of bonus payment is recognised as a liability when Logic Capital Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Logic Capital Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of each Relevant Periods are discounted to present value.

2.16 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of each Relevant Periods. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at each reporting date between the carrying amounts of assets and liabilities in the Historical Financial Information and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) Logic Capital Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Logic Capital Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) Logic Capital Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.17 Related parties

For the purposes of the Historical Financial Information, a party is considered to be related to Logic Capital Group if:

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

(i) has control or joint control of Logic Capital Group;

(ii) has significant influence over Logic Capital Group; or

(iii) is a member of the key management personnel of Logic Capital Group or Logic Capital Group's parent.

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

(i) the entity and Logic Capital Group are members of the same group.

(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) the entities and Logic Capital Group 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 Logic Capital Group or an entity related to Logic Capital Group and the sponsoring employers are also related to Logic Capital 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 Logic Capital Group or to the parent of Logic Capital Group.

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

3. ISSUED BUT NOT YET EFFECTIVE HKFRSs

Logic Capital Group has not early adopted the following new and amended HKFRSs which have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and Related Amendments[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[6]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[4]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020[3]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[6]

1 Effective for annual periods beginning on or after 1 June 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2023
5 Effective date to be determined
6 Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022

The directors anticipate that all of the pronouncements will be adopted in Logic Capital Group's accounting policies for the first period beginning on or after the effective date of the new and amended HKFRSs. The new and amended HKFRSs are not expected to have a material impact on the Historical Financial Information.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements used in preparing the Historical Financial Information are evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Logic Capital Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

Key estimation of uncertainties

(i) Provision for completed properties held for sale

Logic Capital Group assesses the carrying amounts of completed properties held for sale according to their recoverable amounts based on the realisability of these properties, taking into account committed contracts and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

At 31 December 2018, 2019 and 2020, the carrying amount completed properties held for sale were RMB3,762,029,000, RMB3,180,404,000 and RMB3,180,404,000, respectively.

(ii) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of property, plant and equipment have been determined as the higher of the fair value less costs of disposal and value in use. For hotel building, fair value less costs of disposal is assessed and the assessment is based on current market prices, taking into account the latest market information and past experience. The calculation and valuation require the use of judgment and estimates.

As at 31 December 2018, 2019 and 2020, the carrying amounts of property, plant and equipment were RMB1,008,269,000, RMB1,509,959,000 and RMB1,430,269,000, respectively.

(iii) Valuation of investment properties

Investment properties including offices and shopping malls are revalued at the end of each of the Relevant Periods on a market value, existing use basis by independent professional qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information from current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the end of each of the Relevant Periods are used.

(iv) Deferred tax on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have determined that certain of the Logic Capital Group's investment properties amounting to RMB4,002,000,000, RMB4,154,000,000 and RMB4,176,000,000 as at 31 December 2018, 2019 and 2020, respectively, situated in the PRC are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. The presumption that the carrying amounts of certain of the Logic Capital Group's investment properties situated in the PRC are recovered entirely through sale has been rebutted and the deferred tax on the changes in fair value of these investment properties is recognised according to the relevant tax rules.

5. REVENUE AND SEGMENT INFORMATION

Logic Capital Group is principally engaged in the business of property holding, property development, sale and leasing of property in the PRC and the management has regarded this business as the only dominant reportable operating segment to be reported to the chief operating decision maker. Thus, no analysis of segment revenue, segment results, segment assets and segment liabilities are presented for the Relevant Periods.

Logic Capital Group's operation is located in the PRC. During the Relevant Periods, all of Logic Capital Group's revenue were derived from its PRC customers. In addition, at the end of each Relevant Periods, all of Logic Capital Group's specified non-current assets were located in the PRC.

Revenue recognised by Logic Capital Group during the Relevant Periods represents the fair value of consideration received in respect of sales of properties. During the Relevant Periods, no customer individually contributed more than 10% of Logic Capital Group's total revenue.

Revenue for the years ended 31 December 2018, 2019 and 2020 consists of the following:

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers: point in time			
Sales of completed properties	272,556	–	–
Revenue not within the scope of HKFRS 15:			
Rental income	134,989	156,995	176,069
	407,545	156,995	176,069

6. EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Auditor's remunerations	39	39	–
Advertising and other promotional costs	18,456	5,119	2,801
Bank charges	14	9	12
Business taxes and other levies	11,851	26,754	29,116
Cost of properties sold	255,498	–	–
Depreciation of property, plant and equipment *(note 13)*	50,911	79,969	79,820
Entertainment	1,107	717	58
Legal and professional fees	638	5,055	1,504
Office expenses	428	1,583	8,972
Others	1,363	376	458
Staff costs – including directors' emoluments *(note 10)*	14,298	12,434	5,040
Travelling	707	282	–
Total cost of sales, selling and marketing costs and administrative expenses	355,310	132,337	127,781

7. OTHER (LOSSES) AND GAINS – NET

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Government subsidy income	8	–	–
Loss on disposal of property, plant and equipment	(2)	–	(1)
Compensation for breach of the contract	(2,276)	–	–
Others	(57)	286	(4,122)
	(2,327)	286	(4,123)

8. FINANCE (COSTS)/INCOME – NET

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Finance income			
Interest income on bank deposits	40	28	65
Finance costs			
Interest expense on bank borrowings	(15,516)	(5,992)	–
Finance (costs)/income – net	(15,476)	(5,964)	65

9. INCOME TAX EXPENSES

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Current income tax			
– Enterprise income tax	–	–	41,186
– PRC land appreciation tax	58,743	–	–
Deferred income tax *(note 21)*	802,667	38,000	5,500
	861,410	38,000	46,686

Reconciliation between accounting profit and income tax expenses at applicable tax rate is as follows:

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	3,143,306	170,980	66,230
Calculated at PRC enterprise income tax rate of 25%	785,827	42,745	16,558
Expenses not deductible for tax purposes	29,180	5,862	8,136
Utilisation of previously unrecognised tax losses	(12,340)	(10,607)	(7,074)
Others	–	–	29,066
PRC enterprise income tax	802,667	38,000	46,686
PRC land appreciation tax	58,743	–	–
Income tax expenses	861,410	38,000	46,686

Notes:

(a) PRC enterprise income tax

PRC enterprise income tax has been provided on the estimated assessable profits at 25% for the Relevant Periods.

(b) PRC land appreciation tax

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

(c) British Virgin Islands profits tax

Pursuant to the rules and regulations of the BVI, Logic Capital Group is not subject to any income tax in the BVI for the Relevant Periods.

As at 31 December 2018, 2019 and 2020, Logic Capital Group had unrecognised tax losses of approximately RMB70,723,000, RMB28,297,000 and nil, respectively, due to unpredictability of future profit streams. Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the end of each Relevant Periods will expire in the following years:

	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
2019	12,848	–	–
2020	37,461	17,883	–
2021	9,294	9,294	–
2022	11,120	11,120	–
Total	70,723	28,297	–

10. STAFF COSTS – INCLUDING DIRECTORS' EMOLUMENTS

	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Wages and salaries	10,947	8,075	3,635
Discretionary bonuses	282	1,805	771
Severance payments	–	239	–
Contribution to pension schemes	2,080	1,833	587
Other allowances and benefits	989	482	47
	14,298	12,434	5,040

Contribution to pension schemes

Employees of Logic Capital Group are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal governments. Logic Capital Group contributes funds which are calculated on certain percentage of the average employee salary as agreed by local municipal governments to the scheme to fund the retirement benefits of the employees.

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

No emolument was paid or payable to the directors of Logic Capital Group during the Relevant Periods.

During the Relevant Periods, there were no amounts paid or payable by Logic Capital Group to the directors as an inducement to join or upon joining Logic Capital Group or as a compensation for loss of office. There was no arrangement under which a director or the five highest paid individual has waived or agreed to waive any emoluments during the Relevant Periods.

(b) Five highest paid individuals

The five highest paid individuals in Logic Capital Group during the Relevant Periods did not include any director. The emoluments of these five highest paid individuals for the Relevant Periods are set out below:

	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and other benefits	3,609	2,447	1,621
Contributions to pension schemes	317	314	232
	3,926	2,761	1,853

The aggregate of the emoluments in respect of the five individuals for the Relevant Periods fell within the following bands:

	Number of individuals		
	2018	**2019**	**2020**
HK$Nil to HK$500,000	1	2	4
HK$500,001 to HK$1,000,000	3	3	1
HK$1,000,001 to HK$1,500,000	–	–	–
HK$1,500,001 to HK$2,000,000	1	–	–

12. DIVIDENDS

No dividend has been paid or declared by Logic Capital Group during the Relevant Periods.

13. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles *RMB'000*	Furniture and fixtures *RMB'000*	Hotel *RMB'000* *(Note)*	Total *RMB'000*
At 1 January 2018				
Cost	3,031	625	1,107,262	1,110,918
Accumulated depreciation	(1,352)	(265)	(50,330)	(51,947)
Net carrying amount	1,679	360	1,056,932	1,058,971
Year ended 31 December 2018				
Opening net carrying amount	1,679	360	1,056,932	1,058,971
Additions	–	212	–	212
Disposal	–	(3)	–	(3)
Depreciation *(note 6)*	(456)	(125)	(50,330)	(50,911)
Closing net carrying amount	1,223	444	1,006,602	1,008,269
At 31 December 2018 and 1 January 2019				
Cost	3,031	801	1,107,262	1,111,094
Accumulated depreciation	(1,808)	(357)	(100,660)	(102,825)
Net carrying amount	1,223	444	1,006,602	1,008,269
Year ended 31 December 2019				
Opening net carrying amount	1,223	444	1,006,602	1,008,269
Additions	–	34	–	34
Transfer from completed properties held for sale	–	–	581,625	581,625
Depreciation *(note 6)*	(440)	(118)	(79,411)	(79,969)
Closing net carrying amount	783	360	1,508,816	1,509,959
At 31 December 2019 and 1 January 2020				
Cost	3,031	835	1,688,887	1,692,753
Accumulated depreciation	(2,248)	(475)	(180,071)	(182,794)
Net carrying amount	783	360	1,508,816	1,509,959
At 31 December 2020				
Opening net carrying amount	783	360	1,508,816	1,509,959
Additions	–	131	–	131
Disposal	–	(1)	–	(1)
Depreciation *(note 6)*	(281)	(128)	(79,411)	(79,820)
Closing net carrying amount	502	362	1,429,405	1,430,269
At 31 December 2020				
Cost	3,031	949	1,688,887	1,692,867
Accumulated depreciation	(2,529)	(587)	(259,482)	(262,598)
Net carrying amount	502	362	1,429,405	1,430,269

Note: Certain portion of hotel property has not obtained the Real Estate Title Certificate during the Relevant Periods. Pursuant to the PRC Legal opinion, there are no legal impediment to obtain the Real Estate Title Certificate after land premium has been paid.

Depreciation expenses were charged to the following categories in the consolidated statements of profit or loss and other comprehensive income:

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Cost of sales	50,418	79,485	79,481
Administrative expenses	493	484	339
	50,911	79,969	79,820

There was no impairment loss provided for the Relevant Periods.

14. INVESTMENT PROPERTIES

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Opening balance as at 1 January	551,000	4,002,000	4,154,000
Transfer from completed properties held for sale	342,126	–	–
Increase in fair value	3,108,874	152,000	22,000
Closing balance as at 31 December	4,002,000	4,154,000	4,176,000

The following amounts have been recognised in the consolidated statements of profit or loss and other comprehensive income for investment properties:

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Rental income	134,989	156,995	176,069
Direct operating expenses arising from investment properties that generate rental income	(14,439)	(19,354)	(20,016)
	120,550	137,641	156,053

Valuation processes of the Logic Capital Group

The investment properties were revalued on 31 December 2018, 2019 and 2020 by independent professional qualified valuers. The finance department has a team that reviews the valuation performed by the independent valuers for financial reporting purposes and reports directly to senior management of Logic Capital Group. Discussion of valuation processes and results are held between the management and the valuers for the Historical Financial Information to verify major inputs to the independent valuation reports. The finance department also assesses property valuation movements during the Relevant Periods.

The investment properties are leased to third parties under operating leases, further details of which are included in note 24 to the Historical Financial Information.

Valuation techniques

Fair value measurements using significant unobservable inputs

Fair values of completed commercial properties are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' estimates of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

Significant inputs used to determine fair value

	2018	**2019**	**2020**
	Commercial	**Commercial**	**Commercial**
Capitalisation rate	4.5%	4.5%	4.5%
Expected vacancy rate	0%	0%	0%
Average monthly rental	RMB966 per sq.m.	RMB1,091 per sq.m.	RMB1,002 per sq.m.

Capitalisation rate is estimated by the valuer based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

As at 31 December 2018, 2019 and 2020, the fair value measurement of the Logic Capital Group's investment properties is categorised at level 3. During the Relevant Periods, there were no transfers into or out of level 3.

Logic Capital Group's investment properties are located in the PRC and held on leases of over 50 years.

15. COMPLETED PROPERTIES HELD FOR SALE

	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Completed properties held for sale	3,762,029	3,180,404	3,180,404
Less: Provisions for completed properties held for sale	–	–	–
Closing net book amount	3,762,029	3,180,404	3,180,404

The completed properties for sale were located in the PRC under medium-term and long-term lease. Completed properties held for sale which are expected to be recovered in more than twelve months after the reporting date are classified under current assets as it is expected to be realised in Logic Capital Group's normal operating cycle.

During the years ended 31 December 2018, 2019 and 2020, certain items of Logic Capital Group's completed properties held for sale with an aggregate carrying values of approximately RMB342,126,000, RMB581,625,000 and nil were transferred to property, plant and equipment (note 13) and investment properties (note 14) respectively.

16. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Trade debtors *(note a)*	64,152	39,334	53,050
Deposits	197	197	197
Other receivables	44,320	44,060	44,060
Prepayments	1,224	1,315	1,224
Prepaid other taxes	18,609	20,067	27,027
Trade debtors, deposits and other receivables – net	128,502	104,973	125,558

The directors considered that the fair values of debtors, deposits and other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

(a) Trade debtors mainly arise from rental income. The ageing analysis of trade debtors based on contractual terms as at the respective reporting dates is as follows:

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	64,152	39,334	53,050

Logic Capital Group applies the simplified approach to provide for ECL prescribed by HKFRS 9. As at 31 December 2018, 2019 and 2020, the amounts of ECL were insignificant, no provision was made against the gross amount of trade debtors.

Logic Capital Group did not hold any collateral as security or other credit enhancements over the trade debtors.

(b) Deposits, other receivables and prepayments mainly represent public utility deposits and maintenance deposits: The financial assets included in the above balances were not overdue and categorised in Stage 1 for the measurement of expected credit losses. Where applicable, an impairment analysis is performed at the end of each Relevant Periods by considering the probability of default and the timing and amount of future cash flows. Given Logic Capital Group has not experienced any significant credit losses in the past, the allowance for expected credit losses for these deposits and receivables are not significant.

None of the above assets is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

17. AMOUNTS DUE (FROM)/TO A HOLDING COMPANY/A RELATED COMPANY/LOGIC CAPITAL'S SUBSIDIARY

The amounts are unsecured, interest-free and repayable on demand, and expected to be settled within 12 months from the end of each Relevant Periods and is therefore classified as current portion.

18. CASH AND BANK BALANCES

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

19. BANK BORROWINGS

	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities:			
Bank borrowings – unsecured	84,800	–	–
Non-current liabilities:			
Bank borrowings – unsecured	104,400	–	–
Total borrowings	189,200	–	–

Notes:

(i) The effective interest rate of the bank borrowings at the reporting date was 10% per annum.

(ii) Bank borrowings as at 31 December 2018 were guaranteed by a related company of a shareholder.

20. OTHER PAYABLES

	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Other payables and accruals	3,772	3,915	3,976
Accrued interest	18,552	–	–
Compensation payable	52,564	52,564	52,564
Deed tax and other taxes payables	13,242	19,051	28,151
Received in advance	4,079	2,221	20,058
Deposits received	83,890	59,793	66,032
	176,099	137,544	170,781

All amounts are short term and hence the carrying values of the other payables are considered to be a reasonable approximation of fair value.

21. DEFERRED TAXATION

The net movement of deferred tax liabilities are as follows:

	Revaluation of investment properties
	RMB'000
At 1 January 2018	119,653
Charged to profit or loss	802,667
At 31 December 2018 and 1 January 2019	922,320
Charged to profit or loss	38,000
At 31 December 2019 and 1 January 2020	960,320
Charged to profit or loss	5,500
At 31 December 2020	965,820

At 31 December 2018, 2019 and 2020, the unrecognised deferred tax liabilities amounting to RMB236,385,000, RMB252,027,000 and RMB256,326,000, respectively, relating to withholding tax that would be payable for undistributed profits of PRC subsidiaries were not recognised, as the directors consider that the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of the PRC subsidiary as at 31 December 2018 and 2019 and 2020 amounted to RMB2,363,848,000, RMB2,520,273,000 and RMB2,563,263,000 respectively.

22. SHARE CAPITAL

	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Authorised:			
50,000 ordinary shares of US$1 each	8	8	8
Issued and fully paid:			
1 ordinary share of US$1	–*	–*	–*

* Amount less than RMB1,000.

23. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in the Logic Capital Group's liabilities arising from financing activities can be classified as follows:

	Bank borrowings	Amount due to a shareholder	Amount due to a related company
	RMB'000	*RMB'000*	*RMB'000*
As 1 January 2018	84,800	5,207,573	434,593
Changes from financing cash flows:			
Decrease in amount due to a holding company	–	(565,224)	–
Increase in amount due to a related company	–	–	22,873
Proceeds from bank borrowings	104,400	–	–
Total changes from financing cash flows	104,400	(565,224)	22,873
As at 31 December 2018 and 1 January 2019	189,200	4,642,349	457,466
Changes from financing cash flows:			
Increase in amount due to a holding company	–	106,398	–
Repayments of bank borrowings	(189,200)	–	–
Total changes from financing cash flows	(189,200)	106,398	–
As at 31 December 2019 and 1 January 2020	–	4,748,747	457,466
Changes from financing cash flows:			
Decrease in amount due to a holding company	–	(120,791)	–
Total changes from financing cash flows	–	(120,791)	–
As at 31 December 2020	–	4,627,956	457,466

24. COMMITMENTS

Logic Capital Group as a lessor

Operating lease rentals receivable

The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of land and buildings are as follows:

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Not later than one year	128,751	208,526	125,439
Later than one year and not later than five years	523,734	650,592	523,513
Later than five years	1,313,270	1,155,385	986,791
	1,965,755	2,014,503	1,635,743

Logic Capital Group leases its investment properties (note 14) under operating lease arrangements which run for an initial period of 1 to 20 years, with an option to renew the lease and renegotiated the terms at the expiry date or at the dates as mutually agreed between Logic Capital Group and the respective tenants. The terms of the leases generally also require the tenants to pay security deposits.

25. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related party

A related company, a company controlled by a beneficial shareholder of Logic Capital
Hong Da Development & Investment Holding Co., Ltd.

(b) Key management personnel remuneration

The directors and senior management of Logic Capital Group are considered to be the key management personnel of Logic Capital Group and no remuneration was paid or payable to the directors and senior management of Logic Capital Group during the Relevant Periods.

(c) Transactions

Save as disclosed elsewhere in the Historical Financial Information, Logic Capital Group entered into the following related party transactions during the Relevant Periods:

	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Rental income from a related company	–	–	461

26. RESERVES

The movement of Logic Capital's reserves are as follows:

	Accumulated losses
	RMB'000
At 1 January 2018	(25)
Loss and total comprehensive expense for the year	(2)
At 31 December 2018, 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	(27)

27. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2018, 2019 and 2020 are as follows:

Name of company	Place/ country of incorporation and operation	Type of legal entity	Particulars of issued and paid-up shares/ registered capital	Percentage of issued capital held by the Company Direct	Indirect	Principal activities
Century Profit Zone Investments Limited	HK	Limited liability company	10,000 shares	52.69%	–	Investment holding
Beijing Yaohui Real Estate Co., Ltd. * (北京耀輝置業有限公司)	the PRC	Limited liability company	RMB600,000,000	–	51%	Property holding, property development, sale and leasing of property

* The English translation of the name of this entity established in the PRC is for reference only. The official name of this entity is in Chinese.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Logic Capital Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations. The financial risk includes interest rate risk, credit risk and liquidity risk.

Financial risk management is coordinated at Logic Capital Group's headquarters, in close co-operation with the board of directors. The overall objectives in managing financial risks focus on securing Logic Capital Group's short to medium term cash flows by minimising its exposure to financial markets.

28.1 Categories of financial assets and financial liabilities

The carrying amounts presented in the consolidated statements of financial position relate to the following categories of financial assets and financial liabilities:

	2018 *RMB'000*	2019 *RMB'000*	2020 *RMB'000*
Financial assets			
At amortised cost:			
– Debtors, deposits and other receivables	108,669	83,591	97,307
– Cash and bank balances	2,427	6,579	6,645
	111,096	90,170	103,952

	2018 *RMB'000*	2019 *RMB'000*	2020 *RMB'000*
Financial liabilities			
At amortised cost:			
– Accrued construction costs	24,984	28,794	7,728
– Amounts due to a holding company	4,642,349	4,748,747	4,627,956
– Amount due to a related company	457,466	457,466	457,466
– Other payables	172,020	135,323	150,723
– Bank borrowings	189,200	–	–
	5,486,019	5,370,330	5,243,873

28.2 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. Logic Capital Group's interest rate risk arises primarily from borrowings. Borrowings bearing variable rates expose Logic Capital Group to cash flow interest rate risk. Logic Capital Group's policy is to obtain the most favourable interest rates available for its borrowings. Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

At 31 December 2018, 2019 and 2020, it is estimated that a general decrease/increase of 50 basis points in interest rates, with all other variables held constant, would decrease/increase Logic Capital Group's profit after income tax and retained earnings by approximately RMB710,000, nil and nil respectively.

28.3 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to Logic Capital Group. Logic Capital Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations. Logic Capital Group's maximum exposure to credit risk on recognised financial assets are limited to the carrying amount at end of each Relevant Periods.

(i) Trade debtors

Logic Capital Group's policy is to deal only with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment. When considered appropriate, customers may be requested to provide proof as to their financial position. Where available at reasonable cost, external credit ratings and/or reports on customers are obtained and used. Customers who are not considered creditworthy are required to pay in advance or on delivery of services. Payment record of customers is closely monitored. It is not Logic Capital Group's policy to request collateral from its customers.

In addition, as set out in note 2.6, Logic Capital Group assesses ECL under HKFRS 9 on trade debtors based on provision matrix, the expected loss rates are based on the payment profile for sales as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward-looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At the end of each Relevant Periods, the historical default rates are updated and changes in the forward-looking estimates are analyised. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade debtors are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 360 days from the invoice date and failure to engage with Logic Capital Group's on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

During the Relevant Periods, assessed lifetime expected credit loss rate of trade debtors is close to zero as there are no recent history of default. Based on historical and forward looking elements of Logic Capital Group, it was determined that no loss allowance provision is necessary in respect of these balances as there has not been a significant change in credit quality of the customers.

Logic Capital Group's has certain concentration of credit risk. As at the 31 December 2018, 2019 and 2020, 87%, 98% and 100% of the total trade debtors was due from Logic Capital Group's largest customers.

(ii) Other financial assets at amortised cost

Management makes periodic collective as well as individual assessment on the recoverability of deposits and other receivables and amount due from immediate holding company based on historical settlement records and past experience. Logic Capital Group considered the credit risk associated with these financial assets to be low. The directors of Logic Capital believe that there is no material credit risk inherent in Logic Capital Group's outstanding balance of these financial assets.

28.4 Liquidity risk

Management aims to maintain sufficient cash and bank balances or have available funding through an adequate amount of available financing, including short-term and long-term bank and other borrowings to meet its construction commitments. Due to the dynamic nature of the underlying businesses, Logic Capital Group maintains flexibility in funding by maintaining adequate amount of cash and bank balances and through having available sources of financing.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Logic Capital Group aims to maintain flexibility in funding by maintaining adequate cash and cash equivalents and adequate funding from the related companies.

Analysis below is Logic Capital Group's remaining contractual maturities for its non-derivative and derivative financial liabilities as at 31 December 2018, 2019 and 2020. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when Logic Capital Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which Logic Capital Group is committed to pay.

The table below analyses Logic Capital Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of each Relevant Periods to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand or within one year	**Between one and two years**	**Total undiscounted cash flow**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018				
At amortised cost:				
Accrued construction costs	24,984	–	24,984	24,984
Amounts due to a holding company	4,642,349	–	4,642,349	4,642,349
Amount due to a related company	457,466	–	457,466	457,466
Other payables	172,020	–	172,020	172,020
Bank borrowings	93,280	126,324	219,604	189,200
	5,390,099	126,324	5,516,423	5,486,019
At 31 December 2019				
At amortised cost:				
Accrued construction costs	28,794	–	28,794	28,794
Amounts due to a holding company	4,748,747	–	4,748,747	4,748,747
Amount due to a related company	457,466	–	457,466	457,466
Other payables	135,323	–	135,323	135,323
	5,370,330	–	5,370,330	5,370,330

	On demand or within one year	Between one and two years	Total undiscounted cash flow	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2020				
At amortised cost:				
Accrued construction costs	7,728	–	7,728	7,728
Amounts due to a holding company	4,627,956	–	4,627,956	4,627,956
Amount due to a related company	457,466	–	457,466	457,466
Other payables	150,723	–	150,723	150,723
	5,243,873	–	5,243,873	5,243,873

28.5 Fair value estimation

The carrying amounts of Logic Capital Group's financial assets and liabilities are not materially different from their fair values as at 31 December 2018, 2019 and 2020.

29. CAPITAL MANAGEMENT

Logic Capital Group's capital management is primarily to safeguard Logic Capital Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of Logic Capital Group consists of debt, which includes the borrowings less cash and bank balances and equity attributable to owners of Logic Capital, comprising paid-in capital and reserves.

The directors of Logic Capital Group review the capital structure periodically. As a part of this review, the directors of the Logic Capital Group assess the annual budget prepared by the treasury department which reviews the planned construction projects proposed by engineering department and prepare the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the directors of Logic Capital consider the cost of capital and the risks associated with each class of capital. The directors of Logic Capital also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

Consistent with others in the industry, Logic Capital Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings, as shown in the consolidated statements of financial position) less cash and bank balances. Total capital is calculated as equity, as shown in the consolidated statements of financial position, plus net debt.

The gearing ratios of Logic Capital Group as at 31 December 2018, 2019 and 2020 were as follows:

	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Total borrowings	189,200	–	–
Less: Cash and bank balances	(2,427)	(6,579)	(6,645)
Net debt	186,773	(6,579)	(6,645)
Total equity	2,431,624	2,564,604	2,584,148
Gearing ratio	8%	N/A	N/A

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Logic Capital Group in respect of any period subsequent to 31 December 2020 up to the date of this report.

This discussion of the financial position and results of operations of the Target Group is based upon and should be read in conjunction with the accountants' reports on Target A and Target B and its subsidiaries as set out in Appendix II(A) and Appendix II(B) to this circular, respectively.

1. BUSINESS OVERVIEW

Target A is a company incorporated in Hong Kong with limited liability. Target B is a company incorporated in the BVI with limited liability. Target A and Target B are principally engaged in investment holding. As at the Latest Practicable Date and as at Completion, Target A and Target B together indirectly hold 96.8% of the equity interest in Target C through Century Profit. Century Profit is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding.

Target C is a company established in the PRC with limited liability. It is principally engaged in the business of property development, property holding and sale and leasing of property in the PRC. As at the Latest Practicable Date, Target C was undertaking a real estate project in Beijing, the PRC, namely 耀輝國際城項目 (Yaohui International City Project*). The Properties constructed under the project are located in the southeast corner of intersection of Xi Dawang Road and Jianguo Road in Chaoyang District in Beijing City in the PRC (中國北京市朝陽區西大望路與建國路交匯東南角). Yaohui International City Project covers a site area of approximately 26,812 square meters and the Properties cover a total gross floor area of approximately 201,601 square meters. The Properties comprise business apartments, residential, retail, hotel, public facilities and car parking spaces etc..

2. FINANCIAL REVIEW

(a) Target A

The following sets forth the management discussion and analysis of Target A for the three years ended 31 December 2020 ("**FY2018**", "**FY2019**" and "**FY2020**", respectively) (collectively, the "**Relevant Periods**"), which is based on the financial information of Target A as set out in Appendix II(A) to this circular.

Revenue

The principal activity of Target A is investment holding and it did not record any revenue during the Relevant Periods.

Share of result of an associate

As at the Latest Practicable Date, Target A held approximately 47.31% of the equity interest in Century Profit which in turn held 96.8% of the equity interest in Target C. Given that Target A has significant influence over Century Profit, Century Profit is accounted for as an associate of Target A using equity method. For FY2018, FY2019 and FY2020, the share of results of an associate amounted to approximately RMB560.5 million, RMB71.6 million and RMB19.7 million, respectively.

Profit and total comprehensive income for the Relevant Periods

Target A's net profit amounted to approximately RMB560.5 million, RMB71.6 million and RMB19.7 million for FY2018, FY2019 and FY2020, respectively.

Liquidity and financial resources

Target A's sole asset was interest in an associate (i.e. Century Profit) which amounted to approximately RMB1,017.9 million, RMB1,089.6 million and RMB1,109.2 million as at 31 December 2018, 2019 and 2020, respectively. Among the interest in the associate, the amount due from the associate was approximately RMB457.5 million as at 31 December 2018, 2019 and 2020, which was unsecured, interest-free and repayable on demand. Mr. Kwok Ying Shing has undertaken to indemnify Target A against any losses that may arise from the non-recovery of the amount due from the associate.

Target A's sole liability was an amount due to ultimate holding company which was unsecured, interest-free and repayable on demand and amounted to approximately RMB594.5 million as at 31 December 2018, 2019 and 2020. As a result, Target A had net current liabilities of approximately RMB594.5 million as at 31 December 2018, 2019 and 2020. The amount due to ultimate holding company shall be assigned to the Group upon Completion.

The Target A did not have any charge on assets as at 31 December 2018, 2019 and 2020.

Gearing ratio of Target A, being net debt divided by total equity, was approximately 140.4%, 120.1% and 115.5% as at 31 December 2018, 2019 and 2020, respectively. Net debt is calculated as the amount due to ultimate holding company less cash and bank balances.

Capital structure

As at 31 December 2018, 2019 and 2020, the issued and fully paid share capital of Target A was RMB8,000.

Foreign currency risk

Target A, being an investment holding company, considered that it did not have any material exposure to fluctuations in exchange rate. During the Relevant Periods, Target A did not enter into any foreign currency forward contracts.

Employees and emolument policy

As at 31 December 2018, 2019 and 2020, Target A did not have employees.

Significant investment held

For FY2018, FY2019 and FY2020, the significant investment held by Target A was its interest in an associate (i.e. Century Profit) which amounted to approximately RMB1,017.9 million, RMB1,089.6 million and RMB1,109.2 million as at 31 December 2018, 2019 and 2020, respectively.

Material acquisitions and disposals of subsidiaries and associated companies

Target A had no material acquisitions and disposals of subsidiaries and associated companies during the Relevant Periods.

Future plans for material investments or capital assets

As at the Latest Practicable Date, Target A had no future plans for material investments or capital assets.

Contractual obligations

As at 31 December 2018, 2019 and 2020, Target A had no capital and operating lease commitments, respectively.

Contingent liabilities

Target A had no significant contingent liabilities as at 31 December 2018, 2019 and 2020, respectively.

(b) Target B and its subsidiaries

The following sets forth the management discussion and analysis of Target B and its subsidiaries (including Century Profit and Target C) for the Relevant Periods, which is based on the financial information of Target B and its subsidiaries as set out in Appendix II(B) to this circular.

Revenue

Revenue of Target B and its subsidiaries represents sales of completed properties and rental income from leasing of property in the PRC.

Revenue of Target B and its subsidiaries decreased by approximately 61.5% from approximately RMB407.5 million for FY2018 to approximately RMB157.0 million for FY2019, primarily attributable to the decrease in sales of completed properties by approximately RMB272.6 million.

No sales of completed properties in FY2019 and FY2020, therefore, no revenue was generated from sales of completed properties. Revenue of Target B and its subsidiaries increased by approximately 12.1% from approximately RMB157.0 million for FY2019 to approximately RMB176.1 million for FY2020, mainly due to the increase in the rental income generated from the Yaohui International City Project as a result of an increase in occupancy rate.

Since FY2019, the Vendors had been considering the disposal of the Properties and looking for appropriate investors. Therefore, none of the completed properties was open for sales during FY2019 and FY2020. As such absence of sale revenue was not related to the market demand nor any unfavourable conditions of the completed properties, it did not affect the assessment of the Directors on the fairness and reasonableness of the Total Consideration.

Gross profit and gross profit margin

For FY2019, gross profit of Target B and its subsidiaries decreased by approximately 43.4% to approximately RMB50.8 million from approximately RMB89.9 million for FY2018, primarily attributable to the decrease in revenue generated from sales of completed properties. For FY2020, gross profit of Target B and its subsidiaries increased by approximately 32.9% to approximately RMB67.5 million from approximately RMB50.8 million for FY2019.

Gross profit margin of Target B and its subsidiaries amounted to approximately 22.1%, 32.4% and 38.4% for FY2018, FY2019 and FY2020, respectively. The increase in gross profit margin from approximately 22.1% for FY2018 to approximately 32.4% for FY2019 was primarily due to the increase in proportion of rental income in total revenue from approximately 33.1% for FY2018 to 100% for FY2019. In general, property leasing entails higher gross profit margin than sales of completed properties. Gross profit margin of Target B and its subsidiaries further increased to approximately 38.4% for FY2020 as the growth in rental income was higher than that in direct operating expenses arising from investment properties which generated rental income.

Selling and marketing costs

Target B and its subsidiaries recorded selling and marketing costs of approximately RMB19.4 million, RMB5.8 million and RMB2.8 million for FY2018, FY2019 and FY2020, respectively. Such decreasing trend was primarily attributable to the decrease in advertising and marketing activities as a result of the decrease in sales of completed properties in FY2019 and the outbreak of COVID-19 pandemic since early 2020.

Administrative expenses

Administrative expenses of Target B and its subsidiaries remained relatively stable for FY2018, FY2019 and FY2020, amounting to approximately RMB18.2 million, RMB20.3 million and RMB16.5 million, respectively.

Fair value gain on investment properties

The Yaohui International City Project was completed in 2018. For FY2018, FY2019 and FY2020, fair value gain on investment properties amounted to approximately RMB3,108.9 million, RMB152.0 million and RMB22.0 million, respectively.

Finance (costs)/income, net

Finance (costs)/income, net, representing the net of interest income on bank deposits and interest expense on bank borrowings, amounted to a cost of approximately RMB15.5 million, RMB6.0 million and an income of RMB65,000 for FY2018, FY2019 and FY2020, respectively.

Profit and total comprehensive income attributable to owners of Target B and its subsidiaries

For FY2018, FY2019 and FY2020, total profit and total comprehensive income of Target B and its subsidiaries amounted to approximately RMB2,281.9 million, RMB133.0 million and RMB19.5 million, respectively.

For FY2019, profit and total comprehensive income attributable to owners of Target B and its subsidiaries decreased to approximately RMB67.8 million from approximately RMB1,163.9 million for FY2018. Such decrease was primarily attributable to (i) the decrease in gross profit from approximately RMB89.9 million for FY2018 to approximately RMB50.8 million for FY2019; and (ii) the decrease in fair value gain on investment properties from approximately RMB3,108.9 million for FY2018 to approximately RMB152.0 million for FY2019.

For FY2020, profit and total comprehensive income attributable to owners of Target B and its subsidiaries further decreased to approximately RMB10.0 million from approximately RMB67.8 million for FY2019. Such decrease was primarily attributable to the decrease in fair value gain on investment properties from approximately RMB152.0 million for FY2019 to approximately RMB22.0 million for FY2020.

Liquidity and financial resources

During the Relevant Periods, Target B and its subsidiaries mainly financed their operations by cash flows from operations and amounts due to a shareholder and a related company.

Target B and its subsidiaries' assets during the Relevant Periods primarily consisted of, among others, (i) property, plant and equipment which represented motor vehicles, furniture and fixtures and hotels; (ii) investment properties; and (iii) completed properties held for sale, which amounted to approximately RMB1,430.3 million, RMB4,176.0 million and RMB3,180.4 million as at 31 December 2020, respectively.

Target B and its subsidiaries's liabilities during the Relevant Periods mainly consisted of, among others, (i) the amounts due to a shareholder and a related company which were unsecured, interest-free and repayable on demand; (ii) bank borrowings which were guaranteed by a related company of the shareholders with an effective interest rate of 10% per annum; and (iii) deferred tax liabilities, which amounted to approximately RMB5,175.4 million, nil and RMB965.8 million as at 31 December 2020, respectively. The amount due to a shareholder shall be assigned to the Group upon Completion.

Net current liabilities

As at 31 December 2018, 2019 and 2020, Target B and its subsidiaries had net current liabilities of approximately RMB1,551.9 million, RMB2,139.0 million and RMB2,056.3 million, respectively.

Notwithstanding the net current liabilities position of Target B and its subsidiaries, the ultimate beneficial owner of Target B and its subsidiaries has agreed to provide continuous financial support to enable Target B and its subsidiaries to meet their liabilities and obligations as and when they fall due and to continue their operations until the date when the ownership will be transferred to other party. In addition, the Company has undertaken, from the date that the Company becomes the controlling shareholder of Target B and its subsidiaries, to provide continuous financial support to enable Target B and its subsidiaries to meet their liabilities and obligations as and when they fall due and to continue their operations with effective from the Completion Date.

Borrowings and pledge of assets

As at 31 December 2018, Target B and its subsidiaries' bank borrowings amounted to approximately RMB189.2 million, which were guaranteed by a related company of the shareholder with an effective interest rate of 10% per annum. After repayment of all borrowings in 2019, Target B and its subsidiaries had no borrowings as at 31 December 2019 and 2020.

Target B and its subsidiaries did not have any charge on assets as at 31 December 2018, 2019 and 2020.

Gearing ratio

Gearing ratio of Target B and its subsidiaries, being net debt divided by total equity, was approximately 217.4%, 202.7% and 196.5% as at 31 December 2018, 2019 and 2020, respectively. Net debt is calculated as the sum of total bank borrowings and amounts due to a shareholder and a related company less cash and bank balances.

Capital structure

As at 31 December 2018, 2019 and 2020, the registered and paid-up capital of Target B and its subsidiaries was RMB600 million, respectively.

Foreign currency risk

The operation of Target B and its subsidiaries are located in the PRC and their principal assets and liabilities were denominated in RMB. As such, Target B and its subsidiaries considered that they did not have any material exposure to fluctuations in exchange rate. During the Relevant Periods, Target B and its subsidiaries did not enter into any foreign currency forward contracts.

Employees and emolument policy

As at 31 December 2018, 2019 and 2020, Target B and its subsidiaries had 66, 35 and 17 employees, respectively. Total staff costs (including directors' emoluments) of Target B and its subsidiaries were approximately RMB14.3 million, RMB12.4 million and RMB5.0 million for FY2018, FY2019 and FY2020, respectively.

The remuneration of employees of Target B and its subsidiaries is determined based on their performance, skills, knowledge, experience and market trend. The remuneration policies and packages will be reviewed on a regular basis and necessary adjustment commensurate with the pay level in the industry will be made. In addition to basic salaries, employees may be offered with discretionary bonus and cash awards based on individual performance. Training will be provided for their employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their skills.

Significant investment held

During the Relevant Periods, the significant investment held by Target B and its subsidiaries was the interest in Century Profit which in turn held 96.8% equity interest in Target C. As at 31 December 2020, Target B and its subsidiaries' investment in subsidiaries amounted to approximately RMB1,576.0 million as at 31 December 2020.

Material acquisitions and disposals of subsidiaries and associated companies

Target B and its subsidiaries had no material acquisitions and disposals of subsidiaries and associated companies during the Relevant Periods.

Future plans for material investments or capital assets

As at the Latest Practicable Date, Target B and its subsidiaries had no future plans for material investments or capital assets.

Contractual obligations

As at 31 December 2018, 2019 and 2020, Target B and its subsidiaries had no capital and operating lease commitments, respectively.

Contingent liabilities

Target B and its subsidiaries had no significant contingent liabilities as at 31 December 2018, 2019 and 2020, respectively.

The following is the text of the assurance report received from, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in the circular.

Grant Thornton
致同

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

TO THE DIRECTORS OF KAISA GROUP HOLDINGS LTD.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Kaisa Group Holdings Ltd. (the "**Company**") and its subsidiaries (collectively the "**Group**"), Hong Da Development & Investment Holding Co., Ltd. ("**Hong Da**") and Logic Capital Limited ("**Logic Capital**") and its subsidiaries (collectively referred to as the "**Logic Capital Group**") (together, the "**Enlarged Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2020 and related notes as set out in Part A of Appendix IV to the circular dated 28 May 2021 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Part A of Appendix IV to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the acquisition of 100% equity interests in Hong Da and 100% equity interests in Logic Capital Group by way of equity transfer to the Group (the "**Acquisitions**") on the Group's consolidated financial position as at 31 December 2020 as if the Acquisitions had taken place at 31 December 2020. As part of this process, information about the Group's consolidated financial position as at 31 December 2020 has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2020, on which audit report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

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

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisitions on the unadjusted financial information of the Group as if 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 transactions at 31 December 2020 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the

Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transactions, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the transactions in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

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

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

28 May 2021

Chiu Wing Ning
Practising Certificate No.: P04920

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(i) Introduction to the Unaudited Pro Forma Financial Information

The following is the Unaudited Pro Forma Financial Information of the Enlarged Group ("**Unaudited Pro Forma Financial Information**"), being Kaisa Group Holdings Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") together with its interests in Hong Da Development & Investment Holding Co., Ltd., ("**Hong Da**") and Logic Capital Limited ("**Logic Capital**") and its subsidiaries (collectively referred to as "**Logic Capital Group**") (together, the "**Enlarged Group**"), which has been prepared by the Directors of the Company to illustrate the financial effects of the acquisition of 100% equity interests in Hong Da and 100% equity interests in Logic Capital Group (the "**Acquisitions**") on the consolidated statement of financial position of the Enlarged Group as if the Acquisitions had been completed on 31 December 2020.

Upon completion of the Acquisitions, the Group will own as to 100% equity interests in Hong Da and the Logic Capital Group.

The Unaudited Pro Forma Financial Information has been prepared by the Directors of the Company in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guidance 7 "**Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars**" ("**AG7**") issued by the Hong Kong Institute of Certified Public Accountants, for the purpose of illustrating the effect of the Acquisitions on the consolidated statements of assets and liabilities of the Enlarged Group for inclusion in this Circular (the "**Circular**").

The preparation of the unaudited pro forma consolidated statement of financial position of the Enlarged Group is based on (i) the audited consolidated statement of financial position of the Group as at 31 December 2020 which has been extracted from the published annual report of the Company for the year ended 31 December 2020; (ii) the audited statement of financial position of Hong Da as at 31 December 2020 and the audited consolidated statement of financial position of the Logic Capital Group as at 31 December 2020, extracted from the accountants' reports as set out in Appendices II(A) and II(B) to this Circular, after making pro forma adjustments relating to the Acquisitions as explained in the notes below that are (i) directly attributable to the Acquisitions and not relating to future events or decisions; and (ii) factually supportable, as if the Acquisitions had been completed on 31 December 2020. The accounting policies of Hong Da and Logic Capital Group are stated in accountant's reports as set out in Appendices II(A) and II(B) to this Circular and such policies are consistent with the accounting policies of the Group.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position or results of the Enlarged Group had the Acquisitions been completed as at 31 December 2020 or any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published annual report of the Company for the year ended 31 December 2020 and other financial information included elsewhere in this Circular.

(ii) Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group

	The Group as at 31 December 2020	Hong Da as at 31 December 2020	Logic Capital Group as at 31 December 2020	Subtotal	Pro forma adjustments				The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 2*		*Note 3*	*Note 4*	*Note 5*	*Note 6*	
Non-current assets									
Property, plant and equipment	5,311,916	–	1,430,269	6,742,185	(1,429,405)	–	–	–	5,312,780
Right-of-use assets	536,993	–	–	536,993	–	–	–	–	536,993
Investment properties	34,524,400	–	4,176,000	38,700,400	(4,176,000)	–	–	–	34,524,400
Land use rights	720,913	–	–	720,913	–	–	–	–	720,913
Interests in associates	13,817,340	1,109,246	–	14,926,586	–	(651,780)	(457,466)	–	13,817,340
Interest in joint ventures	18,386,366	–	–	18,386,366	–	–	–	–	18,386,366
Financial assets at fair value through profit or loss	5,369,151	–	–	5,369,151	–	–	–	–	5,369,151
Debtors, deposits and other receivables	20,000	–	–	20,000	–	–	–	–	20,000
Goodwill and intangible assets	1,276,405	–	–	1,276,405	–	–	–	–	1,276,405
Long-term bank deposits	1,200,000	–	–	1,200,000	–	–	–	–	1,200,000
Deferred tax assets	628,380	–	–	628,380	–	–	–	–	628,380
	81,791,864	**1,109,246**	**5,606,269**	**88,507,379**					**81,792,728**
Current assets									
Properties under development	71,367,943	–	–	71,367,943	–	–	–	–	71,367,943
Completed properties held for sale	13,036,568	–	3,180,404	16,216,972	15,419,596	–	–	–	31,636,568
Inventories	416,781	–	–	416,781	–	–	–	–	416,781
Deposits for land acquisition	18,204,746	–	–	18,204,746	–	–	–	–	18,204,746
Prepayments for proposed development projects	25,004,121	–	–	25,004,121	–	–	–	–	25,004,121
Debtors, deposits and other receivables	48,468,486	–	125,558	48,594,044	–	–	–	–	48,594,044
Prepaid taxes	356,481	–	–	356,481	–	–	–	–	356,481
Restricted cash	6,248,888	–	–	6,248,888	–	–	–	–	6,248,888
Financial assets at fair value through profit or loss	5,338,349	–	–	5,338,349	–	–	–	–	5,338,349
Short-term bank deposits	3,585,570	–	–	3,585,570	–	–	–	–	3,585,570
Cash at banks and on hand	36,078,762	–	6,645	36,085,407	(13,000,000)	–	–	(8,000)	23,077,407
	228,106,695	**–**	**3,312,607**	**231,419,302**					**233,830,898**

	The Group as at 31 December 2020	Hong Da as at 31 December 2020	Logic Capital Group as at 31 December 2020	Subtotal	Pro forma adjustments				The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 2*		*Note 3*	*Note 4*	*Note 5*	*Note 6*	
Current liabilities									
Contract liabilities	49,706,027	–	–	49,706,027	–	–	–	–	49,706,027
Accrued construction costs	18,593,833	–	7,728	18,601,561	–	–	–	–	18,601,561
Amounts due to a related company	–	–	457,466	457,466	–	–	(457,466)	–	–
Amounts due to holding companies	–	594,488	4,627,956	5,222,444	(5,222,444)	–	–	–	–
Income tax payable	12,020,469	–	104,977	12,125,446	–	–	–	–	12,125,446
Lease liabilities	103,208	–	–	103,208	–	–	–	–	103,208
Borrowings	23,069,223	–	–	23,069,223	–	–	–	–	23,069,223
Other payables	24,260,845	–	170,781	24,431,626	–	–	–	–	24,431,626
Derivative financial instruments	27,450	–	–	27,450	–	–	–	–	27,450
	127,781,055	594,488	5,368,908	133,744,451					128,064,541
Net current assets/ (liabilities)	100,325,640	(594,488)	(2,056,301)	97,674,851					105,766,357
Total assets less current liabilities	182,117,504	514,758	3,549,968	186,182,230					187,559,085
Non-current liabilities									
Lease liabilities	453,240	–	–	453,240	–	–	–	–	453,240
Borrowings	98,401,736	–	–	98,401,736	–	–	–	–	98,401,736
Other payables	19,768	–	–	19,768	–	–	–	–	19,768
Deferred tax liabilities	4,523,386	–	965,820	5,489,206	2,453,548	–	–	–	7,942,754
	103,398,130	–	965,820	104,363,950					106,817,498
Net assets	78,719,374	51,758	2,584,148	81,818,280					80,741,587

Notes:

(1) The balances were extracted from the audited consolidated statement of financial position of the Group as at 31 December 2020 as set out in the published annual report of the Company for the year ended 31 December 2020.

(2) The balances were extracted from the audited statement of assets and liabilities of Hong Da as at 31 December 2020 and the audited consolidated statement of assets and liabilities of the Logic Capital Group as at 31 December 2020 included in the accountant's reports as set out in Appendices II(A) to II(B) of this Circular.

(3) The Acquisitions involves the acquisition of the Properties, which are owned by Logic Capital Group (the "Assets") by the Group pursuant to the terms of the Agreement at a total consideration of RMB13,000,000,000. The cash consideration assumed to be paid by the Group in cash with respect to the acquisition of (i) the 100% equity interests in Hong Da and 100% equity interests in Logic Capital Group and (ii) acceptance of assignment of Sale Loan, assuming that the completion had taken place on 31 December 2020. Pursuant to the Agreement, the aggregate consideration for the acquisition of the 100% equity interests in Hong Da and Logic Capital Group is RMB13,000,000,000, comprising loans from holding companies of RMB5,222,444,000. For the purpose of unaudited pro forma financial information, the directors assume that the consideration will be satisfied by internal resources (e.g. cash and bank balances).

The adjustments represent the recognition of gain from bargain purchase arising from the acquisitions of Hong Da and Logic Capital Group (the "**Acquisitions**"). Upon completion of the Acquisitions, the identifiable assets and liabilities of Hong Da and Logic Capital Group will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values as required by the acquisition method in accordance with HKFRS 3 (Revised) "Business Combination". The identifiable assets and liabilities of the Assets are recorded in the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group at their fair values estimated by the Directors with reference to the valuation performed by an independent professional qualified valuer which issued a valuation report dated 28 May 2021 (the "**Valuation Report**") on the Assets as at 31 March 2021 for the purpose of purchase price allocation.

In the opinion of the Directors, it is intended that properties will be acquired for trading purpose, therefore the investment properties and hotel included in property, plant and equipment of Logic Capital Group are reclassified as completed properties held for sale upon the completion of the Acquisitions and shall be measured at the then fair value of the properties.

Since the fair values and the carrying amounts of the identifiable assets and liabilities of Logic Capital Group at the Completion Date may be materially different from the values used in the preparation of the unaudited pro forma financial information of the Enlarged Group, the actual amounts of the assets and liabilities to be recorded in the consolidated financial statements of the Enlarged Group upon the Completion may be materially different from the estimated amounts shown in this Appendix.

The difference in the fair value of the net identifiable assets of the Assets over the consideration is recognised as a gain on bargain purchase. Assuming the acquisition is completed on 31 December 2020, the gain on bargain purchase arising from the acquisition of the Assets is calculated as follows:

	Notes	*RMB'000*	*RMB'000*
Consideration transferred			13,000,000
Less:			
Net assets of Logic Capital Group and Hong Da (net of interest in an associate in Hong Da's financial statements)	*a*	2,447,126	
Fair value surplus of the completed properties held for sale	*a*	9,814,191	
Net effect on deferred tax liabilities and assets arising from fair value surplus of the completed properties held for sale	*b*	(2,453,548)	
Total fair value of identifiable assets acquired and liabilities assumed			(9,807,769)
Amount due to a holding company in Hong Da's financial statements		594,488	
Amount due to a holding company in Logic Capital Group's consolidated financial statement		4,627,956	
Total amounts due to a holding company			(5,222,444)
Gain on bargain purchase			**(2,030,213)**

	RMB'000
Gain on bargain purchase attributable to:	
Owners of the Company	1,965,246
Non-controlling interests	64,967
	2,030,213

Notes:

(a) For the purpose of the unaudited pro forma financial information, the fair values of the completed properties held for sale was based on a valuation report prepared by the independent valuer, amounting to approximately RMB18,600,000,000. The fair value surplus amounting to RMB9,814,191,000 was calculated on the difference of the fair values and the amounts of the carrying amounts of hotel under property, plant and equipment, investment properties and completed properties held for sale set out in Note 3.

(b) This represents the deferred income tax liabilities of RMB2,453,548,000 arising from the differences between the tax base and the carrying amount of the hotel under property, plant and equipment, investment properties and completed properties held for sale in connection with the Acquisitions.

(4) Century Profit Zone Investments Limited ("Century Profit"), which has been presented as an associate using equity accounting in the financial statements of Hong Da, on the other hand, as a subsidiary of Logic Capital and has been consolidated in the consolidated financial statements of Logic Capital Group. Hence, the adjustment to reverse the investments in an associate of Hong Da using equity accounting treatment in the financial statements of Hong Da.

(5) The adjustment represents the elimination of amount due from an associate of Hong Da and the amount due to a related company of Logic Capital Group.

(6) The adjustment represents the estimated professional fees attributable to the Acquisitions of approximately RMB8,000,000 and the amounts will be recognised in profit or loss. This adjustment is not expected to have a continuing effect on the Enlarged Group's consolidated statement of profit or loss and other comprehensive income.

(7) No adjustment has been made to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2020.

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Savills Valuation and Professional Services Limited, an independent property valuer, in connection with their opinion of value of the Property as at 31 March 2021.

The Board of Directors
Kaisa Group Holdings Ltd.
30/F, The Center
No. 99 Queen's Road Central
Central
Hong Kong

Savills Valuation and
Professional Services Limited

Room 1208
1111 King's Road
Taikoo Shing, Hong Kong

T: (852) 2801 6100
F: (852) 2530 0756

EA Licence: C-023750
savills.com

28 May 2021

Dear Sirs,

RE: BUILDING NOS. 1 AND 2 (EXCLUDING THE RESERVED AND SOLD PORTION AND THE POST OFFICE), YAOHUI INTERNATIONAL CITY (耀輝國際城), NO. 86 OF JIANGUO ROAD, CHAOYANG DISTRICT, BEIJING, THE PEOPLE'S REPUBLIC OF CHINA (THE "PROPERTY")

INSTRUCTION

In accordance with the instructions from Kaisa Group Holdings Ltd. (the "**Company**") for us to value the Property situated in the People's Republic of China (the "**PRC**"), and held by Beijing Yaohui Real Estate Co., Ltd.* (北京耀輝置業有限公司), we confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of value of the Property as at 31 March 2021 ("**Valuation Date**") for inclusion in the Company's circular.

BASIS OF VALUATION

Our valuation of the Property is our opinion of its market value which we would define as intended to mean "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".

Moreover, market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

Our valuation has been undertaken in accordance with the HKIS Valuation Standards 2020 of The Hong Kong Institute of Surveyors ("**HKIS**"), which incorporates the International Valuation Standards ("**IVS**"), and (where applicable) the relevant HKIS or jurisdictional supplement. We have also complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

IDENTIFICATION AND STATUS OF THE VALUER

The subject valuation exercise is handled by Mr Anthony C.K. Lau ("**Mr. Lau**"), who is a director of Savills Valuation and Professional Services Limited ("**SVPSL**") and a corporate member of HKIS with over 28 years' experience in valuation of properties in the PRC and has sufficient knowledge of the relevant market, the skills and understanding to handle the subject valuation exercise competently.

Prior to your instructions for us to provide this valuation services in respect of the Property, SVPSL had not been involved in valuation of the Property in the last 12 months.

We are independent of the Company and Beijing Yaohui Real Estate Co., Ltd.* (北京耀輝置業有限公司). We are not aware of any instances which would give rise to potential conflict of interest from SVPSL or Mr. Lau in the subject exercise. We confirm SVPSL and Mr. Lau are in the position to provide objective and unbiased valuation for the Property.

VALUATION METHODOLOGY

We have adopted income capitalisation method or direct comparison method to value the Property held by Beijing Yaohui Real Estate Co., Ltd.* (北京耀輝置業有限公司).

Retail portion of the Property is held by Beijing Yaohui Real Estate Co., Ltd.* (北京耀輝置業有限公司) for investment in the PRC and was subject to a tenancy agreement as at the Valuation Date. We have adopted the income capitalisation method for valuing the retail portion of the Property. Income capitalisation method takes into account the rental income derived from the existing tenancies with due allowance for the reversionary income potential of such portion of the Property. We have made reference to the lettings of other developments which have characteristics similar to the Property with appropriate adjustments made to reflect the difference in factors to determine the market rent of the retail portion of the Property. Market transactions involving similar scale property of the same nature and tenancy structure in the same district are not frequent and the rental comparables were readily available. We consider income capitalisation method, which is commonly used in valuing properties for investment purpose, to be the best method to value retail portion of the Property. In our valuation, we have adopted an average market rent of RMB1,000 per sq.m. for the retail units on Level 1 and a capitalisation rate of 4.5%.

Business apartment, hotel, residential units and car parking spaces of the Property are held by Beijing Yaohui Real Estate Co., Ltd.* (北京耀輝置業有限公司) for sale in the PRC. We have adopted direct comparison method in valuing such portions of the Property as comparable sales and information about business apartment, hotel, residential units and car parking spaces are generally available. Appropriate adjustments have been made to reflect the differences in factors such as time, location, scale, floor level and other relevant factors between such portions of the Property and the comparables.

As informed by the Company, the business apartment and hotel portion of the Property will be subject to reinstatement. We have also taken into account the cost to be expended to reinstate such portions of the Property to their designated uses.

TITLE INVESTIGATIONS

We have been provided with copies of title documents relating to the Property. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies provided to us. In the course of our valuation, we have relied to a very considerable extent on the information given by the Company and the legal opinion issued by the Company's PRC legal adviser, Li & Partners (Shenzhen), regarding the title to the Property in the PRC.

SOURCES OF INFORMATION

In the course of our valuation, we have relied to a considerable extent on information from the Company and also accepted advice given to us on matters such as planning approvals or statutory notices, easements, tenure, particulars of occupancy, tenancy details, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on the information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been taken. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, which is material to our valuation. We are also advised by the Company that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view.

VALUATION ASSUMPTIONS

In valuing the Property in the PRC, unless otherwise stated, we have assumed that transferable land use rights of the Property for their specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. Unless otherwise stated, we have also assumed that the owner of the Property has a good legal title to the Property and has free and uninterrupted rights to occupy, use, transfer or lease the Property for the whole of the respective unexpired terms as granted.

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

SITE INSPECTION

We have inspected the exterior and where possible, the interior of the Property. The site inspection was carried out on 11 October 2020 by our assistant manager, Ms. Si Cai Ying. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the Property is free from rot, infestation or any other defects. No tests were carried out on any of the services.

MARKET CONDITIONS UNDER COVID-19

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a 'Global Pandemic' on the 11 March 2020, has impacted many aspects of daily life and the global economy — with some real estate markets experiencing significantly lower levels of transactional activity and liquidity. It is expected that property values will be very sensitive to the development of the pandemic and its impact on the economy. The extents of impact on different sectors of the market are different and the time for marketing and negotiating on sale of a property will be longer than usual time.

Our valuation of the Property is valid only as at the Valuation Date. However, there will be less certainty as to how long a valuation may sustain and property prices may fluctuate rapidly and materially over a short period of time. Any changes in market conditions and impacts on property value subsequent to the Valuation Date cannot be taken into account. If any party intends to make reference to our valuation when entering into any transaction, he must beware of the high market volatility during this period and that property values may or may not have changed since the Valuation Date. Given the unknown future impact that COVID-19 might have on the real estate market and the difficulty in differentiating between short term impacts and long-term structural changes, we recommend that you keep the valuation contained within this report under frequent review.

CURRENCY

Unless otherwise stated, all money amounts stated are in Renminbi ("**RMB**").

We enclose herewith our valuation report.

Yours faithfully,
For and on behalf of
Savills Valuation and Professional Services Limited
Anthony C.K. Lau
MHKIS MRICS RPS(GP)
Director

Note: Mr. Anthony C.K. Lau is a professional surveyor who has over 28 years' experience in the valuation of properties in the PRC.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2021
Building Nos. 1 and 2 (excluding the Reserved and Sold Portion and the Post Office), Yaohui International City (耀輝國際城), No. 86 of Jianguo Road, Chaoyang District, Beijing, PRC	Yaohui International City (the "**Development**") is a comprehensive development erected on a parcel of land with a site area of approximately 26,811.72 sq.m. The Development comprises two high-rise buildings, namely North Block (Building No. 1) and South Block (Building No. 2). According to the original design, the North Block of the Development accommodates retail units, hotel, business apartments, offices, underground carparking spaces and ancillary facilities; the South Block accommodates residential units, underground carparking spaces and ancillary facilities. As advised by the Company, the Development was completed in 2018. The Development is situated at Chaoyang District. Developments in the vicinity are dominated by high-rise residential and commercial buildings. It takes about 40-minute drive and 25-minute drive from the Development to Beijing Capital International Airport and Beijing Railway Station respectively. The Property comprises portion of Building Nos. 1 and 2 (excluding the Reserved and Sold Portion and the Post Office (see Note 7)) of the Development. It comprises retail spaces on portion of Basement Level 1, and the whole of Levels 1 to 4; the hotel portion on Levels 6 to 26; business apartments on Levels 27 to 39; 264 carparking spaces on Basement Levels 2 to 4 and ancillary facilities of Building No. 1. As advised by the Company, the hotel and business apartments portions of Building No. 1 were converted into office uses. The Property also comprises various residential units, 275 carparking spaces and ancillary facilities of Building No. 2.	As at the Valuation Date, portion of the Property with a total gross floor area of approximately 58,094.84 sq.m. was subject to various tenancies with the latest one expiring on 14 March 2038 at a total monthly rental of approximately RMB13,501,291 (exclusive of tax). The remaining portion of the Property was vacant.	RMB18,600,000,000 (Renminbi Eighteen Billion and Six Hundred Million) *(see Note 6)*

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2021
	The total gross floor area of the Property is approximately 201,600.91 sq.m., the breakdown of which is as follows:		

Use	Approximate Gross Floor Area *(sq.m.)*
Business Apartment	18,358.71
Hotel	34,266.26
Residential	84,554.83
Retail	24,879.14
Basement Car Park & Ancillary Facilities	37,383.80
Other Ancillary Facilities	2,158.17
Total:	**201,600.91**

The land use rights of the Property have been granted for three concurrent terms expiring on 30 August 2044 for commercial and underground commercial uses; 30 August 2054 for office and underground garage uses; and 30 August 2074 for residential use.

Notes:

(1) Pursuant to the State-owned Land Use Rights Certificate No. Jing Chao Guo Yong (2007chu) Di 0274 dated 5 July 2007, the land use rights of the Property with a site area of approximately 26,811.72 sq.m. have been granted to Beijing Yaohui Real Estate Co., Ltd.* (北京耀輝置業有限公司) ("**Beijing Yaohui**") for three concurrent terms expiring on 30 August 2044 for commercial and underground commercial uses, 30 August 2054 for office and underground garage uses and 30 August 2074 for residential use respectively.

(2) Pursuant to the Construction Land Planning Permit No. 2006 Gui Di Zi 0136 issued by Beijing Municipal Commission of Planning dated 12 July 2006, a parcel of land with a site area of 26,814.612 sq.m. is in compliance with the urban planning requirements.

(3) Pursuant to three Construction Works Planning Permit Nos. 2005 Gui Jian Zi 0643 and 2006 Gui Jian Zi 0400 issued by Beijing Municipal Commission of Planning dated 28 December 2005 and 1 September 2006 and Jian Zi Di 2019 Gui Zi Jian Zi 0002 and Jian Zi Di 2020 Gui Zi (Chao) Jian Zi 0033 issued by Beijing Municipal Commission of Planning and Natural Resources dated 5 March 2019 and 4 August 2020, the total construction scale of the Development was 249,875.93 sq.m..

(4) Pursuant to two Construction Works Commencement Permit Nos. 2006 (Jian) 011 and [2006] Shi (Chao) Jian Zi 0208 both issued by Beijing Chaoyang District Construction Committee dated 29 September 2019 and 27 September 2006, the construction works of the Development with a total construction scale of 248,045.52 sq.m. were approved for commencement.

(5) Pursuant to two Completion Certificates, the construction works of Development have been examined and such examination has been recorded. Details of the said certificates are as follows.

Block	Certificate No.	Gross Floor Area *(sq.m.)*	Project	Issuance Date
1 (North)	0458 Chao Jun 2017 (Jian) 916	106,803.00	Upper ground and underground of North Block	30 June 2017
2 (South)	0157 Chao Jun 2016 (Jian) 0095	137,229.80	Upper ground and underground of South Block	24 June 2016

(6) Pursuant to the following two Real Estate Title Certificates, the building ownership of various buildings with a total gross floor area of 199,416.65 sq.m. together with the corresponding land use rights is vested in Beijing Yaohui. Details of the said certificates are as follows.

Block	Certificate No.	Gross Floor Area *(sq.m.)*	Usage	Land Use Term
1	Jing (2018) Chao Bu Dong Chan Quan Di No 0076010	73,694.77	residential, car park uses/business apartment, community service centre uses	31 August 2004 to 30 August 2054; 31 August 2004 to 30 August 2044; 31 August 2004 to 30 August 2074
2	Jing (2018) Chao Bu Dong Chan Quan Di No 0076046	125,721.88	residential, car park uses/telephone booth, cultural square uses	31 August 2004 to 30 August 2054; 31 August 2004 to 30 August 2074

As advised by the Company, Beijing Yaohui has not obtained the Real Estate Title Certificate for Levels 4 to 26 of Building No. 1 (North Block) of the Property as at the Valuation Date. Pursuant to the PRC legal opinion, there are no legal impediment for Beijing Yaohui to obtain the Real Estate Title Certificate after land premium has been paid. We have taken into account these levels in our valuation.

(7) As advised by the Company, breakdown of the gross floor area of reserved and sold portions is as follows:

	The Reserved Portion *(sq.m.)*	The Sold Portion *(sq.m.)*
Residential Units	13,869.30	7,703.55
Office	5,804.31	
Retail	3,692.82	
Basement Car Park	3,314.69 (51 Car parking spaces)	

Besides, as instructed by the Company, there is a post office with gross floor area of approximately 2,063.31 sq.m. which had not been included in our valuation.

(8) We have been provided with a legal opinion on the title to the Property issued by the Company's PRC legal adviser, which contains, inter alia, the following information:

(i) Beijing Yaohui is the legal owner of the land of the Property;

(ii) Beijing Yaohui is the owner of the units under the Real Estate Title Certificate Nos. Jing (2018) Chao Bu Dong Chan Duan Di No. 0076046 and Jing (2018) Chao Bu Dong Chan Quan Di No. 0076010. Except for those sold units, Beijing Yaohui is entitled to sell the remaining units after the application for the registration for sale of the completed units;

(iii) there is no legal impediment for Beijing Yaohui to obtain the Real Estate Title Certificate for Levels 4 to 26 of Building No. 1 of the Development after land premium has been paid by Beijing Yaohui for the additional floor area constructed by them. After obtaining such Real Estate Title Certificate, Beijing Yaohui is entitled to sell the units after the application for the registration for sale; and

(iv) the business apartment and hotel portion of the Property has been leased out for office use. The change of use has violated the stipulations of the Measures for Administration of Leases of Commodity Housing and is subject to the risks for rectification to its original use and payment of penalty from the relevant government authorities.

(9) Building No. 1 is subject to litigation. Shenzhen Qianhai Dong Chan Wealth Management Company Limited (深圳前海動產財富管理有限公司) ("**Qianhai Dong Chan**"), the Plaintiff, lodged an appeal against court's verdict on the property rental contract dispute between Qianhai Dong Chan and Beijing Yaohui, the defendant, on 11 September 2019. In respect of the appeal, No. 3 Intermediate People's Court of Beijing Municipality (北京市第三中級人民法院) has seized the property interest of Building No. 1. According to the legal opinion provided to us and prepared by 北京市安和利律師事務所, the risk of Beijing Yaohui losing the lawsuit is minimal because the chance of upholding the original verdict in the second trial is high. The court will release the property interest of Building No. 1, once the judgment is given against the Plaintiff. Hence, the property interest of Beijing Yaohai will not be affected. Based on the above, in course of our valuation, we have been instructed to value Building No. 1 assuming that it is transferable without legal impediment.

(10) The business apartment and hotel portion of the Property are currently occupied as office use. As advised by the Company, such portions of the Property will be renovated and reinstated to their designated uses. Our valuation is based on the Company's renovation proposal. According to the proposal, the renovation period lasts for 6 months starting from 1 June 2021 and the total renovation cost is approximately RMB184,000,000.

(11) We have prepared our valuation on the following basis and analysis:

(i) in undertaking our valuation of retail portion of the Property, we have made reference to the lettings of other developments which have characteristics similar to the Property. The monthly unit rents of these comparables ranged from RMB900 to RMB1,200 per sq.m. for retail units. Appropriate adjustments have been made to reflect the difference in factors between the Property and comparable properties such as time, location, size, floor level and quality in arriving our key assumption;

(ii) in valuing business apartment, hotel and residential units of the Property, we have identified and analysed various sale reference which have characteristics similar to the Property. The unit price of these comparable properties ranged from RMB90,000 to RMB96,000 per sq.m. for business apartment, RMB33,000 to RMB39,000 per sq.m. for hotel and RMB140,000 to RMB178,000 per sq.m. for residential units. Appropriate adjustments have been made to reflect the difference in factors such as time, location, scale and floor level in arriving our key assumption; and

(iii) for the car parking spaces of the Property, we have identified and analysed various sale reference of car parking spaces which have characteristics similar to the Property. The unit price of these comparable properties ranged from RMB500,000 to RMB700,000 per car parking space. Appropriate adjustments have been made to reflect the difference in factors such as time and location, in arriving our key assumption.

(12) * The English translation of the name of this entity established in the PRC is for reference only. The official name of this entity is in Chinese.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) 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 they were deemed or taken to have under such provisions of the SFO), or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions and short positions in the shares:

Name of Company	Name of Director	Number of ordinary shares held Personal Interest	Family Interest	Corporate Interest	Other Interest	Total *(Note 1)*	Approximate percentage of the total number of shares in issue *(Note 2)*
The Company	The Guarantor	–	–	809,181,003	964,388,735 *(Note 3)*	1,773,569,738 (L)	25.29%
	Mai Fan	238,000	–	–	–	238,000 (L)	0.00%
Kaisa Prosperity	The Guarantor	1,453,000	–	–	–	1,453,000 (L)	0.94%
Kaisa Health	The Guarantor	–	2,020,000	308,000,000	–	310,020,000 (L)	6.15%

Notes:

(1) The letter "L" denotes the person's long position in the shares and the letter "S" denotes the person's short position in the shares.

(2) The percentages were calculated based on shares in issue of the corresponding entity as at the Latest Practicable Date.

(3) The Guarantor is the founder of a family trust with 964,388,735 Shares, being a discretionary trust, who can influence how the trustee exercises his discretion.

(ii) Long positions and short positions in the underlying Shares

Name of Director	**Capacity**	**Number of the underlying Shares** *(Note 1)*	**Approximate percentage of shareholding of the issued share capital of the Company** *(Note 2)*
The Guarantor	Interest in a controlled corporation	197,650,000 (L)	2.82%
Sun Yuenan	Beneficial owner	39,020,000 (L)	0.56%
Mai Fan	Beneficial owner	10,000,000 (L)	0.14%
Li Haiming	Beneficial owner	8,770,000 (L)	0.13%
Rao Yong	Beneficial owner	1,900,000 (L)	0.03%
Zhang Yizhao	Beneficial owner	1,400,000 (L)	0.02%
Liu Xuesheng	Beneficial owner	1,200,000 (L)	0.02%

Notes:

(1) The letter "L" denotes the person's long position in the Shares and the letter "S" denotes the person's short position in the Shares.

(2) The percentages were calculated based on 7,013,644,225 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) 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 they were deemed or taken to have under such provisions of the SFO), or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' interests and short positions

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

Name of substantial Shareholder	Capacity	Number of Shares *(Note 1)*	Approximate percentage of the issued share capital of the Company *(Note 6)*
Da Chang Investment Company Limited ("**Da Chang**")	Beneficial owner	809,181,003 (L) *(Note 2)*	11.54%
Da Feng Investment Company Limited ("**Da Feng**")	Beneficial owner	964,388,735 (L) *(Note 3)*	13.75%
Bank of East Asia (Trustees) Limited ("**BEA Trustee**")	Trustee	964,388,735 (L) *(Note 3)*	13.75%
Da Zheng Investment Company Limited ("**Da Zheng**")	Beneficial owner	963,503,287 (L) *(Note 4)*	13.74%
Kwok Ying Chi	Interest in a controlled corporation	963,503,287 (L) *(Note 4)*	13.74%
Funde Sino Life Insurance Co., Ltd.	Beneficial owner	649,700,957 (L)	9.26%
	Interest in a controlled corporation	887,995,149 (L) *(Note 5)*	12.66%
Fund Resources Investment Holding Group Company Limited	Beneficial owner	887,995,149 (L) *(Note 5)*	12.66%

Notes:

1. The letter "L" denotes the person's long position in the Shares and the letter "S" denotes the person's short position in the Shares.

2. Da Chang is wholly owned by the Guarantor.

3. Da Feng is wholly owned by Xingsheng Asia Limited, which is in turn wholly owned by Hongyi Asia Limited, which is in turn wholly owned by Junjia Enterprises Corporation. Junjia Enterprises Corporation is wholly owned by BEA Trustee. BEA Trustee is the trustee of 964,388,735 Shares under a family trust of which the Guarantor is the founder.

4. Da Zheng is wholly owned by Mr. Kwok Ying Chi.

5. 887,995,149 Shares were held by Fund Resources Investment Holding Group Company Limited, which was wholly owned by Funde Sino Life Insurance Co., Ltd. as at the Latest Practicable Date. By virtue of the SFO, Funde Sino Life Insurance Co., Ltd. is deemed to be interested in Shares held by Fund Resources Investment Holding Group Company Limited.

6. The percentages were calculated based on 7,013,644,225 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, no other persons or companies (other than the Directors or chief executive of the Company) had any interests or short positions in the Shares or underlying Shares which were recorded in the register kept by the Company pursuant to section 336 of the SFO, or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, save for the Guarantor who is a director of Da Chang and Da Feng, none of the Directors is a director or employee of a company which had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors nor their respective close associates had any interest in any business which competes or is likely to compete, or is in conflict or is likely to be in conflict, either directly or indirectly, with the business of the Group.

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, so far as the Directors are aware, save for the SP Agreement and the transactions contemplated thereunder in which Mr. Kwok Ying Shing is indirectly interested by virtue of his interests in the Vendors, none of the Directors had any interest, either directly or indirectly, in any assets which has since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Company were made up) been acquired or disposed of by or leased to, any member of the Enlarged Group or are proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Enlarged Group which does not expire or is not determinable by such member of the Enlarged Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Enlarged Group subsisting at the Latest Practicable Date and which is significant in relation to the businesses of any member of the Enlarged Group.

7. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinion contained in this circular:

Name	Qualification
Red Sun Capital Limited	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Grant Thornton Hong Kong Limited	Certified Public Accountants
Savills Valuation and Professional Services Limited	Independent valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report and references to its name in the form and context in which they respectively appeared.

As at the Latest Practicable Date, each of the experts above (i) did not have any direct or indirect interest in any assets which had been acquired, disposed of by, or leased to any member of the Enlarged Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Enlarged Group, since 31 December 2020, the date to which the latest published audited consolidated financial statements of the Company was made up; and (ii) was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. MATERIAL CONTRACTS

Saved as disclosed below, no material contracts (not being contract entered into in the ordinary course of business carried out by the Enlarged Group) have been entered into by any member of the Enlarged Group within the two years immediately preceding the Latest Practicable Date:

(a) an agreement dated 14 November 2019 entered into between Kaisa Financial Group Company Limited as purchaser, the Company and Mr. Kwok Hiu Kwan, the son of the Guarantor, and the spouse of the Guarantor, as vendors, in relation to the acquisition of 91% of equity interest in the target company and the loan due from the target company to the Guarantor. Please refer to the Company's announcements dated 14 November 2019 and 18 November 2019 for details;

(b) the SP Agreement;

(c) the supplemental sale and purchase agreement dated 25 March 2021 entered into by and among the Vendors, the Company, the Guarantor, Bright Eagle Global Limited ("**Bright Eagle**"), a wholly-owned subsidiary of the Company, and 深圳市青鶴實業發展有限公司 ("**Shenzhen Qinghe**"), a wholly-owned subsidiary of the Company, pursuant to which (i) Bright Eagle shall be nominated by the Company to take up Sale Interest A, Sale Loan A, Sale Interest B and Sale Loan B; (ii) Shenzhen Qinghe shall be nominated by the Company to take up Sale Loan C under the Acquisition;

(d) the underwriting agreement dated 26 March 2021 entered into by and between the Company and Haitong International Securities Company Limited in respect of the rights issue on the basis of one rights share for every seven shares held by the existing Shareholders. Please refer to the Company's prospectus dated 15 April 2021 for details; and

(e) an agreement dated 28 April 2021 entered into by and between Mighty Empire Group Limited, a wholly-owned subsidiary of the Group, as offeror, and Harbour Luck Investments Limited, as vendor, in relation to the sale and purchase of an aggregate of 324,400,000 ordinary shares of Eagle Legend Asia Limited ("**Eagle Legend**"). Please refer to the joint announcements of the Company and Eagle Legend dated 28 April 2021 and 29 April 2021 for details.

10. MISCELLANEOUS

(a) The company secretary of the Company is Mr. Yu Kwok Leung. He is a member of the Hong Kong Institute of Certified Public Accountants.

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

(c) The principal place of business of the Company in Hong Kong is 30/F, The Center, 99 Queen's Road Central, Central, Hong Kong.

(d) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's principal place of business in Hong Kong at 30/F, The Center, 99 Queen's Road Central, Central, Hong Kong during normal business hours from 9:00 a.m. to 6:00 p.m. (Saturdays and public holidays excepted) for a period of 14 days from the date of this circular:

(i) the amended and restated Memorandum and Article of Association of the Company;

(ii) the annual reports of the Company for the years ended 31 December 2018, 2019 and 2020;

(iii) the letter of advice from the Independent Board Committee to the Independent Shareholders as set out in this circular;

(iv) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the full text of which is set out on pages 27 to 50 of this circular;

(v) the accountants' report on Target A issued by Grant Thornton Hong Kong Limited, the full text of which is set out in Appendix II(A) to this circular;

(vi) the accountants' report on Target B and its subsidiaries issued by Grant Thornton Hong Kong Limited, the full text of which is set out in Appendix II(B) to this circular;

(vii) the report on the unaudited pro forma financial information of the Enlarged Group, the full text of which is set out in Appendix IV to this circular;

(viii) the property valuation report, the full text of which is set out in Appendix V to this circular;

(ix) the material contracts referred to in the section headed "Material Contracts" of this Appendix;

(x) the written consents referred to in the section headed "Experts and Consents" of this Appendix; and

(xi) this circular.

KAISA GROUP HOLDINGS LTD.
佳兆業集團控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1638)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**EGM**") of Kaisa Group Holdings Ltd. (the "**Company**") will be held at Harbour View Ballroom I (Level 4), Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong on Friday, 2 July 2021 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following ordinary resolution of the Company:

ORDINARY RESOLUTION

1. **"THAT**

(a) the conditional sale and purchase agreement dated 25 March 2021 (as supplemented and amended from time to time) entered into by and among the Company as purchaser, Acme Victory Investments Limited (高捷投資有限公司), Ascending Power Investments Limited (昇晴投資有限公司) and 北京誠義豪泰投資管理有限公司 (Beijing Chengyi Haotai Investment Management Co., Ltd.*) as vendors and Mr. Kwok Ying Shing as guarantor in relation to the acquisition ("**Acquisition**") of the Sale Interests and the Sale Loans (both as defined in the circular of the Company dated 28 May 2021 (the "**Circular**"), a copy of which is tabled at the meeting and marked "**A**" and signed by the chairman of the meeting for identification purpose) at a consideration of RMB13,000,000,000 in cash (collectively, the "**SP Agreement**") (a copy of the SP Agreement is marked "**B**" and signed by the chairman of the meeting for identification purpose), the Acquisition and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one director of the Company be and is hereby authorised to, on behalf of the Company, do all such acts and sign, seal, execute and deliver all such documents and take all such actions as he/she may consider necessary, appropriate, desirable or expedient for the purpose of or in connection with or to give effect to the SP Agreement, the Acquisition and the transactions contemplated thereunder.

On behalf of the Board
KAISA GROUP HOLDINGS LTD.
Kwok Ying Shing
Chairman and executive Director

Hong Kong, 28 May 2021

Notes:

1. Any shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on behalf of him. A proxy need not be a shareholder of the Company

2. A form of proxy for the EGM is enclosed. In order to be valid, a form of proxy, together with the power of attorney or other authority (if any), under which the form is signed must be deposited at the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting.

3. Completion and return of the form of proxy will not preclude shareholders of the Company from attending and voting in person at the meeting or any adjourned meeting or upon the poll concerned if the shareholders of the Company so wish. In such event, the instrument appointing the proxy shall be deemed to be revoked.

4. To determine the entitlement of the members of the Company to attend and vote at the EGM to be held on 2 July 2021, the register of members of the Company will be closed on Monday, 28 June 2021 to Friday, 2 July 2021, both days inclusive. In order to qualify for attending and voting at the EGM, all transfer documents should be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 25 June 2021.

As at the date of this notice, the executive Directors are Mr. Kwok Ying Shing, Mr. Sun Yuenan, Mr. Mai Fan, Mr. Li Haiming and Mr. Kwok Hiu Kwan; the non-executive Director is Ms. Chen Shaohuan; and the independent non-executive Directors are Mr. Rao Yong, Mr. Zhang Yizhao and Mr. Liu Xuesheng.