THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

ROAD KING INFRASTRUCTURE LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1098)

MAJOR TRANSACTION – ACQUISITIONS OF EQUITY INTERESTS IN TWO PROJECT COMPANIES

Capitalised terms used on this cover page shall have the same meanings as defined in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 5 to 13 of this circular. A notice convening the SGM to be held at Suite 501, 5th Floor, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 13 January 2023 at 9:30 a.m. is set out on pages SGM-1 and SGM-2 of this circular. A form of proxy for use at the SGM is also enclosed with this circular. Whether or not you intend to attend such meeting, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting or adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting if you so wish.

PRECAUTIONARY MEASURES AT THE SPECIAL GENERAL MEETING

To safeguard the health and safety of the Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the SGM:

- body temperature check
- health declaration
- wearing surgical face mask
- social distancing
- access restriction for quarantine participants according to the Department of Health of Hong Kong
- any other additional precautionary measures in accordance with the prevailing requirements or guidelines of the Government and/or regulatory authorities, or as considered appropriate in light of the development of the COVID-19 pandemic
- **no refreshment**

Any Shareholder who (i) refuses to co-operate with the precautionary measures; (ii) has a body temperature over 37.0 degrees Celsius; and/or (iii) has any flu-like symptoms will not be admitted to the venue. **The Company reminds the Shareholders that physical attendance is not necessary for the purpose of exercising their rights and encourages the Shareholders to exercise their right to vote by appointing the Chairman of the SGM instead of attending the SGM in person.**

23 December 2022

CONTENTS

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

"Acquisitions"	acquisitions of Equity Interest A and Equity Interest B under Exit Agreement A and Exit Agreement B
"Agile Group"	Agile Listco and its subsidiaries
"Agile Listco"	Agile Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 3383)
"Agile Management Company 1"	Nantong Hezhong Enterprise Management Co., Ltd*（南通合眾企業管理有限公司）, a company established in the PRC which holds around 0.04% equity interest in Project Company B
"Agile Management Company 2"	Guangzhou Tongxing Enterprise Management Co., Ltd*（廣州同興企業管理有限公司）, a company established in the PRC which holds around 0.05% equity interest in Project Company B
"Agile Management Companies"	Agile Management Company 1 and Agile Management Company 2
"Agile Shareholders' Approval"	approval of the Acquisitions by shareholders of Agile Listco at a general meeting
"Agile Vendor A"	Nantong Yaxin Enterprise Management Consulting Co., Ltd*（南通雅信企業管理諮詢有限公司）, a company established in the PRC which holds 50% equity interest in Project Company A
"Agile Vendor B"	Changzhou Agile Properties Development Co., Ltd*（常州雅居樂房地產開發有限公司）, a company established in the PRC which holds 48.91% equity interest in Project Company B
"Agile Vendors"	Agile Vendor A and Agile Vendor B
"Announcement"	the announcement of the Company dated 24 November 2022 in respect of, among other things, the Acquisitions and the Disposal
"Beijing Yaxin"	Beijing Yaxin Property Development Co., Ltd.*（北京雅信房地產開發有限公司）, a company established in the PRC which is an indirect wholly-owned subsidiary of Agile Listco
"Board"	the board of Directors

"Company"	Road King Infrastructure Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 1098)
"connected persons"	has the meaning ascribed to it under the Listing Rules
"Consideration A"	Consideration of RMB25 million payable by RK Purchaser for Equity Interest A
"Consideration B"	Consideration of around RMB398.7 million payable by RK Purchaser for Equity Interest B
"Directors"	the director(s) of the Company
"Disposal"	the disposal by the RK Group of 49% equity interest in Project Company C, the developer of the Tang Song project*（棠頌項目）, a residential project in Changzhou, Jiangsu Province, the PRC
"Enlarged Group"	the RK Group as enlarged by the Acquisitions
"Equity Interest A"	the 50% equity interest in Project Company A owned by Agile Vendor A
"Equity Interest B"	the 49% equity interest in Project Company B owned by Agile Vendor B and Agile Management Companies
"Exit Agreement A"	the exit agreement dated 24 November 2022 pursuant to which RK Purchaser purchases Equity Interest A from Agile Vendor A
"Exit Agreement B"	the exit agreement dated 24 November 2022 pursuant to which RK Purchaser purchases Equity Interest B from Agile Vendor B and Agile Management Companies
"Exit Agreements"	Exit Agreement A, Exit Agreement B and the exit agreement dated 24 November 2022 between a wholly-owned subsidiary of the Company (as vendor) and Agile Vendor B (as purchaser) for the Disposal
"FY2020"	the financial year ended 31 December 2020
"FY2021"	the financial year ended 31 December 2021
"FY2022"	the financial year ending 31 December 2022
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Parties"	third parties independent of the Company and its connected persons
"Jinan Acquisitions"	the acquisitions of equity interests in, and their corresponding shareholders loan to, two joint ventures for an aggregate consideration of RMB680 million by Jinan Junheng pursuant to Jinan Yajun Agreement and Jinan Junsheng Agreement
"Jinan Junheng"	Jinan Junheng Properties Developments Co., Ltd.*（濟南雋恒房地產開發有限公司）, a company established in the PRC and an indirect wholly-owned subsidiary of the Company
"Jinan Junsheng Agreement"	an agreement pursuant to which Jinan Junheng purchased equity interests in a joint venture in Jinan, Shandong, the PRC from members of Agile Group which was the subject of the Company's announcement dated 1 September 2022
"Jinan Yajun Agreement"	an agreement pursuant to which Jinan Junheng purchased equity interests in a joint venture in Jinan, Shandong, the PRC from members of Agile Group which was the subject of the Company's announcement dated 1 September 2022
"Latest Practicable Date"	19 December 2022, being the latest date by which certain information in this circular is ascertained prior to publication
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"Project A"	the Guo Shi Jiu Li project*（國仕九禮項目）, a residential project in Changzhou, Jiangsu Province, the PRC
"Project B"	the City Wan Xiang project*（城市萬象項目）, a residential project in Changzhou, Jiangsu Province, the PRC
"Project Company A"	Changzhou Road King Yaju Properties Development Co., Ltd*（常州路勁雅居房地產開發有限公司）, a company established in the PRC
"Project Company B"	Changzhou Jinya Properties Development Co., Ltd*（常州勁雅房地產開發有限公司）, a company established in the PRC
"Project Company C"	Changzhou Yajin Properties Developments Co., Ltd*（常州雅勁房地產開發有限公司）, a company established in the PRC

"RK Group"	the Company and its subsidiaries from time to time
"RK Purchaser"	Changzhou RK Properties Development Ltd.*（常州路勁房地產開發有限公司）, a company established in the PRC which holds 50% equity interest in Project Company A and 51% equity interest in Project Company B
"RK Shareholders' Approval"	approval of the Acquisitions by the Shareholders at the SGM
"RMB"	Renminbi, the lawful currency of the PRC
"SGM"	a special general meeting of the Company to be convened and held to consider and, if thought fit, to approve the Acquisitions
"Shares"	ordinary shares of HK$0.10 each in the share capital of the Company
"Shareholders"	holders of the Shares
"Site A"	the site at which Project A is situated, with a total site area of around 60,856 sq.m.
"Site B"	the site at which Project B is situated, with a total site area of around 108,618 sq.m.
"sq.m."	square metres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Unaudited Pro Forma Financial Information"	the unaudited pro forma condensed consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2022 and related notes as set out in Appendix II to this circular

Note: 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.

* *for identification purpose only*

ROAD KING INFRASTRUCTURE LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1098)

Executive Directors:
Zen Wei Peu, Derek *(Chairman)*
Ko Yuk Bing *(Deputy Chairman)*
Fong Shiu Leung, Keter *(Chief Executive Officer)*
Ng Fun Hung, Thomas *(Chief Financial Officer)*

Non-executive Directors:
Cai Xun
Xu Enli

Independent Non-executive Directors:
Lau Sai Yung
Tse Chee On, Raymond
Wong Wai Ho
Hui Grace Suk Han

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business:
Suite 501, 5th Floor
Tower 6, The Gateway
9 Canton Road
Tsimshatsui
Kowloon
Hong Kong

23 December 2022

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION - ACQUISITIONS OF EQUITY INTERESTS IN TWO PROJECT COMPANIES

We refer to the Announcement in relation to the Exit Agreements by which wholly-owned subsidiaries of the Company and certain members of the Agile Group agreed to unwind their joint ventures in three property development projects in Changzhou, Jiangsu Province, the PRC.

As stated in the Announcement, the Acquisitions (under Exit Agreement A and Exit Agreement B), when aggregated with the Jinan Acquisitions which took place within 12 months prior to the Acquisitions, constitute major transactions for the Company. Accordingly, the Acquisitions are subject to the reporting, announcement, circular and shareholders' approval requirements under the Listing Rules. The Disposal constitutes a discloseable transaction for the Company. It is therefore subject only to announcement requirements and is exempt from the shareholders' approval requirements under the Listing Rules.

The purposes of this circular are to (i) provide you with further information to enable you to make an informed decision on whether to vote for or against the ordinary resolutions to be proposed at the SGM relating to the Exit Agreement A and Exit Agreement B and the Acquisitions contemplated thereunder; (ii) provide you with other information as required under the Listing Rules; and (iii) give notice of the SGM.

THE ACQUISITIONS

On 24 November 2022, RK Purchaser, a wholly-owned subsidiary of the Company, entered into the Exit Agreement A and Exit Agreement B, pursuant to which RK Purchaser agreed, subject to fulfilment of the condition precedent described below, respectively to purchase 50% equity interest in Project Company A and 49% equity interest in Project Company B for a total consideration of around RMB423.7 million. Upon completion of the Acquisitions, those two project companies will become wholly-owned subsidiaries of the Company. The Company also announced the agreement for the Disposal for a consideration of around RMB428.4 million on the same day, further details on which are set out in the Announcement.

Completion of each of the Exit Agreement A, Exit Agreement B and the Disposal is not conditional on completion of the other two agreements taking place. However, since the only condition precedent to the completion of Exit Agreement A and Exit Agreement B is the obtaining of RK Shareholders' Approval and the relevant subsidiaries of Wai Kee Holdings Limited (which together hold approximately 44.92% of the Shares in issue) and Mr. Zen Wei Peu, Derek (who holds approximately 3.29% of the Shares in issue) have informed the Company that they will vote in favour of the resolutions to approve those agreements and completion of the Disposal is unconditional, the three transactions are most likely to be completed at the same time to facilitate the payment agreements agreed between the parties as disclosed under "Completion and Settlement of Consideration under the Exit Agreements and the Jinan Yajun Agreement" below.

The Acquisitions

The terms of the Exit Agreement A and Exit Agreement B are substantially similar, apart from the parties thereto (being shareholders of the relevant target company), the identity of the target company, the consideration payable and the method of settlement of the same. Key terms of those agreements are summarised below.

Parties

(1) RK Purchaser (as purchaser under Exit Agreement A and Exit Agreement B)

(2) Agile Vendor A (as vendor under Exit Agreement A)
Agile Vendor B and Agile Management Companies (as vendors under Exit Agreement B)

(3) Project Company A (as target company under Exit Agreement A)
Project Company B (as target company under Exit Agreement B)

Subject matter and consideration

RK Purchaser agreed to purchase and

(1) Agile Vendor A agreed to sell, Equity Interest A (being 50% equity interest in Project Company A) for Consideration A of RMB25 million; and

(2) Agile Vendor B and Agile Management Companies agreed to sell, Equity Interest B (being 49% equity interest in Project Company B) for Consideration B of around RMB398.7 million.

Each of Consideration A and Consideration B was arrived after arm's length negotiation among the relevant parties. The RK Group took into account the unaudited net asset value of Project Company A and Project Company B as at 30 September 2022 attributable to Equity Interest A and Equity Interest B, being around RMB174.5 million and RMB668 million, respectively, which is in line with the audited net asset value of the same based on the accountants' reports of Project Company A and Project Company B. Subsequent to 30 September 2022, Project Company A and Project Company B made profit distributions to their respective shareholders pro rata to their shareholding of approximately RMB110.6 million and RMB261.6 million, respectively.

The timing and manner in which the consideration under each agreement is to be settled is described under "Completion and Settlement of Consideration under the Exit Agreements and the Jinan Yajun Agreement" below.

Condition precedent

Each of the transfer of Equity Interest A and Equity Interest B is conditional upon RK Shareholders' Approval and (if needed) Agile Shareholders' Approval. The Company has not been informed that Agile Shareholders' Approval is required for the Acquisitions.

Completion and Settlement of Consideration under the Exit Agreements and the Jinan Yajun Agreement

Completion of each of Exit Agreement A and Exit Agreement B is to take place upon registration of the transfer of equity interest of the relevant project company to each relevant purchaser. Within 30 business days after RK Shareholders' Approval and (if needed) Agile Shareholders' Approval of the Acquisitions (whichever is later), the relevant vendor and purchaser shall procure the PRC authorities to complete such registration.

The vendor under each Exit Agreement agreed in that agreement to assign its right to receive consideration under that Exit Agreement to each subject matter project company on a dollar-for-dollar basis, such that the amount payable by the purchaser can be applied in and towards setting off amounts owed by that vendor to that project company. Such amounts owed by the vendor are outstanding due to cash advances made by each project company to its shareholders pro rata to their equity interests. The effect of the assignment and set-off arrangement is as follows:–

(a) the purchaser under each Exit Agreement will become obliged to pay the relevant consideration to each relevant project company (instead of the vendor);

(b) the net amount due from each vendor to each relevant project company (which will become a wholly-owned subsidiary of the Company upon completion of the relevant Exit Agreements) would be as follows:

Vendor	**Project Company**	**Approximate Amount**
Agile Vendor A	A	RMB84.8 million
Agile Vendor B and Agile Management Companies	B	RMB2.0 million

(c) the Company's subsidiary that is the vendor under the Disposal will owe Project Company C (which will become a subsidiary of Agile Group upon completion of the Disposal) a net amount of approximately RMB56.7 million.

In addition, on 24 November 2022, all parties to all of the Exit Agreements (other than Agile Management Companies) and the parties to the Jinan Yajun Agreement (i.e. Jinan Junheng and Beijing Yaxin to whom balance of consideration in the amount of approximately RMB40 million then remained payable under that agreement) entered into a set off agreement (the "**Set-off Agreement**") whereby the parties agreed to various assignment and/or set off arrangements (on a dollar-for-dollar basis). The net effect of such arrangements is that within 3 business days after RK Shareholders' Approval and (if needed) Agile Shareholders' Approval (whichever is later), the RK Group (through Jinan Junheng) is required to make a cash payment of around RMB9.9 million to Beijing Yaxin and no further cash payment is required to be made by any member of RK Group to another member of Agile Group (or vice versa) under any of the Exit Agreements and the Jinan Yajun Agreement. Since the only condition precedent to the completion of Exit Agreement A and Exit Agreement B is the obtaining of RK Shareholders' Approval and the relevant subsidiaries of Wai Kee Holdings Limited (which together hold approximately 44.92% of the Shares in issue) and Mr. Zen Wei Peu, Derek (who holds approximately 3.29% of the Shares in issue) have informed the Company that they will vote in favour of the resolutions to approve those agreements and completion of the Disposal is unconditional, the three transactions are most likely to be completed at the same time to facilitate the payment agreements above and thus, the settlement of consideration under all of the Exit Agreements will likely take place within 3 business days after RK Shareholders' Approval of the Acquisitions is obtained.

The RK Group plans to pay (through Jinan Junheng) the cash payment to Beijing Yaxin from its internal resources.

INFORMATION ON PROJECT COMPANY A AND PROJECT COMPANY B

Each of Project Company A and Project Company B is a company established in the PRC with limited liability with fully paid-up registered capital, and was set up as a joint venture company for undertaking the development of residential projects in Changzhou, Jiangsu Province, the PRC. Project Company A is accounted for as a joint venture while Project Company B is accounted for as a subsidiary of the Company.

The ownership of each of Project Company A and Project Company B and its key assets are described in the table below:

	RK Group's interest	Agile Group's interest	Key asset being interest in
Project Company A	50%	50%	Project A
Project Company B	51%	48.91%	Project B

Note: Agile Management Company 1 and Agile Management Company 2 hold around 0.04% and 0.05% equity interest in Project Company B respectively.

Project A has gross floor area of around 146,000 sq.m. of which around 132,000 sq.m. has been sold. Project A was first launched in the market for pre-sale in June 2019 and was delivered in May 2021. As of the date of Exit Agreement A, a small number of residential and commercial units and car-parking space remain to be sold.

Project B has gross floor area of around 258,000 sq.m. of which around 246,000 sq.m. has been sold. Project B was first launched in the market for pre-sale in August 2018 and was delivered in 2020. As of the date of Exit Agreement B, a small number of car-parking space remain to be sold.

Set out below is a summary of certain financial information of Project Company A and Project Company B for FY2020 and FY2021 and the nine months ended 30 September 2022 ("**9M2022**") extracted from the accountants' reports on Project Company A and Project Company B set out in Appendix IIIA and Appendix IIIB to this circular:

	FY2020 *RMB'million*	**FY2021** *RMB'million*	**9M2022** *RMB'million*
Project Company A			
Net (loss)/profit before taxation	(24.2)	518.5	2.3
Net (loss)/profit after taxation	(18.1)	328.6	1.2
Project Company B			
Net profit/(loss) before taxation	883.0	(1.3)	(1.7)
Net profit/(loss) after taxation	662.7	(1.3)	(1.7)

The audited net asset value of Project Company A and Project Company B as at 30 September 2022 extracted from the accountants' reports on Project Company A and Project Company B set out in Appendix IIIA and Appendix IIIB to this circular was around RMB348.9 million and RMB1,363.3 million, respectively, and the properties were booked at cost. Please refer to the valuation report set out in Appendix V to this circular for further information on the valuation of the properties on Site A and Site B as at 30 September 2022.

INFORMATION ON AGILE ENTITIES

Each of Agile Vendor A, Agile Vendor B and Agile Management Companies is a company established in the PRC with limited liability. Agile Vendor A is principally engaged in the provision of corporate management services. Agile Vendor B is principally engaged in development of residential properties for sale in the PRC, and is also the purchaser under the Disposal. Agile Management Companies are corporate vehicles established for Agile management team of Project B to co-invest in Project Company B. They hold in aggregate 0.09% equity interests in Project Company B.

To the best of the Directors' knowledge, information and belief after making all reasonable enquiries,

(a) Agile Vendor B is an indirect wholly-owned subsidiary of Agile Listco of which shares are listed on the Main Board of the Stock Exchange (stock code: 3383);

(b) Agile Vendor A is owned as to 90% by Agile Vendor B and as to 7% and 3% by Pingxiang Hengshun Enterprise Management Consultancy Partnership (Limited Partnership)* (萍鄉恒順企業管理諮詢合夥企業(有限合夥) ("**Pingxiang Hengshun**") and Qushui Guangfeng Enterprise Management Partnership (Limited Partnership)* (曲水廣豐企業管理合夥企業(有限合夥)) ("**Qushui Guangfeng**") respectively. Pingxiang Hengshun is owned as to 49.5% by each of two individuals (namely Gu Jian (顧建) and Xue Xiaofen (薜小芬)) and as to 1% by Nantong Jijia Enterprise Management Company Limited* (南通吉佳企業管理有限公司) ("**Nantong Jijia**") which is in turn owned by two individuals. Qushui Guangfeng is owned as to 19.802% by each of five individuals (namely Ding Xiaoying (定曉穎), Zhang Pinting (張聘婷), Xu Yaorong (徐耀榮), Xu Zhi (許智) and Shao Xianmin (邵顯敏)) and as to 0.99% by Guangzhou Guangjunxi Enterprise Management Co., Ltd.* (廣州廣駿熙企業管理有限公司) ("**Guangzhou Guangjunxi**") which is in turn owned by two individuals;

(c) Agile Management Company 1 is owned as to 99.9% by Pingxiang Hengshun and 0.1% by Nantong Jijia of which ultimate beneficial owners are disclosed in paragraph (b) above;

(d) Agile Management Company 2 is owned as to 99.9% by Qushui Guangfeng and 0.1% by Guangzhou Guangjunxi of which ultimate beneficial owners are disclosed in paragraph (b) above; and

(e) each of Agile Vendor A, Agile Vendor B, Agile Management Companies and their ultimate beneficial owners are Independent Third Parties.

REASONS FOR AND THE BENEFIT OF THE ACQUISITIONS

The Company is an investment holding company and RK Group is principally engaged in property development and investment in the PRC and Hong Kong, with a focus on residential development, investment and asset management businesses, and development, operation and management of toll roads through infrastructure joint ventures in the PRC and Indonesia. RK Purchaser is an indirect wholly-owned subsidiary of the Company and is principally engaged in development of residential properties for sale in the PRC.

As the projects developed and held by Project Company A and Project Company B have largely been pre-sold as evidenced by limited residual amount ascribed to each of the "Inventory of properties" specified in the accountants' reports on Project Company A and Project Company B set out in Appendix IIIA and Appendix IIIB to this circular, it is commonplace in the property development industry in the PRC to unwind joint ventures to allow for greater flexibility in managing the residual properties in the relevant projects and greater flexibility in the capital management of the project companies. When Project Company A and Project Company B becomes wholly-owned subsidiaries of the Company, the RK Group can freely decide (without seeking consensus from a joint venture partner which would invariably take time and resources) as to whether, when and at what price it would dispose of the residual properties held in the relevant projects and how to deploy any cash held by each project company from time to time.

The Acquisitions will allow the RK Group to unwind the joint venture ownership structures in relation to Project A and Project B so that they effectively become wholly-owned by the RK Group at a slight discount to the net asset value attributable to Equity Interest A and Equity Interest B respectively as at 30 September 2022 of approximately RMB46.6 million in aggregate (after taking into account the purchase of Equity Interest A at a discount to such net asset value of RMB38.9 million and the purchase of Equity Interest B at a discount to such net asset value of RMB7.7 million). Following completion of the Acquisitions, the Company will have full control over the deployment (including sale) of the unsold residential and commercial units and/or car-parking spaces in Project A and Project B and the liquidation of Project Company A and Project Company B.

The Company estimates that it will recognise a negative goodwill of around RMB38.9 million and RMB7.7 million as a result of the acquisitions of Equity Interest A and Equity Interest B respectively, after taking into account the respective profit distribution of around RMB110.6 million and RMB261.6 million for FY2022.

Taking into account the above, the Directors consider that the Acquisitions are in the interests of the Company and the Shareholders as a whole and their terms are fair and reasonable.

FINANCIAL EFFECTS OF THE ACQUISITIONS

As illustrated by the Unaudited Pro Forma Financial Information, the Company does not expect there to be material differences between the total assets, total liabilities and net assets between the RK Group and the Enlarged Group as a result of the Acquisitions. As Project Company B is a subsidiary of the Company, only the adjustment described in note (vii) of the Unaudited Pro Forma Financial Information is attributable to the effects of completion of Exit Agreement B. Other adjustments contained in the Unaudited Pro Forma Financial Information are attributable to the effects of completion of Exit Agreement A.

The Board expects that the earnings of the Enlarged Group will remain largely the same as the RK Group as the Board does not expect the revenue to be recognised from the delivery of the undelivered portion of properties under Project A and Project B to be significant in the context of the profit or loss statement of the RK Group, given that a substantial portion of the properties under Project A and Project B had already been delivered in 2021.

IMPLICATIONS UNDER THE LISTING RULES

Given that the Jinan Acquisitions took place within 12 months prior to the Acquisitions, and the vendors of those agreements are parties connected to or associated with Agile Vendors, the Acquisitions and the Jinan Acquisitions are aggregated pursuant to Rule 14.22 of the Listing Rules.

As one or more applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Acquisitions, when aggregated with the Jinan Acquisitions, is more than 25% but less than 100%, the Acquisitions constitute a major transaction for the Company, which is subject to the reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.

SGM AND REGISTER OF MEMBERS

The notice of SGM is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use at the SGM is also enclosed with this circular. Whether or not you intend to attend the SGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting or adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting if you so wish.

Although completion of Exit Agreement A and Exit Agreement B are not conditional on each other, in view that the Exit Agreements are intended to be completed at the same time to facilitate the payment agreements agreed between the parties to the Set-off Agreement as disclosed under "Completion and Settlement of Consideration under the Exit Agreements and the Jinan Yajun Agreement" above, the Board considers that it would be appropriate to put forward a single resolution for the approval of both Acquisitions. Accordingly, Shareholders should note that should they vote in favour of the resolution contained in the notice of SGM, the RK Group will be authorised to proceed with the Acquisitions. Conversely, if they vote against that resolution, then the RK Group will not be able to proceed with either of the Acquisitions and may only proceed with completion of the Disposal.

The register of members of the Company will be closed from Thursday, 12 January 2023 to Friday, 13 January 2023, both dates inclusive, during which period no transfer of Shares will be registered. The record date for the determination of the entitlement to attend and vote at the SGM will be Friday, 13 January 2023. In order to qualify for attending the SGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with Road King's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than Wednesday, 11 January 2023 at 4:00 p.m.

To the best knowledge of the Directors having made reasonable enquiry, no Shareholder has any material interest in the Acquisitions and thus no Shareholder is required to abstain from voting at the SGM.

The Company encourages the Shareholders to exercise their right to vote by appointing the Chairman of the SGM instead of attending the SGM in person.

VOTING BY POLL

Pursuant to Rule 13.39 of the Listing Rules and Bye-law 66 of the Company's Bye-laws, any votes of the Shareholders at a general meeting must be taken by poll. The Company will appoint scrutineers to handle vote-taking procedures at the SGM. The results of the poll will be published on the websites of the Stock Exchange and the Company as soon as possible in accordance with Rule 13.39 of the Listing Rules.

RECOMMENDATION

The Directors are of the opinion that terms of the Acquisitions are fair and reasonable and in the best interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the SGM.

ADDITIONAL INFORMATION

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

Yours faithfully
For and on behalf of
Road King Infrastructure Limited
Zen Wei Peu, Derek
Chairman

* *for identification purpose only*

1. FINANCIAL INFORMATION OF THE RK GROUP

Please refer to the annual reports of the Company for the years ended 31 December 2019 (pages F-7 to F-127), 2020 (pages F-8 to F-151) and 2021 (pages F-7 to F-139) published by the Company on 15 April 2020, 13 April 2021 and 11 April 2022 respectively, which contained the consolidated financial statements of the RK Group for the three years ended 31 December 2019, 2020 and 2021.

Please also refer to the interim report of the Company for the six months ended 30 June 2022 (pages F-2 to F-36) published by the Company on 8 September 2022 which contained the condensed consolidated financial statements of the RK Group for the six months ended 30 June 2022.

The annual reports and the interim report are available on the Company's website (https://www.roadking.com.hk/en/investor_relations/financial/) and the Stock Exchange's website (see below).

Annual Report 2019:
https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0415/2020041500947.pdf
Annual Report 2020:
https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0413/2021041300573.pdf
Annual Report 2021:
https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0411/2022041100487.pdf
Interim Report 2022:
https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0908/2022090800623.pdf

2. FINANCIAL AND TRADING PROSPECT OF THE RK GROUP

Business Segments

The RK Group's business is comprised of three major segments namely (i) toll road business; (ii) property development business; and (iii) investment and asset management business.

Toll road business

In the first half of 2022, the RK Group's average daily traffic volume and toll revenue of the expressway projects reached 275,100 vehicles and RMB1,820 million, representing a decrease of 17% and 4% respectively, as compared with the corresponding period of last year. In addition to adverse weather conditions in northern PRC, several major cities imposed strict lockdown due to the repercussions of the pandemic in PRC, resulting in a sharper fall in the number of passenger vehicles, with the average daily traffic volume dropping by 25% compared to the corresponding period of last year. As the central government had put in place policies to ensure the smoothness of freight and logistics and resumption of work and production, therefore the pandemic control had less impact on trucks.

In the first half of 2022, the toll revenue from the RK Group's expressways in PRC declined by 16% to RMB1,376 million as compared with the corresponding period of last year, representing a smaller drop than that of traffic volume. With better control of the pandemic in PRC and a series of governmental stimulus packages, it is expected that the domestic economy will return to a stable upward momentum, and the toll revenue and traffic volume of the RK Group's expressways in PRC will both increase in the second half of the year.

In the first half of the year, the pandemic in Indonesia became stable and traffic volume increased significantly from April during Ramadan and the Easter holidays onwards. During Eid al-Fitr in May, the local government relaxed the strict traffic restrictions imposed last year, resulting in a 104% year-on-year increase in monthly toll revenue and 96% year-on-year increase in the average daily traffic volume in May. It is expected that the current trend of economic development and pandemic control will maintain the same in the second half of the year, and the toll revenue and traffic volume of the RK Group's expressways in Indonesia will continue to increase steadily.

In the first half of 2022, in addition to the year-on-year increase of 69% in the toll revenue from the RK Group's expressways in Indonesia, the RK Group also implemented cost-saving measures on expressways in PRC to offset the impact of toll revenue reduction from certain expressways in PRC, which enabled the RK Group's share of profits of infrastructure joint ventures in the first half of the year to reach HK$350 million, representing an increase of HK$4 million as compared with the corresponding period of last year. In the first half of 2022, toll road segment profit (net of head office expenses and taxation) reached HK$309 million, which represented an increase of HK$5 million as compared with the corresponding period of last year. During the corresponding period, the RK Group received a cash distribution from its expressway joint ventures of HK$488 million, which has resumed to the pre-pandemic level.

Property development business

During the first half of 2022, the ongoing collapse of vulnerable real estate enterprises continued to take a toll on the confidence in the property market in PRC. Together with the repeated pandemic in multiple cities and the associated lockdowns and pandemic control measures, the property market experienced additional pressure and faced severe challenges. The market remained sluggish in the first half of the year, with a significant drop in sales volume and a year-on-year decline in property development investment. As a pillar industry in PRC, the stability of the real estate sector plays a significant role in the stable social and economic development. Therefore, in the first half of this year, the central government and the authorities were on the move to send out positive signals by implementing city-specific policies and further relaxing the restrictions on property purchase and utilisation of provident funds. The policy environment in the industry entered an easing cycle, however, the confidence of property buyers in the economy and the property market is unlikely to be fully restored in the near future.

Investment and asset management business

In the first half of 2022, the property development projects of this segment (including joint venture and associate projects) achieved property sales of approximately RMB447 million, comprising the contracted sales of RMB212 million and outstanding subscribed sales of approximately RMB235 million. As of 30 June 2022, the land reserve of this segment was approximately 1,090,000 sq.m., which was mainly located in Henan Province, and the total area of properties pre-sold but yet to be delivered was 50,000 sq.m..

Liquidity and Financial Resources

As at 30 June 2022, the equity attributable to owners of the Company was HK$21,758 million (31 December 2021: HK$22,337 million). Net assets per share attributable to owners of the Company was HK$29.04 (31 December 2021: HK$29.81).

As at 30 June 2022, the RK Group's total assets were HK$102,255 million (31 December 2021: HK$108,236 million) and bank balances and cash were HK$10,370 million (31 December 2021: HK$12,600 million), of which 87% was denominated in Renminbi and the remaining 13% was mainly denominated in US dollars or HK dollars.

During the first half of 2022, the RK Group drew down various offshore bank loans and project development loans in Hong Kong and PRC in an aggregate amount equivalent to HK$1,976 million. The drawdown of new loans was offset by the repayment of certain bank loans.

As confidence in the market continued to be rattled by the ongoing collapse of vulnerable real estate enterprises, coupled with lockdowns and pandemic control measures, debt and equity investors and customers became increasingly cautious in investing in real estate, which created a negative impact on the overall capital flows of the industry. On one hand, the RK Group stepped up its efforts to manage project cash flows and ensure property delivery. On the other hand, it will materialize real estate projects with longer fund recovery period when opportunities arise.

The RK Group continues to adopt prudent financing and treasury policies, with all financing and treasury activities centrally managed and controlled. Implementation of the RK Group's related policies is made under collective and extensive considerations on liquidity risk, financing costs and exchange rate risk. The RK Group will continue to maintain healthy treasury strategy and consider various financing channels, so as to manage capital structure and ensure sufficient cash resources for the RK Group.

Bank and Other Borrowings and Non-current Liabilities

Bank and other borrowings and non-current liabilities mainly represented offshore guaranteed senior notes, syndicated loans, domestic bonds and project development loans of the RK Group.

Details of the RK Group's loan profile are set out as follows:

	30 June 2022 *HK$'million*	**31 December 2021** *HK$'million*
Repayable:		
On demand	**1,151**	721
Within one year	**11,601**	7,203
After one year but within two years	**3,231**	8,494
After two years but within five years	**20,048**	21,004
More than five years	**828**	904
Total loans	**36,859**	38,326

Source of Loans

	30 June 2022	**31 December 2021**
Short term loans	**35%**	21%
Long term loans	**65%**	79%
Total	**100%**	100%

Currency Profile of Loans

	30 June 2022	**31 December 2021**
HKD	**8%**	8%
RMB	**29%**	32%
USD	**63%**	60%
Total	**100%**	100%

Interest Rates Basis

	30 June 2022	**31 December 2021**
Floating rate	**40%**	41%
Fixed rate	**60%**	59%
Total	**100%**	100%

Nature of Debts

	30 June 2022	**31 December 2021**
Unsecured loans	**77%**	74%
Secured loans	**23%**	26%
Total	**100%**	100%

Type of Loans

	30 June 2022	**31 December 2021**
Guaranteed senior notes*	**55%**	53%
Other offshore loans	**16%**	15%
	71%	68%
Domestic bonds	**3%**	3%
Other onshore loans	**26%**	29%
	29%	32%
Total	**100%**	100%

** Excluding perpetual capital securities (Classified as equity)*

Certain of the RK Group's loans were on a fixed rate basis, which included, among the others, the following notes: (a) US$2,576 million of guaranteed senior notes with annual rates ranging from 5.125% to 7.875% (the RK Group redeemed US$22 million of notes after the reporting period); and (b) RMB869 million 6.5% domestic bonds.

Apart from the above loans, the RK Group also issued the following three senior guaranteed perpetual capital securities: (a) US$600 million senior guaranteed perpetual capital securities with distribution rates of 7% and 7.95%; and (b) US$300 million 7.75% senior guaranteed fixed-spread perpetual capital securities.

As at 30 June 2022, the net gearing ratio and the net capitalisation ratio of the RK Group were 76% and 43% respectively. Net gearing ratio represents the difference between the RK Group's total interest-bearing borrowings (excluding amounts due to other non-controlling interests of subsidiaries) and the bank balances and cash (including pledged bank deposits) ("**Net Debt**") to the total equity. The net capitalisation ratio represents the Net Debt to the sum of Net Debt and total equity.

Please refer to the Management Discussion and Analysis section of the Company's interim report for the six months ended 30 June 2022 for more information on the RK Group.

3. INDEBTEDNESS OF THE ENLARGED GROUP

At the close of business on 31 October 2022, being the latest practicable date for the sole purpose of determining this statement of indebtedness of the Enlarged Group prior to the date of this Circular, the Enlarged Group had the total borrowings amounting to approximately HK$42,286,177,000 and details of which are as follows:

	HK$'000
Bank borrowings	
– Secured and guaranteed	2,469,524
– Secured and unguaranteed	4,185,100
– Unsecured and guaranteed	7,325,343
– Unsecured and unguaranteed	391,462
Senior notes	
– Unsecured and guaranteed	18,202,998
Other loans	
– Secured and guaranteed	505,174
– Secured and unguaranteed	262,821
Amounts due to joint ventures and associates	
– Unsecured and unguaranteed	7,461,733
Amounts due to other non-controlling interests of subsidiaries	
– Unsecured and unguaranteed	1,482,022
Total	42,286,177

Mortgage and Charges

As at 31 October 2022, the Enlarged Group's bank borrowings and other loans of approximately HK$7,422,619,000 in total were secured by certain inventories of properties and certain investment properties of the Enlarged Group.

Lease liabilities

As at 31 October 2022, the Enlarged Group had lease liabilities of approximately HK$47,796,000 related to the lease of office premises mainly in the PRC and Hong Kong and they were unguaranteed and secured by rental deposits of the Enlarged Group.

Participation rights designated at fair value through profit or loss ("FVTPL")

As at 31 October 2022, participation rights designated at FVTPL of approximately HK$213,552,000 related to financial obligations arising from rights granted to a subsidiary of a major shareholder of the Company and they were unsecured and unguaranteed.

Financial guarantee contracts

As at 31 October 2022, the Enlarged Group had the following financial guarantee contracts:

(a) Guarantees given to banks in respect of mortgage facilities of certain property buyers

As at 31 October 2022, the total outstanding guarantee provided by the Enlarged Group to banks in favour of its customers for the mortgage loans provided by the banks to such customers for purchase of the Enlarged Group's developed properties was approximately HK$6,730,871,000.

(b) Guarantee given to banks in respect of banking facilities utilised by joint ventures of the Enlarged Group

As at 31 October 2022, the total outstanding guarantee provided by the Enlarged Group to banks for the banking facilities granted to joint ventures was approximately HK$4,220,306,000.

Except as disclosed above and apart from intra-group liabilities, the Enlarged Group did not have, as at 31 October 2022, any other debt securities issued or outstanding, and authorised or otherwise created but unissued, terms loans, other borrowings and indebtedness, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchases commitments, mortgages, charges, guarantees or other material contingent liabilities.

4. WORKING CAPITAL SUFFICIENCY

The Directors are of the opinion that, after taking into account the financial resources available to the Enlarged Group including the available credit facilities, the Enlarged Group's internally generated funds and the cash flow impact of the Acquisitions and, in absence of unforeseen circumstances, the Enlarged Group has sufficient working capital to satisfy its requirements for at least the next 12 months following the date of this circular.

5. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the RK Group since 31 December 2021, the date to which the latest published audited financial statements of the RK Group were made up.

A. THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(I) Basis of preparation

In connection with the major acquisitions of 50% additional equity interest in Changzhou Road King Yaju Properties Development Co., Ltd 常州路勁雅居房地產開發有限公司 which is a joint venture of the Group (the "Project Company A") and 49% additional equity interest in Changzhou Jinya Properties Development Co., Ltd 常州勁雅房地產開發有限公司 which is an indirect non wholly-owned subsidiary of the Company (the "Project Company B") by Changzhou RK Properties Developments Ltd 常州路勁房地產開發有限公司 ("RK Purchaser") (collectively referred to as the "Acquisitions"), the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the "Unaudited Pro Forma Financial Information") has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules and is solely for the purpose to illustrate the effect of the Acquisitions on the Group's financial position as at 30 June 2022 as if the Acquisitions had been completed on 30 June 2022.

The Unaudited Pro Forma Financial Information is prepared based on information on (i) the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022, which has been extracted from the published interim report of the Company for the six months ended 30 June 2022, and (ii) the audited statement of financial position of the Project Company A as at 30 September 2022 which has been extracted from the accountants' report thereon set out in Appendix IIIA to this circular, after making pro forma adjustments relating to the Acquisitions that are (i) directly attributable to the Acquisitions; and (ii) factually supportable as if the Acquisitions had been undertaken as at 30 June 2022.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates and uncertainties for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of financial position of the Enlarged Group. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the financial position of the Enlarged Group that would have been attained had the Acquisitions been completed on 30 June 2022, nor to predict the future financial position of the Enlarged Group.

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 interim report of the Company for the six months ended 30 June 2022, the accountants' reports of the Project Company A and the Project Company B as set out in Appendices IIIA and IIIB, respectively, to this circular, and other financial information included elsewhere in this circular.

(II) Unaudited Pro Forma Financial Information

The Unaudited Pro Forma Financial Information as at 30 June 2022 is presented in Hong Kong Dollar ("HK$") and all values are rounded to the nearest thousand ('000) except when otherwise indicated.

	The Group as at 30 June 2022	Unaudited pro forma adjustments						Unaudited pro forma total for the Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (i) (Unaudited)	Note (ii)	Note (iii)	Note (iv)	Note (v)	Note (vi)	Note (vii)	(Unaudited)
ASSETS								
Non-current assets								
Property, plant and equipment	92,311	19	22	–	–	–	–	92,333
Right-of-use assets	52,985	–	–	–	–	–	–	52,985
Investment properties	4,322,934	–	–	–	–	–	–	4,322,934
Interests in associates	1,606,103	–	–	–	–	–	–	1,606,103
Interests in joint ventures	18,771,713	–	–	(206,377)	–	–	–	18,565,336
Deferred tax assets	278,842	–	–	–	–	–	–	278,842
Amounts due from joint ventures	7,254,870	–	–	–	–	–	–	7,254,870
Amounts due from other non-controlling interests of subsidiaries	1,002,080	–	–	–	–	–	–	1,002,080
Loan receivables	2,248,700	–	–	–	–	–	–	2,248,700
Financial assets at fair value through profit or loss ("FVTPL")	876,757	–	–	–	–	–	–	876,757
Total non-current assets	36,507,295	19	22	(206,377)	–	–	–	36,300,940
Current assets								
Inventory of properties	44,030,526	61,754	72,995	(45,779)	–	–	–	44,057,742
Amounts due from joint ventures and associates	5,298,261	–	–	–	–	–	–	5,298,261
Amounts due from other non-controlling interests of subsidiaries	1,370,845	–	–	–	–	–	(780,596)	590,249
Loan receivables	447,544	–	–	–	–	–	–	447,544
Debtors, deposits and prepayments	2,576,886	413,217	488,436	(160,281)	(130,730)	(107,232)	–	2,667,079
Prepaid income tax	1,530,855	–	–	–	–	–	–	1,530,855
Pledged bank deposits	122,186	–	–	–	–	–	–	122,186
Bank balances and cash	10,370,383	7,835	9,261	–	–	–	–	10,379,644
Total current assets	65,747,486	482,806	570,692	(206,060)	(130,730)	(107,232)	(780,596)	65,093,560
Total assets	102,254,781	482,825	570,714	(412,437)	(130,730)	(107,232)	(780,596)	101,394,500

	The Group as at 30 June 2022	Unaudited pro forma adjustments						Unaudited pro forma total for the Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (i) (Unaudited)	Note (ii)	Note (iii)	Note (iv)	Note (v)	Note (vi)	Note (vii)	(Unaudited)
LIABILITIES								
Non-current liabilities								
Bank and other borrowings	24,107,029	–	–	–	–	–	–	24,107,029
Amounts due to joint ventures	1,026,272	–	–	–	–	–	–	1,026,272
Deferred tax liabilities	1,401,671	–	–	–	–	–	–	1,401,671
Financial liabilities at FVTPL	249,842	–	–	–	–	–	–	249,842
Lease liabilities	38,917	–	–	–	–	–	–	38,917
Total non-current liabilities	26,823,731	–	–	–	–	–	–	26,823,731
Current liabilities								
Creditors and accrued charges	7,942,625	92,336	109,145	–	–	–	–	8,051,770
Amounts due to joint ventures and associates	4,693,079	–	–	–	(130,730)	(107,232)	–	4,455,117
Amounts due to non-controlling interests of subsidiaries	1,516,333	–	–	–	–	–	–	1,516,333
Contract liabilities	8,370,847	825	975	–	–	–	–	8,371,822
Lease liabilities	18,496	–	–	–	–	–	–	18,496
Income tax and land appreciation tax payables	5,148,547	40,741	48,157	–	–	–	–	5,196,704
Bank and other borrowings	12,751,635	–	–	–	–	–	–	12,751,635
Financial liabilities at FVTPL	105,190	–	–	–	–	–	–	105,190
Total current liabilities	40,546,752	133,902	158,277	–	(130,730)	(107,232)	–	40,467,067
Total liabilities	67,370,483	133,902	158,277	–	(130,730)	(107,232)	–	67,290,798
Net assets	34,884,298	348,923	412,437	(412,437)	–	–	(780,596)	34,103,702

(III) Notes to the Unaudited Pro Forma Financial Information

i. The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022 set out in the published interim report of the Company for the six months ended 30 June 2022.

ii. The amounts are extracted from the statement of financial position of the Project Company A as at 30 September 2022 which is included in the accountants' report of the Project Company A set out in Appendix IIIA to this circular. The Directors are of the opinion that there are no material differences between the amounts included in the statement of financial position of the Project Company A as at 30 June 2022 and that as at 30 September 2022.

iii. The RMB denominated amounts are converted from RMB to HK$ at an exchange rate of HK$1 to RMB0.846 which is the prevailing rate as at 30 June 2022 from a public source. No representation is made that RMB amounts have been, could have been or could be converted to HK$, or vice versa, at that rate or at all.

iv. On 24 November 2022, RK Purchaser, a company established in the PRC which holds 50% equity interest in the Project Company A entered into an exit agreement with Nantong Yaxin Enterprise Management Consulting Co., Ltd 南通雅信企業管理諮詢有限公司 ("Agile Vendor A") (the "Exit Agreement A"), a company established in the PRC which holds another 50% equity interest in the Project Company A. Pursuant to the Exit Agreement A, RK Purchaser agreed to purchase and Agile Vendor A agreed to sell its 50% equity interest in the Project Company A for a consideration of RMB25,000,000 (equivalent to HK$29,551,000) (the "Consideration A"). In addition, Agile Vendor A agreed in the Exit Agreement A to assign its right to receive the Consideration A to the Project Company A on a dollar-for-dollar basis, such that the amount payable by RK Purchaser can be applied in and towards setting off amounts owed by Agile Vendor A to the Project Company A (the "Agile Vendor A's Balance"). According to the distribution agreement, the Project Company A, distributed dividends of RMB221,196,000 (equivalent to HK$261,460,000) whereby each of Agile Vendor A and RK Purchaser entitled RMB110,598,000 (equivalent to HK$130,730,000) (the "Project Company A's Distributions"). The Agile Vendor A's Balance, after setting off the Project Company A's Distributions and before the assignment of the Consideration A, was stated in the Exit Agreement A. Accordingly, the Project Company A's Distributions is regarded as an integral part of the Exit Agreement A.

In view of the primary assets acquired from the acquisition of the Project Company A are the completed properties held for sale, the acquired process, if any, is not considered substantive as it is not critical to the ability to continue producing outputs. The acquisition of the Project Company A is accounted for as an asset acquisition.

The adjustment represents derecognition of interest in a joint venture, setting off the Agile Vendor A's Balance from the Project Company A's Distributions and assignment of the Consideration A, and adjustment to inventory of properties due to purchase price allocation.

The details on the carrying amount of net identifiable assets and liabilities of the Project Company A acquired by the Group at the acquisition date are illustrated below:

	RMB'000	*HK$'000* (Note (iii))
Carrying amount of net identifiable assets and liabilities of the Project Company A as at 30 September 2022 extracted from the accountants' report of the Project Company A set out in Appendix IIIA to this circular	348,923	412,437
Less: The Project Company A's Distributions to Agile Vendor A	(110,598)	(130,730)
Less: The Project Company A's Distributions to RK Purchaser	(110,598)	(130,730)
Adjusted carrying amount of the Project Company A (C)	127,727	150,977
The Group's interest in a joint venture as at 30 June 2022	174,597	206,377
Less: The Project Company A's Distributions to RK Purchaser (note (v))	(110,598)	(130,730)
The Group's interest in a joint venture net of dividends received (A)	63,999	75,647
Consideration A assigned to setting off the Agile Vendor A's Balance (B)	25,000	29,551
Difference allocated to inventory of properties* (A)+(B)-(C)	(38,728)	(45,779)

* The resulting balance arising from the above transactions is allocated to inventory of properties. The Directors consider that the inventory of properties are the primary identifiable assets to be acquired. Other identifiable assets and/or liabilities, if any, to be acquired or assumed are not considered significant.

v. The adjustment represents setting off the amounts owed by RK Purchaser to the Project Company A in the financial positions of RK Purchaser and the Project Company A respectively upon the Project Company A's Distributions as mentioned in note (iv) above.

vi. The adjustment represents intercompany balances elimination of the remaining amounts owed by RK Purchaser to the Project Company A upon completion of this transaction.

vii. On 24 November 2022, RK Purchaser which holds 51% equity interest in the Project Company B entered into an exit agreement with Changzhou Agile Properties Development Co., Ltd 常州雅居樂房地產開發有限公司 ("Agile Vendor B") and Nantong Hezhong Enterprise Management Co., Ltd 南通合眾企業管理有限公司 ("Agile Management Company 1") and Guangzhou Tongxing Enterprise Management Co., Ltd 廣州同興企業管理有限公司 ("Agile Management Company 2") (the "Exit Agreement B"). Agile Vendor B is a company established in the PRC which holds 48.91% equity interest in the Project Company B. Agile Management Company 1 and Agile Management Company 2 (collectively referred to as "Agile Management Companies") are companies established in the PRC which hold around 0.09% equity interest in aggregate in the Project Company B. Pursuant to the Exit Agreement B, RK Purchaser agreed to purchase and Agile Vendor B and Agile Management Companies agreed to sell their aggregated 49% equity interest in the Project Company B for a total consideration of RMB398,734,000 (equivalent to HK$471,317,000) (the "Consideration B"). In addition, Agile Vendor B and Agile Management Companies agreed in the Exit Agreement B to assign their rights to receive the Consideration B to the Project Company B on a dollar-for-dollar basis, such that the amount payables by RK Purchaser can be applied in and towards setting off total amounts owed by the Agile Vendor B and Agile Management Companies to the Project Company B (the "Agile Vendors' Balance"). According to the distribution agreement, the Project Company B distributed dividends of RMB533,979,000 (equivalent to HK$631,181,000) whereby RK Purchaser entitled RMB272,329,000 (equivalent to HK$321,902,000) and Agile Vendor B's related company and Agile Management Companies entitled totaling RMB261,650,000 (equivalent to HK$309,279,000) (the "Project Company B's Distributions"). The Agile Vendors' Balance, after setting off the Project Company B's Distributions and before the assignment of the Consideration B, was stated in the Exit Agreement B. Accordingly, the Project Company B's Distributions is regarded as an integral part of the Exit Agreement B.

In view of the acquisition of 49% equity interest in the Project Company B represents a change in Group's interest over the Project Company B, this acquisition is accounted for as an equity transaction. The difference between the amount by which the non-controlling interest is derecognised and the fair value of the consideration paid is recognised directly in equity and attributed to owners of the Company.

The adjustment represents setting off the Agile Vendors' Balance from the Project Company B's Distributions and assignment of the Consideration B. It is illustrated below:

	RMB'000	HK$'000 (Note (iii))
Consideration B assigned to set off the Agile Vendors' Balance	398,734	471,317
Add: The Project Company B's Distributions to Agile Vendor B's related company and Agile Management Companies	261,650	309,279
Total	660,384	780,596

viii. The directors of the Company estimated that the amount of legal and professional fee in relation to the Acquisitions is immaterial and is not considered in preparing the Unaudited Pro Forma Financial Information.

ix. Apart from the notes above, no other adjustment has been made to reflect any trading results or other transactions of the Enlarged Group entered subsequent to 30 June 2022 for the purpose of preparation of the Unaudited Pro Forma Financial Information.

x. The Unaudited Pro Forma Financial Information has not been adjusted to illustrate the effects of the following:

On 24 November 2022, Changzhou Great Superior Properties Developments Ltd 常州宏佳房地產開發有限公司("RK Vendor"), which holds 49% equity interest in Changzhou Yajin Properties Developments Co., Ltd 常州雅勁房地產開發有限公司 (the "Project Company C"), entered into an exit agreement with Agile Vendor B and Agile Management Companies (the "Exit Agreement C"). Agile Vendor B holds 50.89% equity interest in the Project Company C. Agile Management Companies hold around 0.11% equity interest in aggregate in the Project Company C. Pursuant to the Exit Agreement C, Agile Vendor B and Agile Management Companies agreed to purchase and RK Vendor agreed to sell its 49% equity interest in the Project Company C (the "Disposal") for a total consideration of RMB428,400,000 (equivalent to HK$506,383,000) (the "Consideration C"). In addition, RK Vendor agreed in the Exit Agreement C to assign its right to receive the Consideration C to the Project Company C on a dollar-for-dollar basis, such that the amount payables by Agile Vendor B can be applied in and towards setting off the total amounts owed by RK Vendor to the Project Company C (the "RK Vendor's Balance").

The net position of the Agile Vendor A's Balance, the Agile Vendors' Balance and the RK Vendor's Balance at the date of the Acquisitions and the Disposal after all setting off and cash distributions arrangements under the Exit Agreement A, the Exit Agreement B and the Exit Agreement C (collectively referred to as the "Exit Agreements") would be as follows:

Vendor	Project Company	Approximate Amount	
Agile Vendor A	Project Company A	RMB84.8 million	HK$100 million
Agile Vendor B and Agile Management Companies	Project Company B	RMB2.0 million	HK$2.4 million
RK Vendor	Project Company C	RMB56.7 million	HK$67 million

On 24 November 2022, all parties (other than Agile Management Companies) to the Exit Agreements and the parties to the equity transfer agreement ("ETA") (i.e Jinan Yajun Agreement) which was entered into among the Group and subsidiaries of Agile Group Holdings Limited ("Agile Group") on 1 September 2022, entered into a set off agreement (the "Set Off Agreement") whereby the parties agreed to various assignment and/or set off arrangements (on a dollar-for-dollar basis), the net effect of which is within 3 business days after shareholders' approval of the Company and (if needed) shareholders' approval of Agile Group (whichever is later), the Group is required to make a cash payment of around RMB9.9 million (equivalent to approximately HK$12 million) to a subsidiary of Agile Group and no further cash payment is required to be made by any member of the Group to another member of Agile Group (or vice versa) under any of the Exit Agreements and the ETA.

Had the Disposal and the set off arrangement pursuant to the Set Off Agreement mentioned above been taken into account, the Enlarged Group's interests in associates and amounts due to associates as at 30 June 2022 in the Unaudited Pro Forma Financial Information would decrease by HK$531,425,000 and HK$573,326,000 respectively.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company in respect of the Enlarged Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

Deloitte. 德勤

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

To the Directors of Road King Infrastructure Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Road King Infrastructure Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2022 and related notes as set out on pages II-1 to II-8 of the circular issued by the Company dated 23 December 2022 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-8 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Acquisitions (as defined in the Circular) on the Group's financial position as at 30 June 2022 as if the Acquisitions had taken place as at 30 June 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's condensed consolidated financial statements for the six months ended 30 June 2022, on which a review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

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

Reporting Accountants' Responsibilities

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

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

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

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

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

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

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

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

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

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

Opinion

In our opinion:

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

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

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 December 2022

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

EY 安永

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF ROAD KING INFRASTRUCTURE LIMITED

Introduction

We report on the historical financial information of Changzhou Road King Yaju Properties Development Co., Ltd. (常州路勁雅居房地產開發有限公司) (the "Target Company") set out on pages IIIA-4 to IIIA-33, which comprises the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Company for each of the years ended 31 December 2019, 2020 and 2021, and the nine months ended 30 September 2022 (the "Relevant Periods"), the statements of financial position of the Target Company as at 31 December 2019, 2020 and 2021 and 30 September 2022 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IIIA-4 to IIIA-33 forms an integral part of this report, which has been prepared for inclusion in the circular of Road King Infrastructure Limited (the "Company") dated 23 December 2022 (the "Circular") in connection with the acquisition of approximately 50% equity interests in the Target Company by Changzhou RK Properties Developments Ltd. (常州路勁房地產開發有限公司), an indirect subsidiary owned as to 100% by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in note 2.1 and 2.2 to the Historical Financial Information and for such internal control as the 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.

The Underlying Financial Statements of the Target Company as defined on page IIIA-4, on which the Historical Financial Information is based, were prepared by the directors of the Target Company (the "Target Company Directors"). The Target Company Directors are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and for such internal control as the Target Company Directors determine is necessary to enable the preparation of the Underlying Financial Statements that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Company as at 31 December 2019, 2020 and 2021 and 30 September 2022 and of the financial performance and cash flows of the Target Company for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Target Company which comprises the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the nine months ended 30 September 2021 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

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

Adjustments

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

Dividends

We refer to note 10 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Periods.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
23 December 2022

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 the Target Company for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young, in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
		2019	2020	2021	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
REVENUE	5	–	–	2,526,373	2,276,274	12,395
Cost of sales		–	–	(1,965,708)	(1,718,633)	(9,168)
Gross profit		–	–	560,665	557,641	3,227
Other income and gains	5	246	379	868	724	345
Selling expenses		(13,602)	(3,971)	(17,561)	(14,073)	(1,160)
Administrative expenses		(3,047)	(3,246)	(25,438)	(23,526)	(96)
Finance costs	6	–	(17,326)	–	–	–
(LOSS)/PROFIT BEFORE TAX	7	(16,403)	(24,164)	518,534	520,766	2,316
Income tax credit/(expenses)	9	4,101	6,041	(189,892)	(189,244)	(1,109)
(LOSS)/PROFIT FOR THE YEAR/PERIOD		(12,302)	(18,123)	328,642	331,522	1,207
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR/PERIOD		(12,302)	(18,123)	328,642	331,522	1,207

I. HISTORICAL FINANCIAL INFORMATION (continued)

STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 September
		2019	2020	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
NON-CURRENT ASSETS					
Plant and equipment	11	48	42	29	19
Deferred tax assets	17	4,268	10,309	–	–
Total non-current assets		4,316	10,351	29	19
CURRENT ASSETS					
Inventory of properties	12	1,389,581	1,745,122	71,324	61,754
Debtors, deposits and prepayments	13	352,083	692,235	423,546	413,217
Pledged bank deposits	14	–	263	–	–
Bank balances and cash	14	257,375	129,487	49,856	7,835
Total current assets		1,999,039	2,567,107	544,726	482,806
TOTAL ASSETS		2,003,355	2,577,458	544,755	482,825
EQUITY AND LIABILITIES					
EQUITY					
Share capital	18	50,000	50,000	50,000	50,000
Statutory surplus reserves	19	–	–	25,000	25,000
(Accumulated losses)/retained earnings		(12,803)	(30,926)	272,716	273,923
Total equity		37,197	19,074	347,716	348,923
CURRENT LIABILITIES					
Creditors and accrued charges	15	686,190	372,822	141,925	92,336
Contract liabilities	16	1,279,968	2,185,562	5,729	825
Income tax payables		–	–	19,912	10,833
Provision for land appreciation tax		–	–	29,473	29,908
Total current liabilities		1,966,158	2,558,384	197,039	133,902
TOTAL EQUITY AND LIABILITIES		2,003,355	2,577,458	544,755	482,825
Net current assets		32,881	8,723	347,687	348,904
Total assets less current liabilities		37,197	19,074	347,716	348,923

I. HISTORICAL FINANCIAL INFORMATION (continued)

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Statutory surplus reserves	(Accumulated losses)/ retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		(Note (a))		
At 1 January 2019	50,000	–	(501)	49,499
Loss and total comprehensive loss for the year	–	–	(12,302)	(12,302)
At 31 December 2019 and 1 January 2020	50,000	–	(12,803)	37,197
Loss and total comprehensive loss for the year	–	–	(18,123)	(18,123)
At 31 December 2020 and 1 January 2021	50,000	–	(30,926)	19,074
Profit and total comprehensive income for the year	–	–	328,642	328,642
Transfer from retained profits	–	25,000	(25,000)	–
At 31 December 2021 and 1 January 2022	50,000	25,000	272,716	347,716
Profit and total comprehensive income for the period	–	–	1,207	1,207
At 30 September 2022	50,000	25,000	273,923	348,923
(Unaudited)				
At 1 January 2021	50,000	–	(30,926)	19,074
Profit and total comprehensive income for the period	–	–	331,522	331,522
At 30 September 2021	50,000	–	300,596	350,596

Note:

(a) Statutory surplus reserves

In accordance with the PRC Company Law and the articles of association of the Target Company established in the PRC, the Target Company is required to appropriate 10% of its net profits after tax, as determined under the PRC generally accepted accounting principles, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Target Company, the statutory surplus reserve may be used either to offset losses, or to be converted to increase the share capital provided that the balance after such conversion is not less than 25% of the registered capital. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

I. HISTORICAL FINANCIAL INFORMATION (continued)

STATEMENTS OF CASH FLOWS

		Year ended 31 December			Nine months ended 30 September	
		2019	2020	2021	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
(Loss)/profit before tax		(16,403)	(24,164)	518,534	520,766	2,316
Adjustments for:						
Depreciation of plant and equipment	7	6	8	11	8	10
Bank interest income		(19)	(334)	(868)	(724)	(14)
		(16,416)	(24,490)	517,677	520,050	2,312
(Increase)/decrease in debtors, deposits and prepayments		(313,351)	118,018	194,685	192,846	848
(Increase)/decrease in restricted bank balances		(256,886)	159,248	83,873	66,905	11,547
(Increase)/decrease in inventory of properties		(324,585)	(355,537)	1,673,800	1,661,008	9,570
Increase/(decrease) in creditors and accrued charges		301,814	96,037	(230,897)	(221,712)	(49,589)
Increase/(decrease) in contract liabilities		1,279,968	905,594	(2,179,833)	(2,179,578)	(4,904)
		670,544	898,870	59,305	39,519	(30,216)
Tax paid		(36,201)	(37,575)	(56,194)	(51,106)	(9,753)
Net cash flows from/(used in) operating activities		634,343	861,295	3,111	(11,587)	(39,969)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		19	334	868	724	14
Purchases of plant and equipment		(40)	(6)	–	–	–
(Increase)/decrease of the amount due from shareholders		–	(420,595)	–	–	9,481
Net cash flows (used in)/from investing activities		(21)	(420,267)	868	724	9,495

I. HISTORICAL FINANCIAL INFORMATION (continued)

STATEMENTS OF CASH FLOWS (continued)

		Year ended 31 December			Nine months ended 30 September	
		2019	2020	2021	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES						
New borrowings		500,000	–	–	–	–
Repayment of borrowings		(500,000)	–	–	–	–
Repayment to shareholders		(612,000)	(409,405)	–	–	–
Interest paid		(26,986)	–	–	–	–
Net cash flows used in financing activities		(638,986)	(409,405)	–	–	–
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(4,664)	31,623	3,979	(10,863)	(30,474)
Cash and cash equivalents at beginning of year/period		5,153	489	32,112	32,112	36,091
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		489	32,112	36,091	21,249	5,617
Add: Designated bank balances		256,886	97,375	13,765	30,733	2,218
		257,375	129,487	49,856	51,982	7,835

II. NOTES TO HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Changzhou Road King Yaju Properties Development Co., Ltd. (常州路勁雅居房地產開發有限公司) (the "Target Company") is a company incorporated in the People's Republic of China ("PRC") on 5 July 2018. The registered office of the Target Company is located at building 1-1, Guihua Garden, Zhonglou District, Changzhou, Jiangsu Province, the PRC.

During the Relevant Periods, the Target Company was principally engaging in property development in the PRC and was jointly held by the subsidiaries of Road King Infrastructure Limited and Agile Group Holdings Limited.

2.1 BASIS OF PRESENTATION

The Target Company financed its operation by obtaining funding from its shareholders and proceeds from the pre-sale of inventory of property. The Historical Financial Information has been prepared under the going concern basis because, in the opinion of the Target Company Directors, the Target Company will have sufficient cash resources from its operations to meet its liabilities as and when they fall due.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong.

All HKFRSs effective for the accounting period commencing from 1 January 2022, together with the relevant transitional provisions, have been early adopted by the Target Company throughout the Relevant Periods and the period covered by the Interim Comparative Financial Information.

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

2.3 FIRST-TIME ADOPTION OF HKFRSs

In preparing these financial statements, the Target Company's opening statement of financial position was prepared as at 1 January 2019, being the date of transition to HKFRSs.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1,4]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[1,3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

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

2 No mandatory effective date yet determined but available for adoption

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

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

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

HKFRS 17 *Insurance Contracts* is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, HKFRS 17 will replace IFRS 4 *Insurance Contracts* that was issued in 2005. HKFRS 17 applies to all types of *insurance contracts* (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of HKFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, HKFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of HKFRS 17 is the general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach)
- a simplified approach (the premium allocation approach) mainly for short-duration contracts

HKFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies HKFRS 9 and HKFRS 15 on or before the date it first applies HKFRS 17. This standard is not expected to have any significant impact on the Target Company's financial statements.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendment to HKFRS 17 *Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information* provides transition option relating to comparative information about financial assets presented on initial application of HKFRS 17. The amendment aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. The amendment is effective for annual reporting periods beginning on or after 1 January 2023 and is not expected to have any significant impact on the Target Company's financial statements.

Amendments to HKFRS 17 *Insurance Contracts* address concerns and implementation challenges that were identified after HKFRS 17 was published. The amendments defer the date of initial application of HKFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, HKICPA amended HKFRS 4 to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Target Company's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Target Company is currently assessing the impact of the amendments on the Target Company's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Target Company's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Target Company's financial statements.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Plant and equipment and depreciation

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

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

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

Office equipment	20% to $33^1/_3$%

Where parts of an item of plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Impairment of non-financial assets

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

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

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory of properties

Properties under development which are intended to be sold upon completion of development and properties held for sale are classified as current assets. Properties under development/properties held for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Target Company must incur to make the sale.

Properties under development are transferred to properties held for sale upon completion.

The Target Company transfers a property from inventory of properties to investment properties when there is a change in use to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the inception of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

Investments and other financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Company's business model for managing them. With the exception of trade debtors that do not contain a significant financing component or for which the Target Company has applied the practical expedient of not adjusting the effect of a significant financing component, the Target Company initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade debtors that do not contain a significant financing component or for which the Target Company has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

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

The Target Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

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

The Target Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Target Company may also consider a financial asset to be in default when internal or external information indicates that the Target Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

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

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

Simplified approach

For trade debtors that do not contain a significant financing component or when the Target Company applies the practical expedient of not adjusting the effect of a significant financing component, the Target Company applies the simplified approach in calculating ECLs. Under the simplified approach, the Target Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Target Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

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

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

The Target Company's financial liabilities include trade and other payables, an amount due to the shareholders.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Financial guarantee contracts

Financial guarantee contracts issued by the Target Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Target Company measures the financial guarantee contracts at the higher of: (i) the expected credit loss ("ECL") allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

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

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

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligations, the provisions are reversed.

Related Parties

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

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

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

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

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

or

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

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

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

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

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

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

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

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

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

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Company has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or 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.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Target Company expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Target Company will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Target Company and the customer at contract inception. When the contract contains a financing component which provides the Target Company with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale 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 laws 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 the Target Company's performance:

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

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

The progress towards complete satisfaction of the performance obligation is measured based on the Target Company's efforts or inputs to the satisfaction of the performance obligation that best depict the Target Company's performance in satisfying the performance obligation.

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

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

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Other income

Interest income

Interest income is recognised on an accrual basis, using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument of the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Target Company transfers the related goods or services. Contract liabilities are recognised as revenue when the Target Company performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Costs to fulfil a contract

Other than the costs which are capitalised as properties under development, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relate. Other contract costs are expensed as incurred.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Target Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Incremental costs of obtaining a contract are charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the related asset is recognised. Other costs of obtaining a contract are expensed when incurred.

Other employee benefits

Pension schemes

The employees of the Target Company which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain proportion of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

In the process of applying the Target Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Estimation uncertainty

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

Impairment review for inventory of properties

Inventory of properties is stated at the lower of cost and net realisable value. The estimated net realisable value is the estimated selling price less selling expenses and the estimated cost of completion (if any), which are estimated based on the best available information.

4. OPERATING SEGMENT INFORMATION

The Target Company is principally engaged in one single operating segment, i.e., the property development business. Accordingly, no operating segment information is presented.

Geographical information

No geographical information by operating segment is presented as the Target Company's revenue from the external customers is derived solely from its operations in Mainland China and more than 90% of the non-current assets of the Target Company are located in Mainland China.

Information about major customers

No single customer or customers under common control contributed 10% or more of the Target Company's revenue for each of the Relevant Periods and the nine months ended 30 September 2021.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

5. REVENUE, OTHER INCOME AND GAINS

(a) An analysis of the Target Company's revenue is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue					
Revenue from contracts with customers					
Sale of properties in the PRC	–	–	2,526,373	2,276,274	12,395

Revenue from contracts with customers

(i) Disaggregated revenue information

All revenue from contracts with customers are recognised at a point in time.

The following table shows the amount of revenue recognised in the Relevant Periods and the nine months ended 30 September 2021 that was included in contract liabilities at the beginning of the year/period:

	Year ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sale of properties	–	–	2,185,562	2,185,562	5,729

(ii) Performance obligations

Information about the Target Company's performance obligations is summarised below:

Sale of properties

The performance obligation is satisfied when the physical possession or the legal title of the completed property is obtained by the customer.

Certain property sales contracts have an original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

For property sales contracts with an original duration of over one year, the transaction price allocated to the remaining performance obligations from property sales (unsatisfied or partially unsatisfied) amounting to RMB1,684,413,000, nil, nil and nil as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, of which the performance obligations are expected to be satisfied within two years. The amounts disclosed above do not include variable consideration.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

5. REVENUE, OTHER INCOME AND GAINS (continued)

(b) An analysis of the Target Company's other income and gains is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Other income					
Bank interest income	19	334	868	724	14
Others	227	45	–	–	331
	246	379	868	724	345

6. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest on other borrowings	26,986	–	–	–	–
Interest expense arising from revenue contracts	22,989	114,339	–	–	–
	49,975	114,339	–	–	–
Less: Interest capitalised	(49,975)	(97,013)	–	–	–
	–	17,326	–	–	–

7. (LOSS)/PROFIT BEFORE TAX

The Target Company's (loss)/profit before tax is arrived at after charging:

		Year ended 31 December			Nine months ended 30 September	
		2019	2020	2021	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Cost of properties sold		–	–	1,965,708	1,718,633	9,168
Depreciation of plant and equipment	11	9	12	13	10	10
Less: Capitalised in properties under development for sale		(3)	(4)	(2)	(2)	–
		6	8	11	8	10
Employee benefit expenses (including directors' remuneration):						
Salaries and other staff costs		7,703	8,938	3,153	2,782	4
Pension scheme contribution		239	106	53	47	–
Less: Capitalised in properties under development for sale		(2,261)	(3,471)	(942)	(942)	–
		5,681	5,573	2,264	1,887	4

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

8. DIRECTORS' REMUNERATION

No director received any fees or emoluments in respect of his services rendered to the Target Company during the Relevant Periods and the nine months ended 30 September 2021.

9. INCOME TAX (CREDIT)/EXPENSES

The Target Company is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which the Target Company is domiciled and operate.

The Target Company operating in Mainland China is subject to the enterprise income tax ("EIT") at a rate of 25% for the Relevant Periods and the nine months ended 30 September 2021.

Land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditure including land costs, borrowing costs and other property development expenditure.

	Year ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Current tax					
PRC EIT	–	–	99,250	100,210	402
PRC LAT	–	–	80,333	78,725	707
Deferred tax *(note 17)*	(4,101)	(6,041)	10,309	10,309	–
	(4,101)	(6,041)	189,892	189,244	1,109

A reconciliation of the tax (credit)/expenses applicable to (loss)/profit before tax at the statutory rates to the tax (credit)/expenses at the effective tax rate is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
(Loss)/Profit before tax	(16,403)	(24,164)	518,534	520,766	2,316
Tax at the PRC statutory income tax rate	(4,101)	(6,041)	129,634	130,192	579
LAT provision	–	–	80,333	78,725	707
Tax effect of LAT	–	–	(20,083)	(19,681)	(177)
Tax effect of expenses not deductible for tax purpose	–	–	8	8	–
Income tax (credit)/expenses for the year/period	(4,101)	(6,041)	189,892	189,244	1,109

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

10. DIVIDENDS

No dividend has been paid or declared by the Target Company during the Relevant Periods.

11. PLANT AND EQUIPMENT

Office equipment	**As at 31 December 2019** *RMB'000*	**2020** *RMB'000*	**2021** *RMB'000*	**As at 30 September 2022** *RMB'000*
Cost:				
At beginning of year/period	17	57	63	63
Additions	40	6	–	–
At end of year/period	57	63	63	63
Accumulated depreciation:				
At beginning of year/period	–	9	21	34
Charge for the year/period	9	12	13	10
At end of year/period	9	21	34	44
Net carrying amount	48	42	29	19

12. INVENTORY OF PROPERTIES

	As at 31 December 2019 *RMB'000*	**2020** *RMB'000*	**2021** *RMB'000*	**As at 30 September 2022** *RMB'000*
Completed properties held for sale	–	–	71,324	61,754
Properties under development for sale	1,389,581	1,745,122	–	–
	1,389,581	1,745,122	71,324	61,754

Included in the amounts are properties under development for sale of nil, RMB1,745,122,000 as at 31 December 2019 and 2020 which was expected to be completed and available for sale to the customers within one year.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

13. DEBTORS, DEPOSITS AND PREPAYMENTS

	As at 31 December			As at 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from shareholders *(note (a))*	–	420,595	420,595	411,114
Prepaid taxes	84,736	151,223	1,358	741
Other receivables, deposits and prepayments	267,347	120,417	1,593	1,362
	352,083	692,235	423,546	413,217

Notes:

(a) The amounts due from shareholders are unsecured, interest-free and repayable on demand.

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

14. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits of nil, RMB263,000, nil and nil as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, were pledged as guarantee for the construction of properties of the Target Company.

Included in bank balances and cash were restricted bank balance of nil, nil, nil and RMB600,000 as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, which was restricted to use due to certain dispute with suppliers of the Target Company.

Included in bank balances and cash were bank balances amounting to RMB256,886,000, RMB97,375,000, RMB13,765,000 and RMB1,618,000 as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, which were restricted to be used for the development of certain property projects. These bank balances comprised the proceeds received from pre-sale of properties of certain property projects deposited into designated bank accounts of the Target Company according to the relevant regulations in the Mainland China.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances approximate to their fair values.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

15. CREDITORS AND ACCRUED CHARGES

		As at 31 December			As at 30 September
		2019	2020	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade creditors, ageing within 1 year presented based on the invoice date:	(a)	153,427	167,031	125,939	70,520
Advances from shareholders		409,405	–	–	–
Accrued taxes (other than EIT and LAT)		115,553	197,140	9,471	8,927
Other payables	(b)	7,805	8,651	6,515	12,889
		532,763	205,791	15,986	21,816
		686,190	372,822	141,925	92,336

Notes:

(a) Trade payables

The trade payables are unsecured and interest-free and are normally settled based on the progress of the construction of the Target Company's inventory of properties.

(b) Other payables

Other payables are unsecured, non-interest-bearing and repayable within one year.

16. CONTRACT LIABILITIES

The Target Company has recognised the following revenue-related contract liabilities:

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Receipts in advance for sale of properties	1,279,968	2,185,562	5,729	825

The Target Company receives payments from customers based on billing schedules as established in the property sale contracts. Payments are usually received in advance of the performance under the contracts which are from the sale of properties.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

17. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised by the Target Company, and the movements thereon during the Relevant Periods:

	Arising from losses available for offsetting against future taxable profits
	RMB'000
At 1 January 2019	167
Credited to profit or loss during the year *(note 9)*	4,101
At 31 December 2019 and 1 January 2020	4,268
Credited to profit or loss during the year *(note 9)*	6,041
At 31 December 2020 and 1 January 2021	10,309
Charged to profit or loss during the year *(note 9)*	(10,309)
At 31 December 2021 and 30 September 2022	–

The Target Company has tax losses arising in Mainland China of RMB41,236,000 as at 31 December 2020 that will expire in five years for offsetting against future taxable profits.

Deferred tax assets of RMB10,309,000 have been recognised in respect of the tax losses as at 31 December 2020 as it is considered probable that future taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets of RMB10,309,000 is utilised during the year of 31 December 2021.

18. SHARE CAPITAL

	As at 31 December			**As at 30 September**
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Issued and fully paid	50,000	50,000	50,000	50,000

19. STATUTORY SURPLUS RESERVES

The amounts of the Target Company's reserves and the movements the Relevant Periods are presented in the statements of changes in equity on pages IIIA-6 of the Historical Financial Information.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

20. NOTE TO STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities:

	Advances from shareholders *RMB'000*	**Other borrowing** *RMB'000*
At 1 January 2019	1,021,405	–
New borrowing	–	500,000
Changes from financing cash flows	(612,000)	(500,000)
At 31 December 2019 and 1 January 2020	409,405	–
Changes from financing cash flows	(409,405)	–
At 31 December 2020 and 2021 and 30 September 2022	–	–

21. FINANCIAL GUARANTEES

The Target Company had the following financial guarantees as at the end of the Relevant Periods.

	As at 31 December			**As at 30 September**
	2019 *RMB'000*	**2020** *RMB'000*	**2021** *RMB'000*	**2022** *RMB'000*
Guarantees given to banks in connection with mortgage facilities provided to customers of the Target Company's properties	519,724	868,126	241,788	6,479

The Target Company provided guarantees in respect of mortgage facilities granted by certain banks to the customers of the Target Company's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the customers, the Target Company is responsible for repaying the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted customers to those banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, upon default on mortgage repayments by these customers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

The Target Company's guarantee period starts from the start of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within one to two years after the customers take possession of the relevant properties.

The Target Company did not incur any material losses during the Relevant Periods in respect of the guarantees provided for mortgage facilities granted to customers of the Target Company's completed properties held for sale. In the opinion of the Target Company Directors, in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans principals together with any accrued interest and penalties and accordingly, no financial liability has been made in connection with these guarantees.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

22. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the Historical Financial Information, the Target Company had transactions with the following related parties during the Relevant Periods.

	Year ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Management fee paid to shareholders	–	–	23,585	23,585	–

The transaction was carried out in accordance with terms and conditions mutually agreed by both parties.

The key management personnel are directors of the Target Company. Details of the compensation are set out in note 8 to the Historical Financial Information.

23. FINANCIAL INSTRUMENTS BY CATEGORY

As at 31 December 2019, 2020 and 2021 and 30 September 2022, all financial assets and liabilities of the Target Company were financial assets and financial liabilities at amortised cost, respectively.

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Target Company's financial instruments reasonably approximate to fair values.

Management of the Target Company has assessed that the fair values of current financial assets and liabilities included in the statements of financial position approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's principal financial instruments comprise bank balances and cash. The main purpose of these financial instruments is to raise finance for the Target Company's operations. The Target Company has various other financial assets and liabilities such as creditors and accrued charges, which arise directly from its operations.

The main risks arising from the Target Company's financial instruments are interest rate risk, credit risk and liquidity risk. The Target Company Directors review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Target Company's transactions are principally conducted in RMB. In the opinion of the Target Company Directors, the foreign currency risk of the Target Company is not significant.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Target Company’s exposure to the risk of changes in market interest rates relates primarily to the Target Company’s bank balances and cash.

The Target Company’s management reviewed the interest rate frequently. When the market interest rate decreases significantly, the Target Company’s management will negotiate with the lenders for more favorable interest rate. In the opinion of the Target Company Directors, the interest rate risk of the Target Company is not significant.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The main credit risk exposure to the Target Company arises from the default or delinquency in debtors, deposits and prepayments, bank balances and cash. They are monitored on an ongoing basis. In the opinion of the Target Company Directors, the credit risk is not significant.

With respect to credit risk arising from the other financial assets of the Target Company, which comprise bank balances and cash and financial assets included in debtors, deposits and prepayments, the Target Company’s exposure to the credit risk arises from the default of the counterparties, with a maximum exposure equal to the carrying amounts of these financial assets in the statements of financial position.

31 December 2019

	12-month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB’000	*RMB’000*	*RMB’000*	*RMB’000*	*RMB’000*
Financial assets included in debtors, deposits and prepayments	267,318	–	–		267,318
Bank balances and cash	257,375	–	–	–	257,375
	524,693	–	–		524,693

31 December 2020

	12-month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB’000	*RMB’000*	*RMB’000*	*RMB’000*	*RMB’000*
Financial assets included in debtors, deposits and prepayments	541,012	–	–	–	541,012
Pledged bank deposits	263	–	–	–	263
Bank balances and cash	129,487	–	–	–	129,487
	670,762	–	–	–	670,762

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in debtors, deposits and prepayments	422,188	–	–	–	422,188
Bank balances and cash	49,856	–	–	–	49,856
	472,044	–	–	–	472,044

30 September 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in debtors, deposits and prepayments	412,476	–	–	–	412,476
Bank balances and cash	7,835	–	–	–	7,835
	420,311	–	–	–	420,311

Liquidity risk

The Target Company's objective is to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain a contingency plan for funding to ensure that the Target Company maintains sufficient cash to meet its liquidity requirements.

The maturity profile of the Target Company's financial liabilities as at the end of each reporting period during the Relevant Periods, based on the contractual undiscounted payments and the earliest date the Target Company could be required to pay, was as follows:

31 December 2019

	On demand and 1 year or less	In the second year	More than 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Creditors and accrued charges	686,190	–	–	686,190
Financial guarantees issued:				
Maximum amount guaranteed *(note 21)*	519,724	–	–	519,724

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

31 December 2020

	On demand and 1 year or less *RMB'000*	In the second year *RMB'000*	More than 3 years *RMB'000*	Total *RMB'000*
Creditors and accrued charges	372,822	–	–	372,822
Financial guarantees issued:				
Maximum amount guaranteed *(note 21)*	868,126	–	–	868,126

31 December 2021

	On demand and 1 year or less *RMB'000*	In the second year *RMB'000*	More than 3 years *RMB'000*	Total *RMB'000*
Creditors and accrued charges	141,925	–	–	141,925
Financial guarantees issued:				
Maximum amount guaranteed *(note 21)*	241,788	–	–	241,788

30 September 2022

	On demand and 1 year or less *RMB'000*	In the second year *RMB'000*	More than 3 years *RMB'000*	Total *RMB'000*
Creditors and accrued charges	92,336	–	–	92,336
Financial guarantees issued:				
Maximum amount guaranteed *(note 21)*	6,479	–	–	6,479

Capital management

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

The Target Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

26. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this report, there are no significant events subsequent to 30 September 2022.

III. SUBSEQUENT FINANCIAL STATEMENTS

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

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF ROAD KING INFRASTRUCTURE LIMITED

Introduction

We report on the historical financial information of Changzhou Jinya Properties Development Co., Ltd. (常州勁雅房地產開發有限公司) (the "Target Company") set out on pages IIIB-4 to IIIB-35, which comprises the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Company for each of the years ended 31 December 2019, 2020 and 2021, and the nine months ended 30 September 2022 (the "Relevant Periods"), the statements of financial position of the Target Company as at 31 December 2019, 2020 and 2021 and 30 September 2022 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IIIB-4 to IIIB-35 forms an integral part of this report, which has been prepared for inclusion in the circular of Road King Infrastructure Limited (the "Company") dated 23 December 2022 (the "Circular") in connection with the acquisition of approximately 49% equity interests in the Target Company by Changzhou RK Properties Developments Ltd. (常州路勁房地產開發有限公司), an indirect subsidiary owned as to 100% by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in note 2.1 and 2.2 to the Historical Financial Information and for such internal control as the 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.

The Underlying Financial Statements of the Target Company as defined on page IIIB-4, on which the Historical Financial Information is based, were prepared by the directors of the Target Company (the "Target Company Directors"). The Target Company Directors are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and for such internal control as the Target Company Directors determine is necessary to enable the preparation of the Underlying Financial Statements that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Company as at 31 December 2019, 2020 and 2021 and 30 September 2022 and of the financial performance and cash flows of the Target Company for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Target Company which comprises the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the nine months ended 30 September 2021 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

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

Adjustments

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

Dividends

We refer to note 9 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Periods.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
23 December 2022

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 the Target Company for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young, in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			**Nine months ended 30 September**	
		2019	**2020**	**2021**	**2021**	**2022**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
REVENUE	5	–	3,137,509	83,095	57,138	21,678
Cost of sales		–	(2,238,159)	(80,504)	(51,633)	(19,426)
Gross profit		–	899,350	2,591	5,505	2,252
Other income and gains	5	611	14,921	675	602	338
Selling expenses		(20,820)	(27,496)	(4,434)	(3,735)	(948)
Administrative expenses		(12,316)	(3,805)	(129)	(126)	(3,299)
(LOSS)/PROFIT BEFORE TAX	6	(32,525)	882,970	(1,297)	2,246	(1,657)
Income tax credit/(expenses)	8	8,131	(220,288)	–	(562)	–
(LOSS)/PROFIT FOR THE YEAR/PERIOD		(24,394)	662,682	(1,297)	1,684	(1,657)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR/PERIOD		(24,394)	662,682	(1,297)	1,684	(1,657)

I. HISTORICAL FINANCIAL INFORMATION (continued)

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2019 RMB'000	As at 31 December 2020 RMB'000	As at 31 December 2021 RMB'000	As at 30 September 2022 RMB'000
ASSETS					
NON-CURRENT ASSETS					
Plant and equipment	10	14	14	4	1
Deferred tax assets	16	10,965	–	–	–
Total non-current assets		10,979	14	4	1
CURRENT ASSETS					
Inventory of properties	11	1,900,416	119,148	38,643	19,217
Debtors, deposits and prepayments	12	1,505,471	1,740,302	1,401,211	1,387,569
Pledged bank deposits	13	13,229	13,436	–	–
Bank balances and cash	13	340,138	60,465	80,573	19,578
Total current assets		3,759,254	1,933,351	1,520,427	1,426,364
TOTAL ASSETS		3,770,233	1,933,365	1,520,431	1,426,365
EQUITY AND LIABILITIES					
EQUITY					
Share capital	17	736,476	736,476	736,476	736,476
Statutory surplus reserves	18	–	24,250	59,169	59,169
(Accumulated losses)/retained earnings		(32,894)	605,538	569,322	567,665
Total equity		703,582	1,366,264	1,364,967	1,363,310
CURRENT LIABILITIES					
Creditors and accrued charges	14	441,966	368,973	148,421	60,267
Contract liabilities	15	2,624,685	35,246	7,043	2,788
Income tax payables		–	162,882	–	–
Total current liabilities		3,066,651	567,101	155,464	63,055
TOTAL EQUITY AND LIABILITIES		3,770,233	1,933,365	1,520,431	1,426,365
Net current assets		692,603	1,366,250	1,364,963	1,363,309
Total assets less current liabilities		703,582	1,366,264	1,364,967	1,363,310

I. HISTORICAL FINANCIAL INFORMATION (continued)

STATEMENTS OF CHANGES IN EQUITY

	Share capital *RMB'000*	Statutory surplus reserves *RMB'000* *(Note (a))*	(Accumulated losses)/ retained earnings *RMB'000*	Total *RMB'000*
At 1 January 2019	736,476	–	(8,500)	727,976
Loss and total comprehensive loss for the year	–	–	(24,394)	(24,394)
At 31 December 2019 and 1 January 2020	736,476	–	(32,894)	703,582
Profit and total comprehensive income for the year	–	–	662,682	662,682
Transfer from retained profits	–	24,250	(24,250)	–
At 31 December 2020 and 1 January 2021	736,476	24,250	605,538	1,366,264
Loss and total comprehensive loss for the year	–	–	(1,297)	(1,297)
Transfer from retained profits	–	34,919	(34,919)	–
At 31 December 2021 and 1 January 2022	736,476	59,169	569,322	1,364,967
Loss and total comprehensive loss for the period	–	–	(1,657)	(1,657)
At 30 September 2022	736,476	59,169	567,665	1,363,310
(Unaudited)				
At 1 January 2021	736,476	24,250	605,538	1,366,264
Profit and total comprehensive income for the period	–	–	1,684	1,684
At 30 September 2021	736,476	24,250	607,222	1,367,948

Note:

(a) Statutory surplus reserves

In accordance with the PRC Company Law and the articles of association of the Target Company established in the PRC, the Target Company is required to appropriate 10% of its net profits after tax, as determined under the PRC generally accepted accounting principles, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Target Company, the statutory surplus reserve may be used either to offset losses, or to be converted to increase the share capital provided that the balance after such conversion is not less than 25% of the registered capital. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

I. HISTORICAL FINANCIAL INFORMATION (continued)

STATEMENTS OF CASH FLOWS

		Year ended 31 December			Nine months ended 30 September	
		2019	2020	2021	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
(Loss)/profit before tax		(32,525)	882,970	(1,297)	2,246	(1,657)
Adjustments for:						
Depreciation of plant and equipment	6	4	8	10	8	3
Bank interest income		(581)	(1,094)	(495)	(421)	(138)
		(33,102)	881,884	(1,782)	1,833	(1,792)
(Increase)/decrease in debtors, deposits and prepayments		(442,180)	918,332	122,779	121,729	(3,461)
(Increase)/decrease in restricted bank balances		(89,344)	78,196	47,054	47,054	550
(Increase)/decrease in inventory of properties		(382,497)	1,781,269	80,505	51,633	19,426
Increase/(decrease) in creditors and accrued charges		355,528	(72,993)	(220,552)	(201,707)	(88,154)
Increase/(decrease) in contract liabilities		2,228,980	(2,589,439)	(28,203)	(35,137)	(4,255)
		1,637,385	997,249	(199)	(14,595)	(77,686)
Tax (paid)/refund		(48,978)	(49,691)	(112,950)	(174,081)	5,015
Net cash flows from/(used in) operating activities		1,588,407	947,558	(113,149)	(188,676)	(72,671)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		581	1,094	495	421	138
Purchases of plant and equipment		(9)	(9)	–	–	–
(Increase)/decrease of the amount due from shareholders		(398,315)	(1,149,913)	166,380	190,000	12,088
Net cash flows (used in)/from investing activities		(397,743)	(1,148,828)	166,875	190,421	12,226
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayment of borrowings		(450,000)	–	–	–	–
Repayment to shareholders		(503,766)	–	–	–	–
Interest paid		(33,250)	–	–	–	–
Net cash flows used in financing activities		(987,016)	–	–	–	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		203,648	(201,270)	53,726	1,745	(60,445)
Cash and cash equivalents at beginning of year/period		23,919	227,567	26,297	26,297	80,023
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		227,567	26,297	80,023	28,042	19,578
Add: Designated bank balances		112,571	34,168	550	550	–
Total bank balances and cash		340,138	60,465	80,573	28,592	19,578

II. NOTES TO HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Changzhou Jinya Properties Development Co., Ltd. (常州勁雅房地產開發有限公司) (the "Target Company") is a company incorporated in the People's Republic of China ("PRC") on 14 November 2017. The registered office of the Target Company is located at Majia Village Majia Bridge no. 225, Xilin Street, Zhonglou District, Changzhou, Jiangsu Province, the PRC.

During the Relevant Periods, the Target Company was principally engaging in property development in the PRC and was jointly held by the subsidiaries of Road King Infrastructure Limited and Agile Group Holdings Limited.

2.1 BASIS OF PRESENTATION

The Target Company financed its operation by obtaining funding from its shareholders and proceeds from the pre-sale of inventory of property. The Historical Financial Information has been prepared under the going concern basis because, in the opinion of the Target Company Directors, the Target Company will have sufficient cash resources from its operations to meet its liabilities as and when they fall due.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong.

All HKFRSs effective for the accounting period commencing from 1 January 2022, together with the relevant transitional provisions, have been early adopted by the Target Company throughout the Relevant Periods and the period covered by the Interim Comparative Financial Information.

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

2.3 FIRST-TIME ADOPTION OF HKFRSs

In preparing these financial statements, the Target Company's opening statement of financial position was prepared as at 1 January 2019, being the date of transition to HKFRSs.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1,4]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[1,3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

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

2 No mandatory effective date yet determined but available for adoption

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

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

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 17 *Insurance Contracts* is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, HKFRS 17 will replace IFRS 4 *Insurance Contracts* that was issued in 2005. HKFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of HKFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, HKFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of HKFRS 17 is the general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach)
- a simplified approach (the premium allocation approach) mainly for short-duration contracts

HKFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies HKFRS 9 and HKFRS 15 on or before the date it first applies HKFRS 17. This standard is not expected to have any significant impact on the Target Company's financial statements.

Amendment to HKFRS 17 *Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information* provides transition option relating to comparative information about financial assets presented on initial application of HKFRS 17. The amendment aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. The amendment is effective for annual reporting periods beginning on or after 1 January 2023 and is not expected to have any significant impact on the Target Company's financial statements.

Amendments to HKFRS 17 *Insurance Contracts* address concerns and implementation challenges that were identified after HKFRS 17 was published. The amendments defer the date of initial application of HKFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, HKICPA amended HKFRS 4 to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Target Company's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Target Company is currently assessing the impact of the amendments on the Target Company's accounting policy disclosures.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Target Company's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Target Company's financial statements.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Plant and equipment and depreciation

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

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

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

Office equipment	20% to $33^1/_3$%

Where parts of an item of plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

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

Inventory of properties

Properties under development which are intended to be sold upon completion of development and properties held for sale are classified as current assets. Properties under development/properties held for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Target Company must incur to make the sale.

Properties under development are transferred to properties held for sale upon completion.

The Target Company transfers a property from inventory of properties to investment properties when there is a change in use to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the inception of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Company's business model for managing them. With the exception of trade debtors that do not contain a significant financing component or for which the Target Company has applied the practical expedient of not adjusting the effect of a significant financing component, the Target Company initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade debtors that do not contain a significant financing component or for which the Target Company has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

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

The Target Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

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

The Target Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Target Company may also consider a financial asset to be in default when internal or external information indicates that the Target Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

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

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

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

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

Simplified approach

For trade debtors that do not contain a significant financing component or when the Target Company applies the practical expedient of not adjusting the effect of a significant financing component, the Target Company applies the simplified approach in calculating ECLs. Under the simplified approach, the Target Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Target Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

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

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

The Target Company's financial liabilities include trade and other payables, an amount due to the shareholders.

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Target Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Target Company measures the financial guarantee contracts at the higher of: (i) the expected credit loss ("ECL") allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

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

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

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligations, the provisions are reversed.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related Parties

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

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

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

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

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

or

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

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

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

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

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

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

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

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

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

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Company has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or 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.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Target Company expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Target Company will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Target Company and the customer at contract inception. When the contract contains a financing component which provides the Target Company with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale 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 laws 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 the Target Company's performance:

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

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

The progress towards complete satisfaction of the performance obligation is measured based on the Target Company's efforts or inputs to the satisfaction of the performance obligation that best depict the Target Company's performance in satisfying the performance obligation.

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

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

Other income

Interest income

Interest income is recognised on an accrual basis, using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument of the net carrying amount of the financial asset.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Target Company transfers the related goods or services. Contract liabilities are recognised as revenue when the Target Company performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Costs to fulfil a contract

Other than the costs which are capitalised as properties under development, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relate. Other contract costs are expensed as incurred.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Target Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Incremental costs of obtaining a contract are charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the related asset is recognised. Other costs of obtaining a contract are expensed when incurred.

Other employee benefits

Pension schemes

The employees of the Target Company which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain proportion of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

In the process of applying the Target Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Estimation uncertainty

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

Impairment review for inventory of properties

Inventory of properties is stated at the lower of cost and net realisable value. The estimated net realisable value is the estimated selling price less selling expenses and the estimated cost of completion (if any), which are estimated based on the best available information.

4. OPERATING SEGMENT INFORMATION

The Target Company is principally engaged in one single operating segment, i.e., the property development business. Accordingly, no operating segment information is presented.

Geographical information

No geographical information by operating segment is presented as the Target Company's revenue from the external customers is derived solely from its operations in Mainland China and more than 90% of the non-current assets of the Target Company are located in Mainland China.

Information about major customers

No single customer or customers under common control contributed 10% or more of the Target Company's revenue for each of the Relevant Periods and the nine months ended 30 September 2021.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

5. REVENUE, OTHER INCOME AND GAINS

(a) An analysis of the Target Company's revenue is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue					
Revenue from contracts with customers					
Sale of properties in the PRC	–	3,137,509	83,095	57,138	21,678

Revenue from contracts with customers

(i) Disaggregated revenue information

All revenue from contracts with customers are recognised at a point in time.

The following table shows the amount of revenue recognised in the Relevant Periods and the nine months ended 30 September 2021 that was included in contract liabilities at the beginning of the year/period:

	Year ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sale of properties	–	2,624,685	35,246	35,246	7,043

(ii) Performance obligations

Information about the Target Company's performance obligations is summarised below:

Sale of properties

The performance obligation is satisfied when the physical possession or the legal title of the completed property is obtained by the customer.

Certain property sales contracts have an original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

All the contracted sales amounts allocated to the remaining performance obligations as at the end of each of the Relevant Periods are expected to be recognised as revenue within one year. The amounts do not include variable consideration.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

5. REVENUE, OTHER INCOME AND GAINS (continued)

(b) An analysis of the Target Company's other income and gains is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Other income					
Bank interest income	581	1,094	495	421	138
Others	30	13,827	180	181	200
	611	14,921	675	602	338

6. (LOSS)/PROFIT BEFORE TAX

The Target Company's (loss)/profit before tax is arrived at after charging:

		Year ended 31 December			Nine months ended 30 September	
		2019	**2020**	**2021**	**2021**	**2022**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Cost of properties sold		–	2,238,159	80,504	51,633	19,426
Depreciation of plant and equipment	10	6	9	10	8	3
Less: Capitalised in properties under development for sale		(2)	(1)	–	–	–
		4	8	10	8	3
Employee benefit expenses (including directors' remuneration):						
Salaries and other staff costs		7,058	16,494	2	2	–
Pension scheme contribution		209	106	–	–	–
Less: Capitalised in properties under development for sale		(2,876)	(3,710)	–	–	–
		4,391	12,890	2	2	–

7. DIRECTORS' REMUNERATION

No director received any fees or emoluments in respect of his services rendered to the Target Company during the Relevant Periods and the nine months ended 30 September 2021.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

8. INCOME TAX (CREDIT)/EXPENSES

The Target Company is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which the Target Company is domiciled and operate.

The Target Company operating in Mainland China is subject to the enterprise income tax ("EIT") at a rate of 25% for the Relevant Periods and the nine months ended 30 September 2021.

Land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditure including land costs, borrowing costs and other property development expenditure. The Target Company has completed the tax clearance with the local tax bureau that no LAT is charged for the sale of properties during the Relevant Periods.

	Year ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current tax					
PRC EIT	–	209,323	–	562	–
Deferred tax *(note 16)*	(8,131)	10,965	–	–	–
	(8,131)	220,288	–	562	–

A reconciliation of the tax (credit)/expenses applicable to (loss)/profit before tax at the statutory rates to the tax (credit)/expenses at the effective tax rate is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(Loss)/profit before tax	(32,525)	882,970	(1,297)	2,246	(1,657)
Tax at the PRC statutory income tax rate	(8,131)	220,743	(324)	562	(414)
Tax effect of expenses not deductible for tax purpose	–	81	42	–	–
Tax effect of income not taxable for tax purpose	–	(536)	–	–	–
Tax effect of tax losses not recognised	–	–	282	–	414
Income tax (credit)/expenses for the year/period	(8,131)	220,288	–	562	–

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

9. DIVIDENDS

No dividend has been paid or declared by the Target Company during the Relevant Periods.

10. PLANT AND EQUIPMENT

	As at 31 December			As at 30 September
Office equipment	**2019**	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At beginning of year/period	11	20	29	24
Additions	9	9	–	–
Disposals	–	–	(5)	–
At end of year/period	20	29	24	24
Accumulated depreciation:				
At beginning of year/period	–	6	15	20
Charge for the year/period	6	9	10	3
Disposals	–	–	(5)	–
At end of year/period	6	15	20	23
Net carrying amount	14	14	4	1

11. INVENTORY OF PROPERTIES

	As at 31 December			As at 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Completed properties held for sale	–	119,148	38,643	19,217
Properties under development for sale	1,900,416	–	–	–
	1,900,416	119,148	38,643	19,217

Included in the amounts are properties under development for sale of RMB1,900,416,000 as at 31 December 2019 which was expected to be completed and available for sale to the customers within one year.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

12. DEBTORS, DEPOSITS AND PREPAYMENTS

	As at 31 December			As at 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from shareholders *(note (a))*	398,315	1,548,228	1,381,848	1,369,759
Prepaid taxes	135,597	91,378	16,778	14,148
Other receivables, deposits and prepayments	971,559	100,696	2,585	3,662
	1,505,471	1,740,302	1,401,211	1,387,569

Notes:

(a) The amounts due from shareholders are unsecured, interest-free and repayable on demand.

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

13. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits of RMB13,229,000, RMB13,436,000, nil and nil as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, were pledged as guarantee deposits for the construction of properties of the Target Company.

Included in bank balances and cash were restricted cash of nil, RMB1,990,000, RMB550,000 and nil as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, which was restricted to use due to certain dispute with suppliers of the Target Company.

Included in bank balances and cash were bank balances amounting to RMB112,571,000, RMB32,178,000, nil and nil as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, which were restricted to be used for the development of certain property projects. These bank balances comprised the proceeds received from pre-sale of properties of certain property projects deposited into designated bank accounts of the Target Company according to the relevant regulations in the Mainland China.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances approximate to their fair values.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

14. CREDITORS AND ACCRUED CHARGES

		As at 31 December			As at 30 September
		2019	2020	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Ageing analysis of the creditors presented based on the invoice date:					
Trade payables					
Within 1 year		194,687	234,242	141,385	38,967
1 to 2 years		–	218	1,633	17,023
2 to 3 years		–	–	218	1,319
More than 3 years		–	–	–	109
	(a)	194,687	234,460	143,236	57,418
Accrued taxes (other than EIT and LAT)		236,888	127,812	1,455	1,302
Other payables	(b)	10,391	6,701	3,730	1,547
		247,279	134,513	5,185	2,849
		441,966	368,973	148,421	60,267

Notes:

(a) Trade payables

The trade payables are unsecured and interest-free and are normally settled based on the progress of the construction of the Target Company's inventory of properties.

(b) Other payables

Other payables are unsecured, non-interest-bearing and repayable within one year.

15. CONTRACT LIABILITIES

The Target Company has recognised the following revenue-related contract liabilities:

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Receipts in advance for sale of properties	2,624,685	35,246	7,043	2,788

The Target Company receives payments from customers based on billing schedules as established in the property sale contracts. Payments are usually received in advance of the performance under the contracts which are from the sale of properties.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

16. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised by the Target Company, and the movements thereon during the Relevant Periods:

	Arising from losses available for offsetting against future taxable profits
	RMB'000
At 1 January 2019	2,834
Credited to profit or loss during the year *(note 8)*	8,131
At 31 December 2019 and 1 January 2020	10,965
Charged to profit or loss during the year *(note 8)*	(10,965)
At 31 December 2020, 2021 and 30 September 2022	–

The Target Company has tax losses arising in Mainland China of RMB43,860,000 as at 31 December 2019 that will expire in five years for offsetting against future taxable profits.

Deferred tax assets of RMB10,965,000 have been recognised in respect of the tax losses as at 31 December 2019 as it is considered probable that future taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets of RMB10,965,000 is utilised during the year of 31 December 2020.

17. SHARE CAPITAL

	As at 31 December			**As at 30 September**
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Issued and fully paid	736,476	736,476	736,476	736,476

18. STATUTORY SURPLUS RESERVES

The amounts of the Target Company's reserves and the movements the Relevant Periods are presented in the statements of changes in equity on pages IIIB-6 of the Historical Financial Information.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

19. NOTE TO STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities:

	Advances from shareholders *RMB'000*	Other borrowing *RMB'000*
At 1 January 2019	503,766	450,000
Changes from financing cash flows	(503,766)	(450,000)
At 31 December 2019, 2020 and 2021 and 30 September 2022	–	–

20. FINANCIAL GUARANTEES

The Target Company had the following financial guarantees as at the end of the Relevant Periods.

	As at 31 December			As at 30 September
	2019 *RMB'000*	2020 *RMB'000*	2021 *RMB'000*	2022 *RMB'000*
Guarantees given to banks in connection with mortgage facilities provided to customers of the Target Company's properties	919,361	972,329	106,309	5,464

The Target Company provided guarantees in respect of mortgage facilities granted by certain banks to the customers of the Target Company's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the customers, the Target Company is responsible for repaying the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted customers to those banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, upon default on mortgage repayments by these customers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

The Target Company's guarantee period starts from the start of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within one to two years after the customers take possession of the relevant properties.

The Target Company did not incur any material losses during the Relevant Periods in respect of the guarantees provided for mortgage facilities granted to customers of the Target Company's completed properties held for sale. In the opinion of the Target Company Directors, in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans principals together with any accrued interest and penalties and accordingly, no financial liability has been made in connection with these guarantees.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

21. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the Historical Financial Information, the Target Company had no other material transactions with related parties during the Relevant Periods.

The key management personnel are directors of the Target Company. Details of the compensation are set out in note 7 to the Historical Financial Information.

22. FINANCIAL INSTRUMENTS BY CATEGORY

As at 31 December 2019, 2020 and 2021 and 30 September 2022, all financial assets and liabilities of the Target Company were financial assets and financial liabilities at amortised cost, respectively.

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Target Company's financial instruments reasonably approximate to fair values.

Management of the Target Company has assessed that the fair values of current financial assets and liabilities included in the statements of financial position approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's principal financial instruments comprise bank balances and cash. The main purpose of these financial instruments is to raise finance for the Target Company's operations. The Target Company has various other financial assets and liabilities such as creditors and accrued charges, which arise directly from its operations.

The main risks arising from the Target Company's financial instruments are interest rate risk, credit risk and liquidity risk. The Target Company Directors review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Target Company's transactions are principally conducted in RMB. In the opinion of the Target Company Directors, the foreign currency risk of the Target Company is not significant.

Interest rate risk

The Target Company's exposure to the risk of changes in market interest rates relates primarily to the Target Company's bank balances and cash.

The Target Company's management reviewed the interest rate frequently. When the market interest rate decreases significantly, the Target Company's management will negotiate with the lenders for more favorable interest rate. In the opinion of the Target Company Directors, the interest rate risk of the Target Company is not significant.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The main credit risk exposure to the Target Company arises from the default or delinquency in debtors, deposits and prepayments, bank balances and cash. They are monitored on an ongoing basis. In the opinion of the Target Company Directors, the credit risk is not significant.

With respect to credit risk arising from the other financial assets of the Target Company, which comprise bank balances and cash and financial assets included in debtors, deposits and prepayments, the Target Company's exposure to the credit risk arises from the default of the counterparties, with a maximum exposure equal to the carrying amounts of these financial assets in the statements of financial position.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in debtors, deposits and prepayments	1,368,927	–	–	–	1,368,927
Pledged bank deposits	13,229	–	–	–	13,229
Bank balances and cash	340,138	–	–	–	340,138
	1,722,294	–	–	–	1,722,294

31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in debtors, deposits and prepayments	1,646,242	–	–	–	1,646,242
Pledged bank deposits	13,436	–	–	–	13,436
Bank balances and cash	60,465	–	–	–	60,465
	1,720,143	–	–	–	1,720,143

31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in debtors, deposits and prepayments	1,384,433	–	–	–	1,384,433
Bank balances and cash	80,573	–	–	–	80,573
	1,465,006	–	–	–	1,465,006

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

30 September 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in debtors, deposits and prepayments	1,373,421	–	–	–	1,373,421
Bank balances and cash	19,578	–	–	–	19,578
	1,392,999	–	–	–	1,392,999

Liquidity risk

The Target Company's objective is to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain a contingency plan for funding to ensure that the Target Company maintains sufficient cash to meet its liquidity requirements.

The maturity profile of the Target Company's financial liabilities as at the end of each reporting period during the Relevant Periods, based on the contractual undiscounted payments and the earliest date the Target Company could be required to pay, was as follows:

31 December 2019

	On demand and 1 year or less	In the second year	More than 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Creditors and accrued charges	441,966	–	–	441,966
Financial guarantees issued:				
Maximum amount guaranteed *(note 20)*	919,361	–	–	919,361

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

31 December 2020

	On demand and 1 year or less	In the second year	More than 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Creditors and accrued charges	368,973	–	–	368,973
Financial guarantees issued:				
Maximum amount guaranteed *(note 20)*	972,329	–	–	972,329

31 December 2021

	On demand and 1 year or less	In the second year	More than 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Creditors and accrued charges	148,421	–	–	148,421
Financial guarantees issued:				
Maximum amount guaranteed *(note 20)*	106,309	–	–	106,309

30 September 2022

	On demand and 1 year or less	In the second year	More than 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Creditors and accrued charges	60,267	–	–	60,267
Financial guarantees issued:				
Maximum amount guaranteed *(note 20)*	5,464	–	–	5,464

Capital management

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

The Target Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION (continued)

25. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this report, there are no significant events subsequent to 30 September 2022.

III. SUBSEQUENT FINANCIAL STATEMENTS

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

The following management discussion and analysis is based on the financial information included in the accountants' report on the Project Company A as set out in Appendix IIIA to this circular.

Project Company A is a limited liability company established in the PRC and is principally engaged in the development and sales of Project A.

This appendix summarises the management discussion and analysis of Project Company A for FY2019, FY2020, FY2021 and 9M2022 (the "Reporting Period"). The following financial information is principally based on the accountants' report of Project Company A as set out in Appendix IIIA to this circular.

Operating Results

Project information and contracted sales

Project A is a residential development project located at the west of Chechang Road and the south of Qingtan West Road, Zhonglou District, Changzhou. It has a site area of 61,000 sq.m. and a gross floor area of 146,000 sq.m. (including car parking spaces). The pre-sale commenced from June 2019 onwards. The gross floor area of contracted sales for each of FY2019, FY2020, FY2021 and 9M2022 was 80,000 sq.m., 29,000 sq.m., 22,000 sq.m., and 1,000 sq.m., respectively. The cumulative contracted sales as at 30 September 2022 was around 132,000 sq.m., representing over 90% of the total saleable area.

Income from operations

During the Reporting Period, the revenue of Project Company A was derived from the delivery of the flats to the customers. The delivery of the flats commenced from the first half of 2021.

Revenue

The following table sets out a breakdown of Project Company A's revenue being delivered during the Reporting Period:

		Year ended 31 December			Nine months ended 30 September	
		2019	**2020**	**2021**	**2021**	**2022**
					(unaudited)	
Revenue	*RMB'000*	–	–	2,526,373	2,276,274	12,395
Delivered gross floor area/unit						
– residential and commercial buildings	sq.m.	–	–	110,000	109,000	1,000
– car parking spaces	unit	–	–	608	596	8

Notes:

(a) Project Company A commenced to deliver the flats since the first half of 2021 and hence no revenue was recognized in FY2019 and FY2020; and

(b) since Project A was completed with substantial portion of its properties in FY2021 been delivered, the revenue recognized for 9M2022 was significantly reduced as compared to that in the nine months ended 30 September 2021.

Cost of sales

During the Reporting Period, Project Company A's cost of sales primarily consisted of (i) land and its ancillary costs; (ii) design costs; (iii) construction costs; (iv) capitalized financing costs; and (v) other development related overheads.

The following table sets out a breakdown of the cost of sales of Project Company A during the Reporting Period:

		Year ended 31 December			Nine months ended 30 September	
		2019	**2020**	**2021**	**2021**	**2022**
					(unaudited)	
Cost of sales	*RMB'000*	–	–	1,965,708	1,718,633	9,168

Note:

(a) The cost of sales was in line with that of revenue for each of FY2019, FY2020 and FY2021 and each of the nine months ended 30 September 2021 and 2022.

Selling expenses

During the Reporting Period, Project Company A's selling expenses mainly consisted of (i) sales commission; (ii) salaries and other staff cost; and (iii) promotion and advertising cost.

The higher amount of selling expenses for FY2019 and FY2021 as compared to FY2020 was mainly due to higher promotion and advertising cost and sales commission incurred during the key pre-sale and delivery stages of the project in FY2019 and FY2021, respectively.

The selling expenses reduced from RMB14.1 million for the nine months ended 30 September 2021 to RMB1.1 million for 9M2022, which reflects the reduction of the contracted sales and delivery amounts.

Income tax expenses

Income tax expenses represent profit tax for the year. The higher amount of income tax for FY2021 was mainly due to the more profits generated from properties delivered in 2021. No material Income tax expenses were recognized in 2022 since the profit recognized from the delivery was significantly reduced after a substantial portion of the properties under the project were delivered in the first half of 2021.

Bank balances and cash (including pledged bank deposits)

As at 31 December 2019, 2020, 2021 and 30 September 2022, bank balances and cash (including pledged bank deposits) of Project Company A amounted to RMB257.4 million, RMB129.8 million, RMB49.9 million, and RMB7.8 million, respectively. All the cash and bank balances held by Project Company A were mainly generated from property sales and denominated in RMB. The decrease in cash and bank balances during the Reporting Period was attributed to the increase in advances to the shareholders. Since Project Company A had no interest bearing borrowings, the gearing ratio of the Project Company A was nil as at 31 December 2019, 2020, 2021 and 30 September 2022.

Inventory of property

For FY2019, FY2020, FY2021 and 9M2022, the inventory of property of Project Company A amounted to RMB1,389.6 million, RMB1,745.1 million, RMB71.3 million and RMB61.8 million, respectively. The inventory of property mainly included the land premium of land use right, together with the project's ancillary costs; design costs; construction costs; capitalized financing costs and other development related overheads. Since Project Company A delivered a substantial portion of its properties in first half of 2021, the inventory balance significantly dropped as at the end of 2021.

Contract liabilities

The pre-sales of the properties under Project A commenced from 2019 onwards in which Project Company A received the deposits in the course of pre-sales. As at 31 December 2019, 2020, 2021 and 30 September 2022, the cumulative deposits Project Company A which received with the properties yet to be delivered amounted to RMB1,280.0 million, RMB2,185.6 million, RMB5.7 million and RMB0.8 million, respectively. While the properties were substantially delivered to the customers in the first half of 2021, the pre-sales deposit balance significantly reduced as at the end of 2021. Such amount is reflected under contract liabilities in the statement of financial position.

Liquidity, Financial Resources, and Capital Structure

Project Company A financed its operations and working capital requirements primarily through a combination of excess cash of its operational business activities, loans from shareholders and capital injection.

Charge on Assets

Pledged bank deposits of nil, RMB0.3 million, nil and nil as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, were pledged as guarantee for the construction of properties of Project Company A. Save for the pledged bank deposits, Project Company A had not charged any of its assets as at 31 December 2019, 2020 and 2021 and 30 September 2022.

Foreign Currency and Hedging

Project Company A conducts its business in the PRC and all of its transactions are denominated in RMB and therefore it does not have any foreign exchange risk exposure.

Contingent Liabilities

As at 31 December 2019, 2020, 2021, and 30 September 2022, Project Company A provided guarantees of RMB519.7 million, RMB868.1 million, RMB241.8 million and RMB6.5 million to banks in favour of its customers in respect of the mortgage loans provided by the banks to such customers for the purchase of properties under Project A. These guarantees provided by Project Company A to the banks have been or will be released upon receiving the building ownership certificate of the respective property by the banks from the customers as a pledge for security to the mortgage loan granted. The substantial reduction of the balance as at 31 December 2021 and 30 September 2022 were due to the delivery of the properties to the customers in the first half of 2021. Save as above, Project Company A did not have any material contingent liabilities.

Employee and Remuneration Policies

As at 31 December 2019, 2020, 2021, and 30 September 2021, the number of employees in Project Company A was approximately 15, 8, 2 and 2, respectively. As at 30 September 2022 and onwards, Project Company A did not have any employees based in the PRC since Project A had been completed and a substantial portion of the properties under the project had been delivered to customers.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

As at 31 December 2019, 2020, 2021, and 30 September 2022, Project Company A did not have material acquisitions and disposals of subsidiaries, associates, and joint ventures.

Significant Investments

During the Reporting Period, Project Company A did not have any significant investments.

Plans for New Business, Material Investments and Capital Assets

As at 30 September 2022, Project Company A did not have any future plan for new business, material investments or capital assets acquisitions.

Subsequent event

On 24 November 2022, the RK Group entered into the Exit Agreement A, pursuant to which the RK Group agreed, subject to fulfilment of the conditions precedent, to purchase the Equity Interest A for a consideration of RMB25 million. Upon Completion, Project Company A will become a wholly-owned subsidiary of the RK Group.

The following management discussion and analysis is based on the financial information included in the accountants' report on the Project Company B as set out in Appendix IIIB to this circular.

Project Company B is a limited liability company established in the PRC and is principally engaged in the development and sales of Project B.

This appendix summarises the management discussion and analysis of Project Company B for FY2019, FY2020, FY2021 and 9M2022 (the "Reporting Period"). The following financial information is principally based on the accountants' report of Project Company B as set out in Appendix IIIB to this circular.

Operating Results

Project information and contracted sales

Project B is a residential development project located at the east of Longjiang Zhong Road and north of Zhongwu Avenue in Zhonglou District, Changzhou, Jiangsu Province. It has a site area of 109,000 sq.m. and a gross floor area of 258,000 sq.m. (including car parking spaces). The pre-sale commenced from August 2018 and onwards. The gross floor area of contracted sales for each of FY2019, FY2020, FY2021 and 9M2022 was 165,000 sq.m., 37,000 sq.m., 10,000 sq.m. and 1,000 sq.m. respectively. Except for some car parking spaces remain unsold; all of the flats had already been pre-sold as of 30 September 2022.

Income from operations

During the Reporting Period, the revenue of Project Company B was derived from the delivery of the flats to the customers. The delivery of the flats commenced from the first half of 2020.

Revenue

The following table sets out a breakdown of Project Company B's revenue being delivered during Reporting Period:

		Year ended 31 December			Nine months ended 30 September	
		2019	2020	2021	2021	2022
					(unaudited)	
Revenue	*RMB'000*	–	3,137,509	83,095	57,138	21,678
Delivered gross floor area/unit						
– residential and commercial buildings	sq.m.	–	208,000	1,000	1,000	2,000
– car parking spaces	unit	–	461	941	588	11

Notes:

(a) Project Company B commenced to deliver the flats since the first half of 2020 and hence no revenue was recognized in FY2019; and

(b) since Project B was completed with substantial portion of its properties in FY2020 been delivered, the revenue recognized in FY2021 and afterwards was significantly reduced.

Cost of sales

During the Reporting Period, Project Company B's cost of sales primarily consisted of (i) land and its ancillary costs; (ii) design costs; (iii) construction costs; (iv) capitalized financing costs; and (v) other development related overheads.

The following table sets out a breakdown of the cost of sales of Project Company B during the Reporting Period:

		Year ended 31 December			Nine months ended 30 September	
		2019	2020	2021	2021	2022
					(unaudited)	
Cost of sales	*RMB'000*	–	2,238,159	80,504	51,633	19,426

Note:

(a) The cost of sales was in line with that of revenue for each of FY2019, FY2020 and FY2021 and each of the nine months ended 30 September 2021 and 2022.

Selling expenses

During the Reporting Period, Project Company B's selling expenses mainly consisted of (i) sales commission; (ii) salaries and other staff cost; and (iii) promotion and advertising cost.

The higher amount of selling expenses for FY2019 and FY2020 was mainly due to higher promotion and advertising cost and sales commission incurred during the key pre-sale and delivery stages of the project in FY2019 and FY2020, respectively.

The decrease in selling expenses incurred in FY2021 and afterwards was in line with the reduction of the contracted sales and delivery amounts.

Income tax expenses

Income tax expenses represent profit tax for the year. The higher amount of income tax for FY2020 was mainly due to the more profits generated from properties delivered in 2020. No material Income tax expenses were recognized in 2021 and afterwards since the profit recognized from the delivery was significantly reduced after a substantial portion of the properties under the project were delivered in the first half of 2020.

Bank balances and cash (including pledged bank deposits)

As at 31 December 2019, 2020, 2021 and 30 September 2022, bank balances and cash (including pledged bank deposits) of Project Company B amounted to RMB353.4 million, RMB73.9 million, RMB80.6 million and RMB19.6 million, respectively. All the cash and bank balances held by Project Company B were mainly generated from property sales and denominated in RMB. The decrease in cash and bank balances during the Reporting Period was attributed to the increase in advances to the shareholders. Since Project Company B had no interest bearing borrowings, the gearing ratio of the Project Company B was nil as at 31 December 2019, 2020, 2021 and 30 September 2022.

Inventory of property

For FY2019, FY2020, FY2021 and 9M2022, the inventory of property of Project Company B was amounted to RMB1,900.4 million, RMB119.1 million, RMB38.6 million and RMB19.2 million, respectively. The inventory of property mainly included the land premium of land use right, together with the project's ancillary costs; design costs; construction costs; capitalized financing costs and other development related overheads. Since Project Company B delivered a substantial portion of its properties in first half of 2020, the inventory balance significantly dropped as at the end of 2020.

Contract liabilities

The pre-sales of the properties under Project B commenced from 2018 onwards in which Project Company B received the deposits in the course of pre-sales. As at 31 December 2019, 2020, 2021 and 30 September 2022, the cumulative deposits Project Company B which received with the properties yet to be delivered amounted to RMB2,624.7 million, RMB35.2 million, RMB7.0 million and RMB2.8 million respectively. While the properties were substantially delivered to the customers in the first half of 2020, the pre-sales deposit balance significantly reduced as at the end of 2020. Such amount is reflected under contract liabilities in the statement of financial position.

Liquidity, Financial Resources, and Capital Structure

Project Company B financed its operations and working capital requirements primarily through a combination of excess cash of its operational business activities and capital injection.

Charge on Assets

Pledged bank deposits of RMB13.2 million, RMB13.4 million, nil and nil as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, were pledged as guarantee for the construction of properties of Project Company B. Save for the pledged bank deposits, Project Company B had not charged any of its assets as at 31 December 2019, 2020 and 2021 and 30 September 2022.

Foreign Currency and Hedging

Project Company B conducts its business in the PRC and all of its transactions are denominated in RMB and therefore it does not have any foreign exchange risk exposure.

Contingent Liabilities

As at 31 December 2019, 2020, 2021, and 30 September 2022, Project Company B provided guarantees of RMB919.4 million, RMB972.3 million, RMB106.3 million and RMB5.5 million to banks in favour of its customers in respect of the mortgage loans provided by the banks to such customers for the purchase of properties under Project B. These guarantees provided by Project Company B to the banks have been or will be released upon receiving the building ownership certificate of the respective property by the banks from the customers as a pledge for security to the mortgage loan granted. The substantial reduction of the balance as at 31 December 2021 and 30 September 2022 were due to the delivery of the properties to the customers in 2020. Save as above, Project Company B did not have any material contingent liabilities.

Employee and Remuneration Policies

As at 31 December 2019 and 2020, the number of employees in Project Company B was approximately 28 and 11, respectively. As at 31 December 2021 and onwards, Project Company B did not have any employees based in the PRC since Project B had been completed and a substantial portion of the properties under the project had been delivered to customers.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

As at 31 December 2019, 2020, 2021, and 30 September 2022, Project Company B did not have material acquisitions and disposals of subsidiaries, associates, and joint ventures.

Significant Investments

During the Reporting Period, Project Company B did not have any significant investments.

Plans for New Business, Material Investments and Capital Assets

As at 30 September 2022, Project Company B did not have any future plan for new business, material investments or capital assets acquisitions.

Subsequent event

On 24 November 2022, the RK Group entered into the Exit Agreement B, pursuant to which the RK Group agreed, subject to fulfilment of the conditions precedent, to purchase the Equity Interest B for a consideration of RMB398.7 million. Upon Completion, Project Company B will become a wholly-owned subsidiary of the RK Group.

The following is the text of a valuation report, prepared for the purpose of incorporation in this circular received from RHL Appraisal Limited., an independent valuer, in connection with its valuation as at 30 September 2022 of the properties on Site A and Site B.

永利行評值顧問有限公司
RHL Appraisal Limited
Corporate Valuation & Advisory
T +852 3408 3188
F +852 2736 9284
Room 1010, 10/F, Star House,
Tsimshatsui, Hong Kong

23 December 2022

The Board of Directors
Road King Infrastructure Limited
5th Floor, Tower 6,
The Gateway,
No. 9 Canton Road,
Tsimshatsui,
Kowloon,
Hong Kong

Dear Sir/Madam,

INSTRUCTIONS

We refer to your instruction for us to value the property interest as detailed in the enclosed "Property Particulars and Opinion of Value" ("the Property") held by Road King Infrastructure Limited (the "Company") together with its subsidiaries (the "Group") located in the People's Republic of China ("PRC"). We confirm that we have carried out property inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 30 September 2022 (the "Valuation Date").

This letter which forms part of our valuation report explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigations and limiting conditions of this valuation.

BASIS OF VALUATION

The valuation is our opinion of the market value ("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 wherein the parties had each acted knowledgeably prudently and without compulsion.

Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase and without offset for any associated taxes or potential taxes.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION METHODOLOGY

Direct comparison method is adopted based on the principle of substitution, where comparison is made based on prices realized on actual sales and/or asking prices of comparable properties. Comparable properties of similar size, scale, nature, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

VALUATION CONSIDERATIONS

In valuing the property interest, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the International Valuation Standards 2022.

VALUATION ASSUMPTION

In our valuation, unless otherwise stated, we have assumed that:

i. all necessary statutory approvals for the Property or the subject building of which the Property forms part of their use have been obtained;

ii. transferable land use rights in respect of the Property for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid;

iii. the owners of the Property have enforceable titles to the Property and have free and uninterrupted rights to use, occupy or assign the Property for the whole of the respective unexpired terms as granted;

iv. no deleterious or hazardous materials or techniques have been used in the construction of the Property;

v. the Property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and that good title can be shown;

vi. the Property is connected to main services and sewers which are available on normal terms; and

vii. the cost of repairs and maintenance to the buildings of which the Property are shared among all owners of the building, and that there are no onerous liabilities outstanding.

TITLE INVESTIGATION

We have been shown copies of various documents relating to the Property. However, we have not examined the original documents to verify the existing titles to the Property or any amendment which does not appear on the copies handed to us. We have relied considerably on the information given by the Company's PRC legal advisers, Global Law Office, concerning the validity of the titles to the Property.

LIMITING CONDITIONS

We have conducted on-site inspections to the Property on 21 October 2022 by Mr. He Feng who is a registered real estate appraiser in the PRC. During the course of 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.

We have not carried out detailed on-site measurement to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the documents handed to us are correct. All dimensions, measurements and areas are approximate.

Should it be discovered that contamination, subsidence or other latent defects exists in the Property or on adjoining or neighboring land or that the Property had been or are being put to contaminated use, we reserve right to revise our opinion of value.

We have relied very considerable extent on the information provided by the Group and have accepted advices given to us on such matters, in particular, but not limited to tenure, planning approvals, statutory notices, easements, particulars of occupancy, size and floor areas and all other relevant matters in the identification of the Property. The plans including but not limited to location plan, site plan, lot index plan, outline zoning plan, building plan if any, in the report are included to assist the reader to identify the Property for reference only and we assume no responsibility for their accuracy.

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

We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of the legal advisers of the Group. Neither have we verified the correctness of any information supplied to us concerning the Property.

REMARKS

We have valued the property interest in Renminbi (RMB).

We enclose herewith the Summary of Values and "Property Particulars and Opinion of Value".

Jessie X. Chen	**Jenny S. L. Mok**
MRICS, MSc (Real Estate), BEcon	*MHKIS, MRICS, BSc*
Senior Associate Director	**Senior Manager**

Ms. Jessie X. Chen is a Registered Professional Surveyor (Valuation) with over 10 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Ms. Chen is a Professional Member of The Royal Institution of Chartered Surveyors.

Ms. Jenny S. L. Mok is a Chartered Surveyor with over 10 years' experience in valuation of properties in HKSAR and mainland China. Ms. Mok is a Professional Member of The Royal Institution of Chartered Surveyors and a Member of The Hong Kong Institute of Surveyors.

SUMMARY OF VALUES

No.	Property	Market Value as at 30 September 2022 *RMB*
1.	Undelivered portions(including pre-sold and unsold)of residential units, retails shop and car parking spaces of Guo Shi Jiu Li located in West of Chechang Road, South of Qingtan West Road, Zhonglou District, Changzhou City, Jiangsu Province, the PRC (位於中華人民共和國常州市鐘樓區車廠路西側，清潭西路南側國仕九禮未交付(包括已預售及未售)之住宅、商鋪及停車位部分)	76,350,000
2.	Undelivered portions (including pre-sold and unsold) of retails shop and car parking space of City Wan Xiang located in East of Longjiang Zhong Road, South of Zijing West Road, West of Chuanfang North Road, North of Zhongwu Avenue, Zhonglou District, Changzhou City, Jiangsu Province, the PRC (位於中華人民共和國江蘇省常州市鐘樓區龍江中路以東，紫荊西路以南，船舫北路以西，中央大道以北城市萬象未交付(包括已預售及未售)之商鋪及停車位部分)	22,940,000
	Total	**99,290,000**

PROPERTY PARTICULARS AND OPINION OF VALUE

No.	Property	Description and tenure	Particulars of occupancy	Market Value as at 30 September 2022 *RMB*
1.	Undelivered portions (including pre-sold and unsold) of residential units, retails shop and car parking spaces of Guo Shi Jiu Li located in West of Chechang Road, South of Qingtan West Road, Zhonglou District, Changzhou City, Jiangsu Province, the PRC （位於中華人民共和國常州市鐘樓區車廠路西側，清潭西路南側國仕九禮未交付（包括已預售及未售）之住宅、商鋪及停車位部分）	Guo Shi Jiu Li (the "Development") is a large-scale comprehensive development consisting of various residential blocks, retail and car parking space. The property comprises various residential and retail units with a total gross floor area of approximately 1,674.07 sq.m. (18,020 sq.ft.) and 402 underground car parking space completed in 2021. The land use rights of the property have been granted for a term of 70 years for residential use expiring on 12 August 2088 and 40 years for commercial use expiring on 12 August 2058.	The Property is currently vacant	76,350,000 (SEVENTY SIX MILLION AND THREE HUNDRED FIFTY THOUSAND ONLY)

Notes:

1. Pursuant to the Real Estate Right Certificate - Su [2018] Changzhou Real Estate No. 0071008 dated 6 September 2018, the land use rights of the property with a total site area of approximately 60,856 sq.m. have been granted to 常州路勁雅居房地產開發有限公司 ("常州雅居") for a land use term expiring on 12 August 2058 for commercial use and 12 August 2088 for residential use.

2. The Property was completed but has not been granted with individual real estate title certificate.

3. Pursuant to the Construction Project Completion Acceptance Record – 3204041809050101-JX-002 dated 29 January 2021, various properties of the Development, portions of which attributed to the Properties, with a total gross floor area of approximately 174,099.98 sq.m. (123,526.21 sq.m above ground and 50,573.77 sq.m. below ground) have been completed.

4. Breakdown area of the Property are as below:

Usage	No. of Car Parking Space	Approximately Gross Floor Area (sq.m.)
Residential	/	1,297.70
Retail	/	376.37
Car Parking Space	402	14,707.02
Total	**402**	**16,381.09**

5. As advised by the company, residential portions of the Property with a total gross floor area of approximately 852.26 sq.m., with total consideration of approximately RMB16,380,000 have been sold but not yet delivered to the purchasers. We have taken into account such consideration in our valuation.

6. We have been provided with a legal opinion by the Group's PRC legal adviser, Global Law Office, regarding the legal title of the property, which contains, inter alia, the followings:

   i. the land use right is legally held by the 常州雅居;

   ii. 常州雅居 has obtained all relevant permit for development and construction of the Property; and

   iii. 常州雅居 has obtained relevant pre-sale permit to sell the Property in the market.

PROPERTY PARTICULARS AND OPINION OF VALUE

No.	**Property**	**Description and tenure**	**Particulars of occupancy**	**Market Value as at 30 September 2022** *RMB*
2.	Undelivered portions (including pre-sold and unsold) of retails shop and car parking space of City Wan Xiang located in East of Longjiang Zhong Road, South of Zijing West Road, West of Chuanfang North Road, North of Zhongwu Avenue, Zhonglou District, Changzhou City, Jiangsu Province, the PRC （位於中華人民共和國江蘇省常州市鐘樓區龍江中路以東，紫荊西路以南，船舫北路以西，中央大道以北城市萬象未交付（包括已預售及未售）之商鋪及停車位部分）	City Wan Xiang (the “Development”) is a large-scale comprehensive development consisting of various residential block, retail and car parking space. The property comprises various retail units with a total gross floor area of approximately 1,419.68 sq.m. (15,281 sq.ft.) and 79 underground car parking spaces completed in 2020. The land use rights of the property have been granted for a term of 70 years for residential use expiring on 29 January 2088 and 40 years for commercial use expiring on 29 January 2058.	The Property is currently vacant	22,940,000 (TWENTY TWO MILLION AND NINE HUNDRED FORTY THOUSAND ONLY)

Notes:

1. Pursuant to the Real Estate Right Certificate - Su [2018] Changzhou Real Estate No. 0013483 dated 6 March 2018, the land use rights of the property with a total site area of approximately 108,618 sq.m. have been granted to 常州勁雅房地產開發有限公司 ("常州勁雅") for a land use term expiring on 29 January 2058 for commercial use and 29 January 2088 for residential use.

2. The Property was completed but has not been granted with individual real estate title certificate.

3. Pursuant to various Construction Project Completion Acceptance Records, various properties of the Development, portions of which attributed to the Properties, with a total gross floor area of approximately 289,391.12 sq.m. have been completed with details as below:

No.	**Record Date**	**Gross Floor Area (sq.m.)**	
		Above Ground	**Under Ground**
3204041802280101-JX-002	29 June 2020	44,588.64	13,432.40
3204041802280101-JX-003	25 September 2020	77,606.25	24,357.19
3204041802280101-JX-005	31 December 2020	94,405.65	35,000.99
	Total:	**216,600.54**	**72,790.58**

4. Breakdown area of the Property are as below:

Usage	**No. of Car Parking Space**	**Approximately Gross Floor Area (sq.m.)**
Retail	/	1,419.68
Phase 1 Car Parking Space	11	356.06
Phase 2 Car Parking Space	68	1,959.38
Total	**79**	**3,735.12**

5. As advised by the company, retail portion of the Property with a total gross floor area of approximately 1,419.68 sq.m., with total consideration of approximately RMB14,640,000 have been pre-sold but not yet delivered to the purchasers. We have taken into account such consideration in our valuation.

6. We have been provided with a legal opinion by the Group's PRC legal adviser, Global Law Office, regarding the legal title of the property, which contains, inter alia, the followings:

   i. the land use right is legally held by the 常州勁雅;

   ii. 常州勁雅 has obtained all relevant permit for development and construction of the Property; and

   iii. 常州勁雅 has obtained relevant pre-sale permit to sell the Property in the market.

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 respect 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

(i) Directors' interests and short position

As at the Latest Practicable Date, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Shares

Name of Directors	Nature of interest	Notes	Number of Shares held Long position	 Short position	Percentage of holding % (Note 3)
Zen Wei Peu, Derek	Personal	1 & 2	24,649,000	–	3.29
Fong Shiu Leung, Keter	Personal	1	260,000	–	0.03

Notes:

1. Long position in the Shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).

2. Included in the balance is 1,000,000 Shares held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.

3. The percentage was calculated based on 749,336,566 Shares in issue as at the Latest Practicable Date.

(b) Underlying Shares – Share Options

The Share Option Scheme was adopted by the Company on 8 May 2013. Particulars of the Share Option Scheme are set out in note 29 to the audited consolidated financial statements in the Company's annual report for the year ended 31 December 2021.

(c) Debentures of Associated Corporations

Name of Directors	Name of companies	Nature of interest	Type of debentures	Principal amount held
Zen Wei Peu, Derek	RKI Overseas Finance 2017 (A) Limited	Personal	US$300 million 7% senior guaranteed perpetual capital securities	US$800,000 *(Note 1)* (long position)
	RKPF Overseas 2019 (E) Limited	Personal	US$300 million 7.75% senior guaranteed fixed-spread perpetual capital securities	US$43,900,000 *(Note 2)* (long position)
	RKPF Overseas 2019 (A) Limited	Personal	US$400 million 7.875% guaranteed senior notes	US$12,000,000 *(Note 3)* (long position)
	RKPF Overseas 2019 (A) Limited	Personal	US$480 million 6.7% guaranteed senior notes	US$12,500,000 *(Note4)* (long position)
	RKPF Overseas 2019 (A) Limited	Personal	US$300 million 5.9% guaranteed senior notes	US$2,000,000 *(Note 5)* (long position)
	RKPF Overseas 2019 (A) Limited	Personal	US$416 million 6% guaranteed senior notes	US$3,000,000 *(Note 6)* (long position)
Wong Wai Ho	RKI Overseas Finance 2017 (A) Limited	Personal	US$300 million 7% senior guaranteed perpetual capital securities	US$200,000 (long position)
	RKPF Overseas 2019 (A) Limited	Personal	US$480 million 6.7% guaranteed senior notes	US$200,000 (long position)

Notes:

1. A principal amount of US$400,000 of US$300 million 7% senior guaranteed perpetual capital securities was held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.

2. A principal amount of US$1,300,000 of US$300 million 7.75% senior guaranteed fixed-spread perpetual capital securities was held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek. A principal amount of US$42,600,000 of US$300 million 7.75% senior guaranteed fixed-spread perpetual capital securities was held by Talent Club Company Limited, which is wholly-owned by Mr. Zen Wei Peu, Derek and interest of such securities has been pledged to an independent third party other than a qualified lender.

3. A principal amount of US$9,000,000 of US$400 million 7.875% guaranteed senior notes was held by Talent Club Company Limited, which is wholly-owned by Mr. Zen Wei Peu, Derek and interest of such securities has been pledged to an independent third party other than a qualified lender.

4. A principal amount of US$3,500,000 of US$480 million 6.7% guaranteed senior notes was held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek. A principal amount of US$9,000,000 of US$480 million 6.7% guaranteed senior notes was held by Talent Club Company Limited, which is wholly-owned by Mr. Zen Wei Peu, Derek and interest of such notes has been pledged to an independent third party other than a qualified lender.

5. A principal amount of US$1,000,000 of US$300 million 5.9% guaranteed senior notes was held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.

6. A principal amount of US$1,000,000 of US$416 million 6% guaranteed senior notes was held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek. A principal amount of US$1,000,000 of US$416 million 6% guaranteed senior notes was held by Talent Club Company Limited, which is wholly-owned by Mr. Zen Wei Peu, Derek and interest of such notes has been pledged to an independent third party other than a qualified lender.

Save as disclosed above, none of the Directors or their associates had or was deemed to have any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, none of the Directors or their spouses or children under 18 years of age was granted or had exercised any rights to subscribe for any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

(ii) Substantial Shareholders' interests

As at the Latest Practicable Date, the interests or short positions of every person, other than the Directors, in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

		Number of Shares held		
Name of Shareholders	**Nature of interest**	**Long position** *(Note 1)*	**Short position**	**Percentage of holding %** *(Note 11)*
Wai Kee Holdings Limited *(Note 2)*	Interest in controlled corporation	336,608,428	–	44.92
Wai Kee (Zens) Holding Limited *(Note 3)*	Interest in controlled corporation	336,608,428	–	44.92
Groove Trading Limited *(Note 4)*	Beneficial owner	81,880,000	–	10.93
Wai Kee China Investments (BVI) Company Limited *(Note 4)*	Interest in controlled corporation	251,728,428	–	33.59

Name of Shareholders	Nature of interest	Number of Shares held: Long position (Note 1)	Number of Shares held: Short position	Percentage of holding % *(Note 11)*
Wai Kee China Investments Company Limited *(Note 5)*	Interest in controlled corporation	251,728,428	–	33.59
ZWP Investments Limited *(Note 6)*	Beneficial owner	251,728,428	–	33.59
深業集團有限公司(Shum Yip Group Limited*) *(Note 7)*	Interest in controlled corporation	202,334,142	–	27.00
Shum Yip Holdings Company Limited *(Note 8)*	Interest in controlled corporation	202,334,142	–	27.00
Shenzhen Investment Limited ("Shenzhen Investment") *(Note 9)*	Interest in controlled corporation	202,334,142	–	27.00
Brightful Investment Holding Limited *(Note 10)*	Beneficial owner	202,334,142	–	27.00

Notes:

1. Long position in the Shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).

2. Wai Kee Holdings Limited ("Wai Kee") is deemed to be interested in the Shares through its interests in (i) its wholly-owned subsidiaries, namely Wai Kee (Zens) Holding Limited, Groove Trading Limited, Wai Kee China Investments (BVI) Company Limited, Wai Kee China Investments Company Limited, ZWP Investments Limited and Top Horizon Holdings Limited; and (ii) its subsidiaries, namely Build King Holdings Limited, Top Tactic Holdings Limited, Amazing Reward Group Limited, Build King Management Limited and Build King Civil Engineering Limited, which beneficially held 3,000,000 Shares. Mr. Zen Wei Peu, Derek is a director of Wai Kee.

3. Wai Kee (Zens) Holding Limited is a direct wholly-owned subsidiary of Wai Kee. Mr. Zen Wei Peu, Derek is a director of Wai Kee (Zens) Holding Limited.

4. Groove Trading Limited and Wai Kee China Investments (BVI) Company Limited are direct wholly-owned subsidiaries of Wai Kee (Zens) Holding Limited. Mr. Zen Wei Peu, Derek is a director of Groove Trading Limited and Wai Kee China Investments (BVI) Company Limited.

5. Wai Kee China Investments Company Limited is a direct wholly-owned subsidiary of Wai Kee China Investments (BVI) Company Limited. Mr. Zen Wei Peu, Derek is a director of Wai Kee China Investments Company Limited.

6. ZWP Investments Limited is a direct wholly-owned subsidiary of Wai Kee China Investments Company Limited. Mr. Zen Wei Peu, Derek is a director of ZWP Investments Limited.

7. 深業集團有限公司(Shum Yip Group Limited*) (incorporated in the PRC) is deemed to be interested in the Shares through its 90% interests in Shum Yip Holdings Company Limited (incorporated in Hong Kong). Ms. Cai Xun is a director of 深業集團有限公司(Shum Yip Group Limited*).

8. Shum Yip Holdings Company Limited (incorporated in Hong Kong) is deemed to be interested in the Shares through its approximately 63.19% interests in Shenzhen Investment. Ms. Cai Xun is a director of Shum Yip Holdings Company Limited.

9. Shenzhen Investment is deemed to be interested in the Shares through its interests in its wholly-owned subsidiary, namely Brightful Investment Holding Limited. Ms. Cai Xun is a director of Shenzhen Investment.

10. Brightful Investment Holding Limited is a direct wholly-owned subsidiary of Shenzhen Investment.

11. The percentage was calculated based on 749,336,566 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, no other person (other than the Directors) had an interest or a short position in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

* *for identification purpose only*

3. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS AND IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2021, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the RK Group, or are proposed to be acquired or disposed of by or leased to any member of the RK Group.

None of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the RK Group as a whole.

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and their close associates had any interests in a business, which competes or may compete with the business of the RK Group:

Name of Directors	Name of entities whose business is considered to compete or likely to compete with the businesses of the Company	Description of business of the entities which is considered to compete or likely to compete with the businesses of the Company	Nature of interest of the Directors in the entities
Cai Xun	Shenzhen Investment group of companies (including its holding companies)	Property development, investment and management in the PRC	Director
Xu Enli	Shenzhen Investment group of companies (including its holding companies)	Property development, investment and management in PRC	Vice President

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposes to enter into any service contract with any member of the RK Group (excluding contracts expiring or which may be terminated by the Company within a year without payment of any compensation (other than statutory compensation)).

5. MATERIAL CONTRACTS

Neither the Company nor any other member of the RK Group has entered into any material contracts (not being contracts entered into in the ordinary course of business of the RK Group) within the two years immediately preceding the date of this circular.

6. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the RK Group was engaged in any litigation, claim or arbitration of material importance and to the best of the Directors' knowledge, information and belief, there was no litigation, claim or arbitration of material importance pending or threatened against the Company or any member of the RK Group.

7. EXPERTS AND CONSENT

The following is the qualification of the experts whose report is contained or referred to in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified public accountants
Ernst & Young	Certified public accountants
RHL Appraisal Limited	Independent professional valuer
Global Law Office	PRC legal adviser

Each of the above named experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and report and the reference to its name in the form and context in which they appear.

As at the Latest Practicable Date, each of the above named experts did not have any shareholding in any member of the RK 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 RK Group.

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

8. GENERAL

1. The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

2. The principal place of business of the Company is Suite 501, 5th Floor, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

3. The branch share registrar of the Company in Hong Kong is Tricor Secretaries Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

4. The company secretary of the Company is Mr. Lee Tak Fai, Kennedy. He is a fellow of both the Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants.

5. In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be on display on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (https://www.roadking.com.hk) for a period of not less than 14 days prior to the SGM:

(a) the Exit Agreement A;

(b) the Exit Agreement B;

(c) the Set-off Agreement;

(d) the accountants' reports on Project Company A and Project Company B prepared by Ernst & Young, the texts of which are set out in Appendix IIIA and Appendix IIIB respectively to this circular;

(e) the assurance report from Deloitte Touche Tohmatsu on the compilation of Unaudited Pro Forma Financial Information, the text of which is set out in Appendix II to this circular;

(f) the valuation report prepared by RHL Appraisal Limited on the properties on Site A and Site B, the text of which is set out in Appendix V to this circular;

(g) the legal opinion of Global Law Office dated 23 December 2022; and

(h) the written consents referred to in the paragraph headed "Experts and Consent" in this Appendix.

ROAD KING INFRASTRUCTURE LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1098)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting (the "**Meeting**") of Road King Infrastructure Limited (the "**Company**", and together with its subsidiaries, the "**Group**") will be held at Suite 501, 5th Floor, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 13 January 2023 at 9:30 a.m. for the purpose of considering, and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"THAT

(i) the acquisition of 50% equity interest in Changzhou Road King Yaju Properties Development Co., Ltd*（常州路勁雅居房地產開發有限公司）("**Equity Interest A**") by Changzhou RK Properties Developments Ltd.*（常州路勁房地產開發有限公司）("**RK Purchaser**") pursuant to the exit agreement entered into between the RK Purchaser and Nantong Yaxin Enterprise Management Consulting Co., Ltd*（南通雅信企業管理諮詢有限公司）and dated 24 November 2022 (a copy of which has been produced to this Meeting and marked "A" and initialed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder be and is hereby approved;

(ii) the acquisition of 49% equity interest in Changzhou Jinya Properties Development Co., Ltd*（常州勁雅房地產開發有限公司）("**Equity Interest B**") by the RK Purchaser pursuant to the exit agreement entered into between the RK Purchaser and Changzhou Agile Properties Development Co., Ltd*（常州雅居樂房地產開發有限公司）, Nantong Hezhong Enterprise Management Co., Ltd*（南通合眾企業管理有限公司）and Guangzhou Tongxing Enterprise Management Co., Ltd*（廣州同興企業管理有限公司）and dated 24 November 2022 (a copy of which has been produced to this Meeting and marked "B" and initialed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder be and is hereby approved; and

(iii) the Directors of the Company be and are hereby authorised to do all things and acts which they consider necessary, desirable or expedient in connection with the acquisitions of Equity Interest A and Equity Interest B."

* *for identification purpose only*

By order of the Board
Lee Tak Fai, Kennedy
Company Secretary

Hong Kong, 23 December 2022

Notes:

1. The register of members of the Company will be closed from Thursday, 12 January 2023 to Friday, 13 January 2023, both dates inclusive, during which period no transfer of shares of the Company will be registered for the purpose of determining the eligibility of the members of the Company to attend and vote at the Meeting. All transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited (the "**Branch Share Registrar**"), at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:00 p.m. on Wednesday, 11 January 2023 for registration.

2. Any member of the Company entitled to attend and vote at the Meeting shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. A member of the Company who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her and vote on his/her behalf at the Meeting or at a class meeting.

3. The form of proxy must be signed by a member of the Company or the attorney duly authorised in writing or, in the case of a corporation, must be either under its seal and under the hand of an officer or attorney or other person duly authorised to sign the same. In case of joint holders, the signature of any one of them is sufficient.

4. To be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power of attorney or authority, must be delivered to the office of the Branch Share Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

5. Delivery of the form of proxy will not preclude a member of the Company from attending and voting in person at the Meeting or at any adjournment thereof. In such event, the form of proxy shall be deemed to be revoked.

6. In the case of joint holders of any share, if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of joint holding.

7. The Company will undertake the following precautionary measures to safeguard the health and well-being of the shareholders (or their proxies) who are attending the Meeting in person, including body temperature check, health declaration, wearing surgical face mask, access restriction for quarantine participants according to the Department of Health of Hong Kong, plus safe distancing measures for queue management and seating at the meeting venue. To reduce close contact between attendees at the Meeting, **no refreshment will be served at the meeting venue**. Any person who refuses to co-operate with the above precautionary measures or is detected to have a fever (i.e. over 37.0 degrees Celsius) or exhibiting flu-like symptoms will not be admitted to the meeting venue.