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 you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant, or other professional adviser.

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

Boill Healthcare Holdings Limited
保集健康控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1246)

(1) PROPOSED SHARE CONSOLIDATION;
(2) PROPOSED CHANGE IN BOARD LOT SIZE;
(3) MAJOR AND CONNECTED TRANSACTION INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE;
(4) APPLICATION FOR WHITEWASH WAIVER;
AND
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

Lego Corporate Finance Limited
力高企業融資有限公司

Independent Financial Adviser to the Independent Board Committee, the Takeovers Code Independent Board Committee and the Independent Shareholders

OPTIMA CAPITAL
Optima Capital Limited

Capitalised terms used in this cover page shall have the meanings as those defined in this circular.

A letter from the Board is set out on pages 10 to 33 of this circular. A letter from the Independent Board Committee is set out on page 34 of this circular. A letter from the Takeovers Code Independent Board Committee is set out on pages 35 to 36 of this circular. A letter from Optima Capital Limited containing its advice and recommendation to the Independent Board Committee, the Takeovers Code Independent Board Committee and the Independent Shareholders is set out on pages 37 to 83 of this circular. A notice convening the EGM to be held at Room 1703–1704, WorldWide House, 19 Des Voeux Road Central, Central, Hong Kong at 10:00 a.m. on 14 September 2020 is set out on pages EGM–1 to EGM–3 of this circular at which ordinary resolutions will be proposed to approve, among other things, the Share Consolidation, the Agreement and the transactions contemplated thereunder (including the proposed grant of the Specific Mandate) and the Whitewash Waiver.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you propose to attend the EGM, you are requested to complete the accompanying form of proxy for use at the EGM in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so desire.

PRECAUTIONARY MEASURES AND SPECIAL ARRANGEMENTS FOR THE EGM

Please refer to page 1 of this circular for measures being implemented at the EGM to try to prevent and control the spread of the novel coronavirus ("**COVID-19**"), including, without limitation:

— all attendees being required to (a) undergo body temperature screening; and (b) wear surgical masks prior to admission to the EGM venue;
— all attendees who are subject to health quarantine prescribed by the Hong Kong Government not being admitted to the EGM venue;
— all attendees being required to wear surgical masks throughout the EGM;
— appropriate seating arrangement being implemented; and
— no distribution of corporate gift or refreshment.

The Company reminds attendees that they should carefully consider the risks of attending the EGM, taking into account their own personal circumstances. Furthermore, the Company would like to remind the Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising their voting rights and strongly recommends that Shareholders appoint the chairman of the EGM as their proxy and submit their form of proxy as early as possible. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

25 August 2020

CONTENTS

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

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

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

(iii) All attendees are required to wear a surgical face mask throughout the meeting and inside the meeting venue, and to maintain a safe distance between seats; and

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

Pursuant to the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Cap. 599G) (the "**Regulation**"), group gatherings of more than 20 persons for shareholders' meetings are required to be accommodated in separate rooms or partitioned areas of not more than 20 persons each.

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

The Company will keep the Shareholders informed by way of further announcement if there are any material updates on the Regulation which would affect the EGM.

If any Shareholder chooses not to attend the meeting in person but has any question about any resolution or about the Company, or has any matter for communication with the Board, he/she is welcome to send such question or matter in writing to our head office and principal place of business in Hong Kong.

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

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong
Tel: 2980 1333

In this circular, the following expressions shall have the meanings as set out below unless the context requires otherwise:

"Acquisition"	the acquisition of the entire issued share capital of the Target Company by the Company from the Vendor pursuant to the terms and conditions of the Agreement;
"acting in concert"	has the meaning ascribed to it under the Takeovers Code;
"Agreement"	the conditional sale and purchase agreement dated 24 July 2020 entered into between the Company as purchaser and the Vendor as vendor for the Acquisition;
"Announcement"	the announcement of the Company dated 24 July 2020 relating to, amongst others, the Share Consolidation, the Change in Board Lot Size, the Acquisition and the application for the Whitewash Waiver;
"associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors;
"Boill Holding Group"	保集控股集團有限公司 (Boill Holding Group Co., Ltd.*), a company established in the PRC with limited liability;
"Business Day"	a day on which banks are generally open for business in Hong Kong (excluding Saturdays, Sundays, public holidays and any weekday on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon);
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC;
"CCASS Operational Procedures"	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time;
"Change in Board Lot Size"	the change in board lot size of the Shares for trading on the Stock Exchange from 20,000 Existing Shares to 10,000 Consolidated Shares;

"Company"	Boill Healthcare Holdings Limited (保集健康控股有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1246);
"Completion"	completion of the Acquisition;
"Completion Date"	the fifth Business Day following the date on which all the conditions precedent have been satisfied or waived in accordance with the Agreement or such other Business Day as the Parties may agree in writing;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"Consideration"	the total consideration of HK$157,700,000 payable by the Company in respect of the Acquisition under the Agreement;
"Consideration Shares"	new Consolidated Shares (after the Share Consolidation having become effective) to be allotted and issued by the Company to the Vendor to settle the Consideration on the Completion Date, and a "Consideration Share" shall be construed accordingly;
"Consolidated Share(s)"	ordinary share(s) of the Company of HK$0.25 each immediately after the Share Consolidation having become effective;
"Director(s)"	the director(s) of the Company;
"EGM"	the extraordinary general meeting of the Company to be held at Room 1703–1704, WorldWide House, 19 Des Voeux Road Central, Central, Hong Kong at 10:00 a.m. on 14 September 2020 to approve, among others, the Share Consolidation, the Acquisition, the Whitewash Waiver, the proposed grant of the Specific Mandate and the allotment and issue of the Consideration Shares in accordance with the Listing Rules and the Takeovers Code;
"Enlarged Group"	the Group as enlarged by the Target Group and the Project Company;
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
"Existing Share(s)"	ordinary share(s) of the Company of HK$0.025 each prior to the Share Consolidation having become effective;
"General Rules of CCASS"	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures;

"Group"	the Company and its subsidiaries;
"HK Co"	Able Well International Investment Limited (佳匯國際投資有限公司), a company incorporated in Hong Kong with limited liability;
"HKFRSs"	Hong Kong Financial Reporting Standards;
"HKSCC"	Hong Kong Securities Clearing Company Limited;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee"	the independent board committee, comprising all three independent non-executive Directors, established by the Company to advise the Independent Shareholders in connection with the Acquisition;
"Independent Financial Adviser"	Optima Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee, the Takeovers Code Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the Whitewash Waiver;
"Independent Shareholders"	Shareholders other than (i) the Vendor, its associates and parties acting in concert with it, namely Mr. Qiu, Ms. Huang and Liyao; and (ii) those who are interested in, or involved in, the Acquisition and/or the Whitewash Waiver;
"Issue Price"	HK$0.35 per Consideration Share;
"Last Trading Day"	23 July 2020, being the last trading day for the Shares on the Stock Exchange prior to the date of the Agreement;
"Latest Practicable Date"	21 August 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
"Listing Committee"	the Listing Committee of the Stock Exchange;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;

"Liyao"	Liyao Investment Limited (立耀投資有限公司), a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Qiu;
"Long-Stop Date"	31 December 2020, or such other date as agreed between the Vendor and the Company in writing;
"Mr. Qiu"	Mr. Qiu Dongfang, a substantial shareholder of the Company;
"Ms. Huang"	Ms. Huang Jian, spouse of Mr. Qiu;
"Party(ies)"	parties to the Agreement;
"PRC"	the People's Republic of China;
"PRC Co 1"	象山保集國際貿易有限公司 (Xiangshan Boill International Trade Company Limited*), a company established in the PRC with limited liability;
"PRC Co 2"	上海匯晅資產管理有限公司 (Shanghai Huixuan Asset Management Company Limited*), a company established in the PRC with limited liability;
"Pre-Acquisition Reorganisation"	the proposed reorganisation involving the transfer of 99% equity interests in the Project Company from the Project Holding Company to the Target Company at an expected consideration of RMB99,000,000 based on the registered share capital of the Project Company, details of which can be found in the paragraph headed "The shareholding structure of the Target Group" in the "Letter from the Board" of this circular;
"Project"	the property development project at No. 1 Yihe Road, located at the east of Xinyang Road, south of Yihe Road, Sanmao Street, Yangzhong City, Zhenjiang City, Jiangsu Province, the PRC with a total gross floor area of approximately 173,457 sq.m. and a total site area of approximately 53,339.83 sq.m.;
"Project Company"	鎮江保揚置業有限公司 (Zhenjiang Baoyang Real Estate Company Limited*), a company established in the PRC with limited liability;
"Project Holding Company"	上海垤都實業有限公司 (Shanghai Diedu Industrial Company Limited*), a company established in the PRC with limited liability;
"Relevant Period"	the period commencing six months prior to the date of the Announcement (i.e. 24 January 2020) and ending on the Latest Practicable Date;

"RMB"	Renminbi, the lawful currency of the PRC;
"Sale Shares"	the entire issued share capital of the Target Company;
"SFC"	the Securities and Futures Commission of Hong Kong;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share(s)"	the Existing Share(s) or the Consolidated Share(s), as the case may be;
"Share Consolidation"	the proposed consolidation of every ten (10) Existing Shares into one (1) Consolidated Share;
"Shareholder(s)"	holder(s) of the Share(s);
"Specific Mandate"	the specific mandate to be obtained by the Board from the Independent Shareholders at the EGM for the allotment and issue of the Consideration Shares;
"sq.m."	square metres;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules;
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers;
"Takeovers Code Independent Board Committee"	the independent board committee, comprising a non-executive Director and all three independent non-executive Directors, established by the Company in accordance with the Takeovers Code to advise the Independent Shareholders in connection with the Acquisition and the Whitewash Waiver;
"Target Company"	Set Flourish Ventures Limited (立興創投有限公司), a company incorporated in the British Virgin Islands with limited liability and is wholly owned by the Vendor as at the Latest Practicable Date;
"Target Group"	the Target Company and its subsidiaries;
"Vendor"	Boill International Co., Limited (保集國際有限公司), a company incorporated in Hong Kong with limited liability;

"Whitewash Waiver"	a waiver by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code from the obligation of the Vendor to make a mandatory general offer for all the Shares that are not already owned or agreed to be acquired by it and parties acting in concert with it as a result of the Company allotting and issuing the Consideration Shares to the Vendor on the Completion Date; and
"%"	per cent

* *The English translation of Chinese names is included for information purposes only and should not be regarded as their official English translation*

For the purpose of this circular, unless otherwise indicated, the conversion of RMB into HK$ is based on the exchange rate of RMB1.00 = HK$1.0972. Such rate is for the purpose of illustration only and does not constitute a representation that any amount in question in RMB or HK$ has been or could have been or may be converted at such or another rate or at all.

The expected timetable for the implementation of the Share Consolidation and the Change in Board Lot Size is as follows:

Event	**Time and date 2020**
Latest date and time for lodging transfer documents in order to qualify for attending and voting at the EGM	4:30 p.m. on Monday, 7 September
Closure of register of members for determining the entitlement to attend and vote at the EGM	Tuesday, 8 September to Monday, 14 September (both days inclusive)
Latest date and time for lodging forms of proxy for the EGM	10:00 a.m. on Saturday, 12 September
Date and time of the EGM	10:00 a.m. on Monday, 14 September
Announcement of poll results of the EGM	Monday, 14 September

The following events are conditional upon the fulfilment of the conditions for the implementation of the Share Consolidation as set out in the paragraph headed "Conditions of the Share Consolidation" in the section headed "Letter from the Board" in this circular:

Event	**Time and date 2020**
Effective date of the Share Consolidation	Wednesday, 16 September
First day of free exchange of existing share certificates for new share certificates for the Consolidated Shares	Wednesday, 16 September
Commencement of dealings in the Consolidated Shares	9:00 a.m. on Wednesday, 16 September
Original counter for trading in the Existing Shares in board lots of 20,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Wednesday, 16 September

Event	Time and date 2020
Temporary counter for trading in the Consolidated Shares in board lots of 2,000 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Wednesday, 16 September
Original counter for trading in the Consolidated Shares in board lots of 10,000 Consolidated Shares (in the form of new share certificates) re-opens	9:00 a.m. on Wednesday, 30 September
Parallel trading in the Consolidated Shares (in form of new share certificates and existing share certificates) commences	9:00 a.m. on Wednesday, 30 September
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares	9:00 a.m. on Wednesday, 30 September
Temporary counter for trading in the Consolidated Shares in board lots of 2,000 Consolidated Shares (in the form of existing share certificates) closes	4:10 p.m. on Thursday, 22 October
Parallel trading in Consolidated Shares (in form of new share certificates and existing share certificates) ends	4:10 p.m. on Thursday, 22 October
Designated broker ceases to stand in the market to provide matching services for odd lots of the Consolidated Shares	4:10 p.m. on Thursday, 22 October
Latest date and time for free exchange of existing share certificates for new share certificates for the Consolidated Shares	4:30 p.m. on Tuesday, 27 October

All times and dates in this circular refer to Hong Kong local times and dates. The expected timetable set out above is indicative only and may be subject to change. Further announcement(s) will be made as and when appropriate.

Boill Healthcare Holdings Limited
保集健康控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1246)

Executive Directors:
Mr. Dai Dong Xing *(Chairman)*
Mr. Zhang Sheng Hai

Non-executive Director
Mr. Chui Kwong Kau

Independent non-executive Directors:
Mr. Chan Chi Keung Billy
Mr. Wang Zhe
Mr. Xu Liang Wei

Registered Office:
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

Head Office and principal place of business in Hong Kong:
Unit 3704, 37/F
Shun Tak Centre West Tower
168–200 Connaught Road Central
Sheung Wan, Hong Kong

25 August 2020

To the Shareholders

Dear Sir or Madam,

(1) PROPOSED SHARE CONSOLIDATION;
(2) PROPOSED CHANGE IN BOARD LOT SIZE;
(3) MAJOR AND CONNECTED TRANSACTION INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE;
AND
(4) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to provide you with, among other things, (i) further details of the Share Consolidation, the Change in Board Lot Size, the Acquisition and the Whitewash Waiver; (ii) a letter of recommendation from the Independent Board Committee in relation to the Acquisition; (iii) a letter of recommendation from the Takeovers Code Independent Board Committee in relation to the Acquisition and the Whitewash Waiver; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee, the Takeovers Code Independent Board Committee and the Independent

Shareholders in relation to the Acquisition and the Whitewash Waiver; (v) financial information of the Group, the Target Group and the Project Company; (vi) the unaudited pro forma financial information of the Enlarged Group upon Completion; (vii) property valuation reports of the Group and the Project Company; and (viii) the notice convening the EGM.

THE PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every ten (10) Existing Shares be consolidated into one (1) Consolidated Share.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following conditions being satisfied:

(i) the passing of an ordinary resolution by the Shareholders at the EGM to approve the Share Consolidation;

(ii) the Listing Committee granting the approval for listing of, and permission to deal in the Consolidated Shares upon the Share Consolidation becoming effective; and

(iii) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Share Consolidation, if any.

Subject to the satisfaction of all the above conditions, it is expected that the Share Consolidation will become effective one clear Business Day after the date of the EGM.

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK$400,000,000 divided into 16,000,000,000 Shares of HK$0.025 each, of which 9,074,000,000 Existing Shares have been allotted and issued, and are fully paid or credited as fully paid. Upon the Share Consolidation becoming effective and on the basis that the Company does not allot, issue or repurchase any Existing Shares prior thereto, the authorised share capital of the Company is HK$400,000,000 divided into 1,600,000,000 Shares of HK$0.25 each, of which 907,400,000 Consolidated Shares will be in issue.

The Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Existing Shares as at the Latest Practicable Date.

Other than the relevant expenses incurred, the implementation of the Share Consolidation will have no effect on the consolidated total asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position of the Group or the interests of the Shareholders as a whole, save for any fractional Consolidated Shares (if any) to which the Shareholders would otherwise be entitled. The Board believes that the Share Consolidation will not have any material adverse effect on the financial position of the Company.

Status of the Consolidated Shares

Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank *pari passu* in all respects with each other, and the Share Consolidation will not result in any change in the relative rights of the Shareholders.

Listing application

An application has been made by the Company to the Listing Committee for the listing of, and the permission to deal in, the Consolidated Shares.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange upon the Share Consolidation becoming effective, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

None of the Existing Shares are listed or dealt in on any other stock exchange other than the Stock Exchange, and at the time the Share Consolidation becoming effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

OTHER ARRANGEMENTS

Fractional entitlement to Consolidated Shares

Fractional Consolidated Shares, if any, will be disregarded and will not be issued to Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefits of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of share certificates held by such holder.

Shareholders who are concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser and may wish to consider the possibility of buying or selling the Existing Shares in a number sufficient to make up an entitlement to receive a whole number of Consolidated Shares.

Odd lots trading arrangement

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares, the Company has appointed Lego Securities Limited to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares from Wednesday, 30 September 2020 to Thursday, 22 October 2020 (both days inclusive). Shareholders who wish to take advantage of this service should contact Mr. Li Wing Chung of Lego Securities Limited at Room 301, 3/F, China Building, 29 Queen's Road Central, Hong Kong or at telephone number (852) 3188 8055 during office hours (i.e. 9:00 a.m. to 6:00 p.m.) of such period.

Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Shareholders who are in any doubt about the odd lots matching arrangement are recommended to consult their own professional advisers.

Exchange of share certificates

Subject to the Share Consolidation becoming effective, Shareholders may, on or after Wednesday, 16 September 2020 until Tuesday, 27 October 2020 (both days inclusive), submit share certificates for the Existing Shares (in blue colour) to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong to exchange, at the expense of the Company, for new share certificates of the Consolidated Shares (on the basis of ten (10) Existing Shares for one (1) Consolidated Share), which will be in red colour. Thereafter, share certificates of Existing Shares will be accepted for exchange only on payment of a fee of HK$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the Consolidated Shares, whichever the number of certificates cancelled/issued is higher.

Nevertheless, after 4:10 p.m. on Thursday, 22 October 2020, share certificates for the Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for the Consolidated Shares at any time but will not be accepted for trading, settlement and registration.

THE PROPOSED CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Existing Shares were currently traded on the Stock Exchange in the board lot size of 20,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 20,000 Existing Shares to 10,000 Consolidated Shares conditional upon the Share Consolidation becoming effective.

Based on the closing price of HK$0.030 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date, (i) the market value per board lot of 20,000 Existing Shares was HK$600; and (ii) the theoretical market value per board lot of 10,000 Consolidated Shares would be HK$3,000 assuming the Share Consolidation and the Change in Board Lot Size becoming effective.

The Change in Board Lot Size will not result in change in the relative rights of the Shareholders.

REASONS FOR THE PROPOSED SHARE CONSOLIDATION AND THE CHANGE IN BOARD LOT SIZE

The Company is an investment holding company incorporated in the Cayman Islands with limited liability. The Company and its subsidiaries are principally engaged in the property development, healthcare holiday resort development and operation, foundation piling and securities investment.

It is worth noticing that the Existing Shares have predominantly been trading at below HK$0.1 during the past 12 months. Pursuant to the "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 30 August 2019, taking into account the minimum transaction costs for a securities trade, the expected board lot value should be greater than HK$2,000. As at the Latest Practicable Date, the closing price of the Existing Shares was HK$0.030 and the Existing Shares were trading at board lot value of HK$600. For the purpose of reducing transaction costs, the Board proposes the Share Consolidation and the Change in Board Lot Size.

The Share Consolidation and the Change in Board Lot Size reduce the number of new board lots and increases the value of each new board lot. After the Share Consolidation and the Change in Board Lot Size, and based on the closing price of the Existing Shares as at the Latest Practicable Date, the theoretical market value of each new board lot will be HK$3,000. Typically, transaction fees are charged either per board lot or by trading amount. For transaction fees charged per board lot, transaction costs of dealings in fewer board lots are lower than those for more board lots. For transaction fees charged by trading amount, particularly for those that are subject to a minimum charge, increasing the value of each board lot will save costs for investors. It is expected that the Share Consolidation will bring about a corresponding upward adjustment in the trading price of the Consolidated Shares on the Stock Exchange and will reduce the overall transaction costs of dealings in the Shares. Further, the Board considers that the Change in Board Lot Size will also reduce the overall transaction and handling costs of dealings in each board lot of the Consolidated Shares, which will improve the liquidity of the Consolidated Shares.

The Company considers that although increasing its board lot size could achieve similar effects as the Share Consolidation, it will not provide any upward adjustment to the Share price. As a result of the low trading price of the Existing Shares, potential investors are likely to have the impression that the market value of the Company is also low, which makes investing in the Existing Shares less attractive. The Company is confident that after the Share Consolidation and the Change in Board Lot Size, the market image of the

Company will become more positive, thereby attracting more investors and leading to more active trading in the Shares. Therefore, with a higher trading price of the Consolidated Shares and reduction in the transaction costs as a proportion of the market value of each board lot, the Company believes that the Share Consolidation and the Change in Board Lot Size will enhance the corporate image of the Company and make investing in the Consolidated Shares more attractive to a broader range of institutional and professional investors and other members of the investing public.

Given the above reasons, the Company considers that the proposed Share Consolidation and the Change in Board Lot Size are justifiable despite the potential costs and negative impact arising from the creation of odd lots to Shareholders. Accordingly, the Directors consider that the Share Consolidation and the Change in Board Lot Size are beneficial to and in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Company had no intention to carry out other corporate actions in the next 12 months which may an effect of undermining or negating the intended purpose of the Share Consolidation and the Change in Board Lot Size, and the Company does not have any concrete plan to conduct any fund raising activities in the next 12 months. However, the Board cannot rule out the possibility that the Company will conduct debt and/or equity fund raising exercises when suitable fund raising opportunities arise in order to support future development of the Group. The Company will make further announcements in this regard in accordance with the Listing Rules as and when appropriate.

The Share Consolidation is conditional upon, among other things, (i) the passing of an ordinary resolution by the Shareholders at the EGM to approve the Share Consolidation; and (ii) the Listing Committee granting the approval for listing of, and permission to deal in the Consolidated Shares upon the Share Consolidation becoming effective. In the event that the relevant approval is not granted by the Listing Committee or approved by the Shareholders, the Share Consolidation will lapse and will not proceed.

THE ACQUISITION

On 24 July 2020 (after trading hours), the Company entered into the Agreement, the principal terms of which are set out as follows:

Date

24 July 2020

Parties

Purchaser: the Company

Vendor: the Vendor

As at the Latest Practicable Date, the Vendor and parties acting in concert with it, namely Mr. Qiu and Liyao, were interested in an aggregate of 2,600,000,000 Shares, representing approximately 28.65% of the total issued Shares. As at the Latest Practicable Date, the Vendor was wholly-owned by Boill Holding Group, which was in turn beneficially owned as to 97.64% and 2.36% by Mr. Qiu and Ms. Huang, respectively. Thus, the Vendor is a connected person of the Company.

Assets to be acquired under the Agreement

Pursuant to the Agreement, the Company conditionally agreed to purchase and the Vendor conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, subject to the terms and conditions as set out in the Agreement.

Consideration

The Consideration is HK$157,700,000, which will be satisfied by way of allotment and issue of the Consideration Shares on the Completion Date at the Issue Price of HK$0.35 per Consideration Share.

Basis for determination of the Consideration

The Consideration was arrived at after arm's length negotiations between the Company and the Vendor with reference to, among other things, (i) the adjusted net asset value of the Target Group and the Project Company as at 30 April 2020 taking into account the unaudited net asset value of the Target Group and the Project Company as at 30 April 2020 and the market value of the properties held by the Project Company appraised by an independent property valuer as at 30 April 2020; (ii) recent market conditions; and (iii) the reasons and benefits as set out in the paragraph headed "Reasons for and benefits of the Acquisition" below.

The Project Holding Company, which is beneficially owned as to 98.64% by Mr. Qiu and Ms. Huang and 1.36% by an independent third party, acquired the 99% equity interest in the Project Company on 1 May 2018 at RMB99 million.

Taking into consideration the above, the Directors are of the view that the Consideration and the terms and conditions of the Acquisition are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Consideration Shares

450,600,000 Consideration Shares will be allotted and issued by the Company to the Vendor on the Completion Date. Such Consideration Shares represent (i) approximately 49.66% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 33.18% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, after taking into account the effect of the Share Consolidation.

The Consideration Shares will be allotted and issued by the Company pursuant to the Specific Mandate and will rank *pari passu* with the Shares in issue. There are no restrictions on any subsequent sale of the Consideration Shares.

An application has been made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

The Issue Price for the Consideration Shares of HK$0.35 per Consideration Share was determined based on arm's length negotiations between the Parties with reference to the prevailing market prices of the Shares, the recent fluctuations in the price of the Shares and the recent market conditions. The Issue Price represents:

(a) a discount of approximately 10.26% to the theoretical closing price of HK$0.39 per Consolidated Share based on the closing price of HK$0.039 per Share on the Last Trading Day and taking into account the effect of the Share Consolidation;

(b) a discount of approximately 14.63% to the theoretical closing price of HK$0.41 per Consolidated Share based on the average closing price of HK$0.041 per Share for the last five trading days up to and including the Last Trading Day and taking into account the effect of the Share Consolidation;

(c) a discount of approximately 16.67% to the theoretical closing price of HK$0.42 per Consolidated Share based on the average closing price of HK$0.042 per Share for the last ten trading days up to and including the Last Trading Day and taking into account the effect of the Share Consolidation;

(d) a premium of approximately 16.67% over the theoretical closing price of HK$0.30 per Consolidated Share based on the closing price of HK$0.030 per Share on the Latest Practicable Date and taking into account the effect of the Share Consolidation;

(e) a discount of approximately 22.22% to the theoretical net asset value per Consolidated Share of approximately HK$0.45 based on the net asset value per Share of approximately HK$0.045 as at 31 March 2020, which is based on the Company's audited consolidated net asset value attributable to the Shareholders of approximately HK$407,207,000 as at 31 March 2020 and the 9,074,000,000 Shares in issue as at the date of the Agreement; and

(f) a discount of approximately 28.57% to the theoretical unaudited adjusted net asset value per Consolidated Share of approximately HK$0.49 based on the unaudited adjusted net asset value per Share of approximately HK$0.049 as at 31 March 2020, which is based on (i) the Company's unaudited adjusted consolidated net asset value attributable to the Shareholders of approximately HK$447,987,000 as at 31 March 2020 after taking into account the valuation of the property interests held by members of the Group (excluding the associated company of the Group) set out in Appendix VA to this circular; and (ii) the 9,074,000,000 Shares in issue as at the date of the Agreement.

Conditions precedent

Completion is conditional upon the satisfaction (or waiver) of the following conditions:

(a) the Company having been satisfied with the results of such enquiries, investigations and due diligence reviews of the business, affairs, operations and financial position of the Target Group and the Project Company by the Company or any of its officers, employees, agents, professional advisers or other agents as the Company in its discretion deems necessary, desirable or appropriate to undertake;

(b) the passing of an ordinary resolution at the EGM with at least 75% of the votes of the Independent Shareholders that are cast either in person or by proxy approving the Whitewash Waiver, and more than 50% of the votes of the Independent Shareholders that are cast either in person or by proxy approving the Agreement and the transactions contemplated thereunder, as required under the Takeovers Code;

(c) the passing of an ordinary resolution at the EGM by way of poll approving the Agreement and the transactions contemplated thereunder, including the Specific Mandate, as required under the Listing Rules;

(d) the Pre-Acquisition Reorganisation having been completed;

(e) the listing of, and permission to deal in, all the Consideration Shares being granted by the Listing Committee (the "**Listing Approval**") and the Listing Approval not having been revoked prior to the Completion Date;

(f) the Executive having granted the Whitewash Waiver;

(g) the Share Consolidation and the Change in Board Lot Size having become effective;

(h) the warranties given by the Vendor remaining true and accurate in all respects and not misleading in any respect as of the Completion Date by reference to the facts and circumstances subsisting as at the Completion Date;

(i) no notice, order, judgement, action or proceeding of any court, arbitrator, authority, statutory or regulatory body having been served, issued or made which restrains, prohibits or makes unlawful any transaction contemplated by the Agreement or which is reasonably likely to materially and adversely affect the right of the Company to own the legal and beneficial title to the Sale Shares, free from encumbrances, following the Completion Date; and

(j) all consents of any authority or of any other person that are required to be obtained in connection with the consummation of the transactions contemplated by the Agreement (including but not limited to those related to the transfer of the Sale Shares, and any waivers of notice requirements under the articles of association of the Company) shall have been duly obtained and effective as of the Completion Date.

The Vendor shall use its best endeavours to ensure the satisfaction of the foregoing condition (other than the conditions (b) and (c)) as soon as possible after the date of the Agreement but in any event no later than the Long-Stop Date.

In respect of condition (j), as at the Latest Practicable Date, the Project Company was in the process of obtaining consent for the change of its shareholders under a loan amounted to RMB300 million from the relevant lender which is an independent third party. Save as disclosed above, to the best knowledge and awareness of the Company, no other specific consents of any authority or any other person are required to be obtained in connection with the consummation of the transactions contemplated by the Agreement.

The Company may at any time waive in whole or in part and conditionally or unconditionally any of the foregoing conditions (other than the conditions (b), (c), (d), (e), (f) and (g) which are not waivable by any Parties in any event) by notice in writing to the Vendor.

If any of the conditions (b), (c), (d), (e) (f) and (g) is not satisfied on or before the Long-Stop Date or any of the other conditions is not satisfied or waived on or before the Completion Date, the Company may terminate the Agreement by notice in writing to the Vendor, provided however that (i) the surviving provisions shall continue in force following the termination of the Agreement; and (ii) the termination of the Agreement shall be without prejudice to the rights and liabilities of any Party accrued prior to such termination. In all other such circumstances, the Agreement shall lapse without liability to any Party.

As at the Latest Practicable Date, none of the above conditions had been fulfilled or waived.

Completion

Completion will take place in Hong Kong on the fifth Business Days after the fulfillment or waiver of all conditions precedent set out in the Agreement, or at such other time and place as the Parties may agree in writing.

SPECIFIC MANDATE

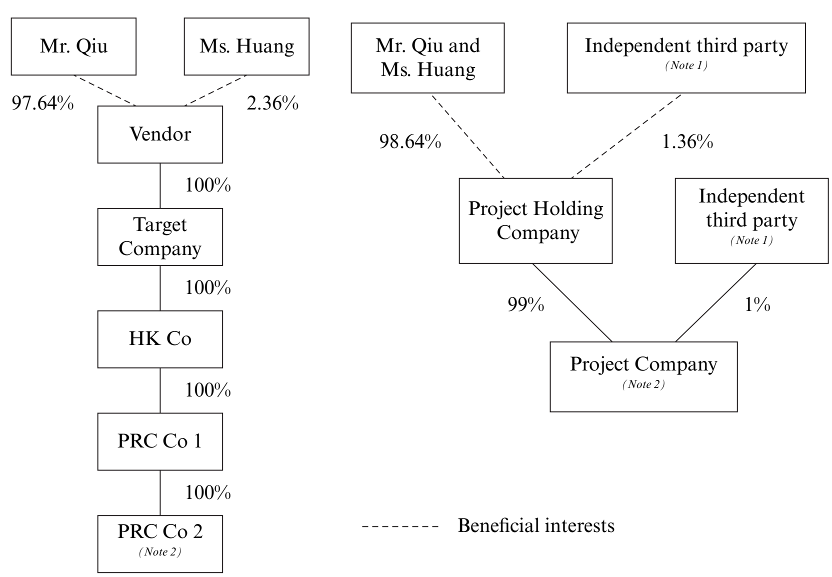
The Company will issue 450,600,000 Consideration Shares to satisfy the Consideration for the Acquisition. The Consideration Shares will be issued under the Specific Mandate proposed to be granted by the Independent Shareholders at the EGM.

INFORMATION ON THE GROUP

The Company is an investment holding company incorporated in the Cayman Islands with limited liability. The Company and its subsidiaries are principally engaged in the property development, healthcare holiday resort development and operation, foundation piling and securities investment. Mr. Qiu is a substantial shareholder of the Company as at the Latest Practicable Date.

THE SHAREHOLDING STRUCTURE OF THE TARGET GROUP

The following diagram sets out the shareholding structure of the Target Company and the Project Company immediately prior to completion of the Pre-Acquisition Reorganisation *(Note 3)*:

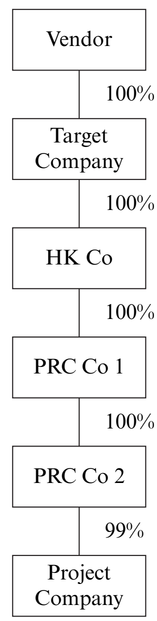


Note 1: The independent third parties were separate individuals and were not Shareholders as at the Latest Practicable Date.

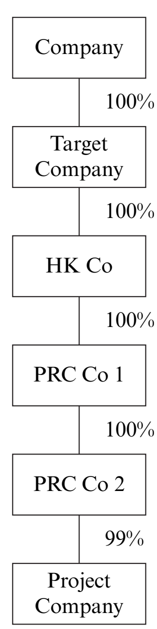
Note 2: On 3 August 2020, PRC Co 2 signed a memorandum with the Project Holding Company to acquire 99% equity interests in the Project Company for a consideration of RMB99,000,000. Meanwhile, pursuant to the memorandum, the Vendor agreed the Target Company shall apply for an increase in its registered capital from US$100 (equivalent to approximately RMB1,000) to US$14,000,000 (equivalent to approximately RMB99,000,000). As the Vendor and the Project Holding Company are controlled by Mr. Qiu, they agreed to net off the consideration paid of RMB99,000,000 for the acquisition of the Project Company and the unpaid share capital of RMB99,000,000 of the Target Company.

Note 3: The completion of the Pre-Acquisition Reorganisation is expected to take place by the end of September 2020.

The following diagram sets out the shareholding structure of the Target Company immediately after completion of the Pre-Acquisition Reorganisation and prior to Completion:



The following diagram sets out the shareholding structure of the Enlarged Group immediately following Completion:



Upon Completion, the Target Company and its subsidiaries (including the Project Company upon completion of the Pre-Acquisition Reorganisation) will become subsidiaries of the Company and accordingly, their financial results and positions will be consolidated into the consolidated financial statements of the Company.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following shareholding table shows the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Share Consolidation having become effective; and (iii) immediately after the allotment and issue of the Consideration Shares and taking into account the effect of the Share Consolidation, assuming that no other further Shares will be allotted and issued after the Latest Practicable Date and prior to Completion:

	As at the Latest Practicable Date		**Immediately after the Share Consolidation having become effective**		**Immediately after the allotment and issue of Consideration Shares and taking into account the effect of the Share Consolidation**	
Name of Shareholders	*No. of Shares*	*Approximate % of the issued share capital of the Company*	*No. of Shares*	*Approximate % of the issued share capital of the Company*	*No. of Shares*	*Approximate % of the issued share capital of the Company*
Vendor *(Note 1)*	—	—	—	—	450,600,000	33.18
Liyao *(Note 2)*	2,600,000,000	28.65	260,000,000	28.65	260,000,000	19.15
Sub-total for the Vendor and parties acting in concert with it	2,600,000,000	28.65	260,000,000	28.65	710,600,000	52.33
Public Shareholders	6,474,000,000	71.35	647,400,000	71.35	647,400,000	47.67
Total	9,074,000,000	100	907,400,000	100	1,358,000,000	100

Notes:

1. The Vendor is wholly-owned by Boill Holding Group, which is in turn beneficially owned as to 97.64% and 2.36% by Mr. Qiu and Ms. Huang, respectively, as at the Latest Practicable Date. Mr. Qiu is the sole director of the Vendor.

2. Mr. Qiu was the sole shareholder of Liyao as at the Latest Practicable Date.

INFORMATION ON THE VENDOR

The Vendor is a company incorporated in Hong Kong with limited liability. As at the Latest Practicable Date, the Vendor was wholly-owned by Boill Holding Group, which was in turn beneficially owned as to 97.64% and 2.36% by Mr. Qiu and Ms. Huang, respectively. The Vendor is principally engaged in investment holding and overseas equity investment. Boill Holding Group is principally engaged in trading and property businesses.

Mr. Qiu is a substantial shareholder of the Company and the sole director of the Vendor. Mr. Qiu is a PRC citizen and the spouse of Ms. Huang. He is also the chairman and president of Boill Holding Group as at the Latest Practicable Date.

Ms. Huang is an Australian citizen and the spouse of Mr. Qiu. She is also the chief financial officer and audit director of Boill Holding Group as at the Latest Practicable Date.

INFORMATION ON THE TARGET GROUP

Structure and business of the Target Group

As at the Latest Practicable Date, each of the Target Company, HK Co, PRC Co 1 and PRC Co 2 was principally engaged in investment holding.

The Project Company is principally engaged in development of the Project. Upon completion of the Pre-Acquisition Reorganisation, the Project Company will become a member of the Target Group, and the Target Group will be principally engaged in property development in the PRC.

Property interests and property valuation

The following table sets out the particulars in relation to the Project owned by the Project Company as at the Latest Practicable Date:

	Location	Approximate total gross floor area ("GFA")/site area	Current development status
The Project	No.1 Yihe Road, located at the east of Xinyang Road, south of Yihe Road, Sanmao Street, Yangzhong City, Zhenjiang City, Jiangsu Province, the PRC	173,457 sq.m./ 53,339.83 sq.m.	Under construction

The market value of the Project as at 30 June 2020 was approximately RMB1,086.0 million (equivalent to approximately HK$1,191.6 million) based on the property valuation report set out in Appendix VB to this circular.

Grant Sherman Appraisal Limited, an independent qualified professional valuer, has valued the property interests of the Project Company as at 30 June 2020. The text of the letter, summary of valuation and valuation certificates with regard to the property interests are set out in Appendix VB to this circular. A reconciliation of the market value of the Project Company's property interests as at 30 June 2020 and the net book value of the Project Company's property interests as at 30 April 2020 as required under Rule 5.07 of the Listing Rules, is set out below solely for illustrative purpose:

	RMB'000
Net book value as at 30 April 2020 as set out in the accountant's report on the Project Company in Appendix IB to this circular	980,127
Fair value adjustment	94,873
Additional construction costs	11,000
Market value as at 30 June 2020 as set out in the property valuation report of the Project Company in Appendix VB to this circular	1,086,000

Development and business plan in relation to the Project

The Project

The Project is situated at No.1 Yihe Road, located at the east of Xinyang Road, south of Yihe Road, Sanmao Street, the central business district of Yangzhong City, Zhenjiang City, Jiangsu Province, the PRC, with a total site area of approximately 53,339.83 sq.m.. The land use rights of the Project have been granted for terms commencing from 20 April 2018 and expiring on 19 April 2088 and 19 April 2058 for residential and commercial use respectively. The Project was under construction as at the Latest Practicable Date. Given the Project is situated at the central business district of Yangzhong City, Zhenjiang City, Jiangsu Province, the PRC and the recent sale and rental prices of residential premises in the district have been increasing drastically over the past decade, the Company proposes to construct 12 six to 34-storey buildings with a total estimated gross floor area of approximately 173,457 sq.m., excluding the basement with a gross area of approximately 31,065 sq.m. on it for residential and commercial use and 1,223 carparking spaces at basement one and basement two. It is estimated that the construction of the Project will be completed in 2021.

Financial information of the Target Group and the Project Company

Set out below is certain audited consolidated financial information of the Target Company and its subsidiaries, prior to the Pre-Acquisition Reorganisation, for the three years ended 31 December 2019 and the four months ended 30 April 2020 prepared in accordance with the HKFRSs:

	For the year ended 31 December			For the four months ended 30 April
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	—	35	18	—
Net profit/(loss) before taxation	(3)	30	13	(1)
Net profit/(loss) after taxation	(3)	24	13	(1)

As at 30 April 2020, the audited consolidated net asset value of the Target Company and its subsidiaries amounted to approximately HK$23,000.

As at 30 April 2020 and the Latest Practicable Date, the amount due from a related company of the Target Group amounted to approximately HK$27,000.

Set out below is certain audited financial information of the Project Company for the period from 27 November 2017 (date of incorporation) to 31 December 2017, the two years ended 31 December 2019 and the four months ended 30 April 2020 prepared in accordance with the HKFRSs:

	For the period from 27 November 2017 (date of incorporation) to 31 December 2017		For the year ended 31 December 2018		2019		For the four months ended 30 April 2020	
	RMB'000	*Equivalent to HK$'000*	*RMB'000*	*Equivalent to HK$'000*	*RMB'000*	*Equivalent to HK$'000*	*RMB'000*	*Equivalent to HK$'000*
Revenue	—	—	—	—	—	—	—	—
Net loss before taxation	231	253	14,066	15,433	16,039	17,598	2,471	2,711
Net loss after taxation	231	253	14,066	15,433	16,039	17,598	2,471	2,711

As at 30 April 2020, the audited net asset value of the Project Company amounted to approximately RMB79.1 million (equivalent to approximately HK$86.8 million).

As at 30 April 2020 and the Latest Practicable Date, the Project Company had no amounts due from related companies.

As at 30 April 2020 and the Latest Practicable Date, other borrowings of the Project Company amounted to approximately RMB200 million (equivalent to approximately HK$219.4 million) (the "**Mortgage Loan**"). Such Mortgage Loan was obtained by the Project Company pursuant to a loan agreement dated 4 September 2018 with Shanghai Aijian Trust Co., Ltd.* (上海愛建信託有限責任公司), and will fall due on 12 September

2020. It was originally expected that the Project Company would be able to fully repay and/or refinance the Mortgage Loan when it falls due under the then expected development plan of the Project. However, due to the outbreak of COVID-19 since early 2020, the Project Company experienced unexpected slowdown in the progress of construction and pre-sale of the Project, which have resulted in the Project Company only having cash and cash equivalents of approximately RMB160 million and contracted pre-sale of properties of approximately RMB35.0 million pending receipt of deposits from customers as at the Latest Practicable Date. Moreover, the Project Company had postponed its negotiations with financial institutions in respect of the refinancing of the Mortgage Loan until completion of the Pre-Acquisition Reorganisation in light of the expected change in its ownership as a result of the Acquisition which is in progress. In view of the aforementioned circumstances and subject to the actual progress of receipts of proceeds from pre-sale of properties, Mr. Qiu has undertaken to provide unsecured interest-free bridge financing with loans from related companies controlled by him in the event that the Project Company requires additional financing in repaying the Mortgage Loan and as working capital. Taking into account (i) the cash and cash equivalents of the Project Company amounted to approximately RMB160 million as at the Latest Practicable Date; (ii) the proceeds to be received from pre-sale of properties; and (iii) the bridge financing which can be obtained from related companies controlled by Mr. Qiu, the Directors expect that the Project Company will have sufficient funds to fully repay the principal and interests of the Mortgage Loan on the due date. As at the Latest Practicable Date, the Project Company had pre-sold 663 units (representing approximately 49.5% of the total saleable units) with the remaining saleable units being able to continue generating future operating cash flows. As the outbreak of COVID-19 in the PRC has been largely contained, the operations of the Project Company had been getting back on track as at the Latest Practicable Date. In addition, the Project Company plans to obtain mortgage loans from financial institutions to refinance the loans from related companies and future working capital upon completion of the Pre-Acquisition Reorganisation. In view of the foregoing, the Directors are of the view that the Project Company will be able to operate the Project with its own operating and financing capabilities, and obtain further mortgage financing from financial institutions.

Shanghai Aijian Trust Co., Ltd.* is a wholly-owned subsidiary of Shanghai Aijian Holding Co., Ltd.* (上海愛建股份有限公司), which is listed on the Shanghai Stock Exchange (stock code: 600643), and is an independent third party.

The Mortgage Loan carries interest rates of 13% to 14.5% per annum. Taking into consideration that (i) the Mortgage Loan was obtained by the Project Company from Shanghai Aijian Trust Co., Ltd.*, which is licensed by the China Banking Regulatory Commission as a non-banking financial institution and an independent third party; and (ii) to the best knowledge of the Directors, the interest rates of such Mortgage Loan were offered by the lender based on and after going through its credit assessment on the Project Company, which represents the then prevailing market interest rate available to the Project Company, the Board is of the view that the interest rates of 13% to 14.5% per annum are fair and reasonable.

For further details, please refer to the accountants' reports on the Target Company and its subsidiaries and the Project Company for the three years ended 31 December 2019 and the four months ended 30 April 2019 and 2020 prepared under the HKFRSs as set out in Appendix IIA and Appendix IIB to this circular, respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group has been engaging in the property development business since November 2015.

The Target Company, upon completion of the Pre-Acquisition Reorganisation, will indirectly hold the Project which is designated for residential and commercial uses. The Acquisition allows the Company to enhance its landbank in the PRC, which is in line with the Group's strategy to obtain premium land sites to enhance its property development business as disclosed in the annual report of the Company for the year ended 31 March 2020. The Board considers that the Acquisition is a good investment opportunity with great development potential in view of the physical locations of the Project, local policy support, demand in properties in the vicinities and the outlook of the property market and economic development in the regions in general. The Board believes that the Company will benefit from the sale and leasing of the properties and the anticipated growth in the value of the Project. Upon Completion, the Company intends to retain the present management team of the Target Group who have profound management expertise and experience in property development. Leveraging on the Target Group's experience in developing and selling residential properties, leasing and managing commercial properties, the Directors consider that the Acquisition is an opportune investment for the Group to enhance the property investment portfolio of the Group in long run and would bring synergy and enhance the competitive edge of the Group.

The Company had no intention, and has not entered into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether express or implied, and negotiation (concluded or otherwise) with an intention to dispose of or downsize the existing businesses of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, the Company had no intention to change the composition of the Board as a result of the Acquisition.

The Directors are of the opinion that the terms of the Agreement and the transactions contemplated thereunder (including the proposed grant of the Specific Mandate) are fair and reasonable, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

EFFECTS ON EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

Upon Completion, the Target Company and its subsidiaries (including the Project Company upon completion of the Pre-Acquisition Reorganisation) will become subsidiaries of the Company and accordingly, their financial information will be consolidated into the consolidated financial statements of the Group. It is expected that the Acquisition will have the following financial effects on the Group:

Assets and liabilities

Based on the unaudited pro forma financial information as set out in Appendix IV to this circular, assuming that the Completion had taken place on 30 April 2020, the total assets of the Enlarged Group would have increased from approximately HK$2,183.7 million to approximately HK$3,485.8 million on a pro forma basis, the total liabilities of the Enlarged Group would have increased from approximately HK$1,289.9 million to approximately HK$2,435.0 million on a pro forma basis, the net assets of the Enlarged Group would have increased from approximately HK$893.8 million to approximately HK$1,050.8 million.

Earnings

In view of the future prospects of the property market in Zhenjiang City, the PRC, it is anticipated that the Acquisition will contribute positively to the Enlarged Group's financial performance and trading prospects upon delivery of the properties of the Project to customers.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Vendor is indirectly controlled as to more than 30% of its issued share capital by Mr. Qiu, a substantial shareholder of the Company who is a connected person of the Company under Chapter 14A of the Listing Rules. The Vendor is thus a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 25% but all of them are less than 100%, the Acquisition therefore constitutes a major and connected transaction of the Company, and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

IMPLICATIONS OF THE ACQUISITION UNDER THE TAKEOVERS CODE AND APPLICATION FOR THE WHITEWASH WAIVER

As at the Latest Practicable Date, the Vendor and parties acting in concert with it, namely Mr. Qiu and Liyao, were interested in an aggregate of 2,600,000,000 Shares, representing approximately 28.65% of the total issued Shares. Immediately following the allotment and issue of the Consideration Shares to the Vendor, the shareholding of the Vendor and parties acting in concert with it will increase to approximately 52.33% of the total Shares in issue as enlarged by the allotment and issue of the Consideration Shares (assuming there will be no change in the total number of Shares in issue between the Latest Practicable Date and the allotment and issue of the Consideration Shares, save for the Share Consolidation and the allotment and issue of the Consideration Shares). Under Rule 26.1 of the Takeovers Code, the Vendor would be required to make an unconditional mandatory general offer for all the issued Shares not already owned or agreed to be acquired by it and parties acting in concert with it pursuant to Rule 26 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive.

An application has been made by the Vendor to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, (i) respective resolutions relating to the Whitewash Waiver and the Acquisition being approved by at least 75% and more than 50%, respectively, of the votes cast by the Independent Shareholders at the EGM; and (ii) the Vendor and parties acting in concert with it not having made any acquisitions or disposals of voting rights of the Company between the date of the Announcement and completion of the issue of the Consideration Shares (save for the allotment and issue of the Consolidated Shares after the Share Consolidation having becoming effective) unless with the prior consent of the Executive. The Executive has indicated its consent subject to approval by Independent Shareholders in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code, to waive any obligations to make a general offer which might result from the allotment and issue of the Consideration Shares to the Vendor.

The Vendor confirms that it and the parties acting in concert with it have not acquired voting rights in any Share during the Relevant Period.

As at the Latest Practicable Date, the Vendor has further confirmed that:

(a) the Vendor and parties acting in concert with it have not dealt in any Shares, options, warrants or convertible securities of the Company or any derivatives in respect of such securities during the Relevant Period;

(b) the Vendor and parties acting in concert with it have not entered into any outstanding derivative in respect of securities in the Company;

(c) the Vendor and parties acting in concert with it have not entered into any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Shares which might be material to the Acquisition or the Whitewash Waiver;

(d) save for the Agreement, the Vendor has not entered into any agreements or arrangements which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Acquisition or the Whitewash Waiver;

(e) the Vendor has not borrowed or lent any relevant securities in the Company (as defined in Note 4 to Rule 22 of the Takeovers Code);

(f) the Vendor has not received any irrevocable commitment from any Independent Shareholders that they will vote in favour of the resolution approving the Agreement and the transactions contemplated thereunder (including the proposed grant of the Specific Mandate) and the Whitewash Waiver at the EGM;

(g) save for issuance of the Consideration Shares, there is no other consideration or compensation or benefit in whatever form paid or payable by the Company and parties acting in concert with it to the Vendor and parties acting in concert with it in connection with the Acquisition;

(h) there is no other understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Company and parties acting in concert with it on the one hand, and the Vendor and parties acting in concert with it on the other hand; and

(i) there is no other understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholder; and (i) the Vendor and parties acting in concert with it, or (ii) the Company, its subsidiaries or associated companies.

The Executive may or may not grant the Whitewash Waiver. It is one of the conditions precedent to Completion that the Whitewash Waiver has been granted. In the event that the Whitewash Waiver is not granted by the Executive or the Whitewash Waiver and the Acquisition are not approved by the Independent Shareholders, the Agreement will lapse and the Acquisition will not proceed.

The Agreement and the transactions contemplated thereunder (including the proposed grant of the Specific Mandate) and the Whitewash Waiver are subject to the approval by the Independent Shareholders at the EGM. The Vendor, and its associates and parties acting in concert with it, together with those who are interested in, or involved in, the Acquisition and/or the Whitewash Waiver are required to abstain from voting on the relevant resolutions relating to the Agreement and the transactions contemplated thereunder (including the proposed grant of the Specific Mandate) and the Whitewash Waiver at the EGM. As at the Latest Practicable Date, the Company did not believe that the Acquisition would give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Acquisition does not comply with other applicable rules and regulations.

GENERAL INFORMATION

The Independent Board Committee, the Takeovers Code Independent Board Committee and Independent Financial Adviser

The Independent Board Committee (comprising three independent non-executive Directors) has been established to advise the Independent Shareholders in connection with the Acquisition.

The Takeovers Code Independent Board Committee (comprising one non-executive Director and three independent non-executive Directors) has been established to advise the Independent Shareholders in connection with the Acquisition and the Whitewash Waiver.

Optima Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, has been appointed as the Independent Financial Adviser to make recommendations to the Independent Board Committee, the Takeovers Code Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Acquisition and the Whitewash Waiver. The appointment of Optima Capital Limited as the Independent Financial Adviser has been approved by the Independent Board Committee and the Takeovers Code Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code. Your attention is drawn to the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out in the letter on pages 37 to 83 of this circular.

EGM

The EGM will be held at Room 1703–1704, WorldWide House, 19 Des Voeux Road Central, Central, Hong Kong at 10:00 a.m. on 14 September 2020 to consider and, if thought fit, approve, among other matters, the Share Consolidation, the Agreement and the transactions contemplated thereunder (including the proposed grant of the Specific Mandate) and the Whitewash Waiver. As the Vendor has material interests in the Acquisition and the Whitewash Waiver, the Vendor, the parties acting in concert with it and its associates, who were in aggregate interested in 2,600,000,000 Shares (representing approximately 28.65% of the issued share capital of the Company) as at the Latest Practicable Date, are required to abstain from voting on the relevant resolutions relating to the Agreement and the transactions contemplated thereunder (including the proposed grant of the Specific Mandate) and the Whitewash Waiver at the EGM.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder apart from the Vendor, the parties acting in concert with it and its associates shall abstain from voting on the resolutions to be proposed at the EGM.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon Shareholders; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby they have or may have temporarily or permanently passed control over the exercise of the voting right in respect of their Shares to a third party, either generally or on a case-by-case basis.

The votes to be taken at the EGM in relation to the proposed resolutions will be taken by poll.

A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the meeting, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time fixed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM if you so wish.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 8 September 2020 to Monday, 14 September 2020, both days inclusive, during which period no transfer of Existing Shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of Existing Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the share register of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 7 September 2020.

INTENTION REGARDING THE COMPANY AND ITS EMPLOYEES

It is the intention of the Vendor and the Company that the Company will maintain its existing business after Completion. The Vendor has currently no intention to introduce any major changes to the existing operation of the Company. As at the Latest Practicable Date, the Vendor and the parties acting in concert with it have no intention to re-deploy the fixed assets, or to discontinue the employment of the employees of the Group other than in the ordinary course of business of the Group.

The Vendor does not intend to avail itself of any powers of compulsory acquisition.

RECOMMENDATION

The Independent Board Committee has been formed to advise the Independent Shareholders in connection with the Acquisition and the Takeovers Code Independent Board Committee has been formed to advise the Independent Shareholders in connection with the Acquisition and the Whitewash Waiver. Optima Capital Limited has been appointed with the approval of the Independent Board Committee and the Takeovers Code Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee, the Takeovers Code Independent Board Committee and the Independent Shareholders on the same.

You are advised to read carefully the letter of recommendation from the Independent Board Committee, the letter of recommendation from the Takeovers Code Independent Board Committee and the letter of advice from the Independent Financial Adviser set out on page 34, pages 35 to 36 and pages 37 to 83 respectively of this circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Agreement and the transactions contemplated thereunder (including the proposed grant of the Specific Mandate) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and that the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions approving the Agreement and the transactions contemplated thereunder (including the proposed grant of the Specific Mandate) at the EGM.

The Takeovers Code Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Agreement and the transactions contemplated thereunder (including the proposed grant of the Specific Mandate) and the Whitewash Waiver are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and that the Acquisition and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole. Accordingly, the Takeovers Code Independent Board Committee recommends that the Independent Shareholders to vote in favour of the ordinary resolutions approving the Agreement and the transactions contemplated thereunder (including the proposed grant of the Specific Mandate) and the Whitewash Waiver at the EGM.

On the basis of the information as set out in this circular, the Directors are of the opinion that the terms of the Agreement and the transactions contemplated thereunder (including the proposed grant of the Specific Mandate) and the Whitewash Waiver are on normal commercial terms and are fair and reasonable and that the Acquisition and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole. The Board therefore recommends the Independent Shareholders to vote in favour of the all resolutions as set out in the notice of the EGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board of
Boill Healthcare Holdings Limited
Dai Dong Xing
Chairman

Boill Healthcare Holdings Limited
保集健康控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1246)

25 August 2020

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

We refer to the circular issued by the Company to the Shareholders dated 25 August 2020 (the "**Circular**") which this letter forms a part of. Terms defined in the Circular shall have the same meanings as those used in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to consider the terms of the Agreement and the transactions contemplated thereunder (including the proposed grant of the Specific Mandate) (details of which are set out in the "Letter from the Board" in the Circular) and to advise the Independent Shareholders in respect of the Acquisition. Optima Capital Limited has been appointed as the Independent Financial Adviser in this regard.

We wish to draw your attention to the "Letter from the Board" and the "Letter from the Independent Financial Adviser" as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice, although the Acquisition is not conducted in the ordinary and usual course of business of the Group, we consider that the terms of the Agreement and the transactions contemplated thereunder (including the proposed grant of the Specific Mandate) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and that the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders to vote in favour of the ordinary resolutions approving the Agreement and the transactions contemplated thereunder (including the proposed grant of the Specific Mandate) at the EGM.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Chan Chi Keung Billy **Mr. Wang Zhe** **Mr. Xu Liang Wei**

Independent non-executive Directors

Boill Healthcare Holdings Limited
保集健康控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1246)

25 August 2020

To the Independent Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; AND (2) APPLICATION FOR WHITEWASH WAIVER

We refer to the circular issued by the Company to the Shareholders dated 25 August 2020 (the "**Circular**") which this letter forms a part of. Terms defined in the Circular shall have the same meanings as those used in this letter unless the context otherwise requires.

We have been appointed by the Board as the Takeovers Code Independent Board Committee to consider the terms of the Agreement and the transactions contemplated thereunder (including the proposed grant of the Specific Mandate) and the Whitewash Waiver (details of which are set out in the "Letter from the Board" in the Circular) and to advise the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver. Optima Capital Limited has been appointed as the Independent Financial Adviser in this regard.

We wish to draw your attention to the "Letter from the Board" and the "Letter from the Independent Financial Adviser" as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice, although the Acquisition is not conducted in the ordinary and usual course of business of the Group, we consider that the terms of the Agreement and the transactions contemplated thereunder (including the proposed grant of the Specific Mandate) and the Whitewash Waiver are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and that the

Acquisition and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders to vote in favour of the ordinary resolutions approving the Agreement and the transactions contemplated thereunder (including the proposed grant of the Specific Mandate) and the Whitewash Waiver at the EGM.

Yours faithfully,

For and on behalf of
the Takeovers Code
Independent Board Committee

Mr. Chui Kwong Kau	**Mr. Chan Chi Keung Billy**	**Mr. Wang Zhe**	**Mr. Xu Liang Wei**
Non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*	*Independent non-executive Director*

Set out below is the text of a letter received from Optima Capital Limited, the Independent Financial Adviser to the Independent Board Committee, the Takeovers Code Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver for the purpose of inclusion in this circular.

OPTIMA CAPITAL

Suite 1501, 15th Floor
Jardine House
1 Connaught Place
Central, Hong Kong

25 August 2020

To the Independent Board Committee,
the Takeovers Code Independent Board Committee and
the Independent Shareholders

Dear Sir,

(1) MAJOR AND CONNECTED TRANSACTION INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; AND (2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Takeovers Code Independent Board Committee as well as the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver, details of which are set out in the letter from the Board contained in the circular issued by the Company to the Shareholders dated 25 August 2020 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

On 24 July 2020, the Company (as purchaser) entered into the Agreement with the Vendor (as vendor), pursuant to which the Company conditionally agreed to purchase and the Vendor conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, for the Consideration of HK$157,700,000, which will be satisfied by way of allotment and issue of the Consideration Shares at the Issue Price of HK$0.35 per Consideration Share.

Upon Completion, the Company will hold the entire issued share capital of the Target Company and the Target Company (together with its subsidiaries which include the Project Company upon completion of the Pre-Acquisition Reorganisation) will become a subsidiary of the Company. Accordingly, the financial results and financial positions of the Target Group will be consolidated into the consolidated financial statements of the Company.

As at the Latest Practicable Date, the Vendor was indirectly controlled as to more than 30% of its issued share capital by Mr. Qiu, a substantial shareholder of the Company who is a connected person of the Company under Chapter 14A of the Listing Rules. The Vendor is thus a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 25% but all of them are less than 100%, the Acquisition therefore constitutes a major and connected transaction of the Company, and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, the Vendor and parties acting in concert with it, namely Mr. Qiu and Liyao, were interested in an aggregate of 2,600,000,000 Shares, representing approximately 28.65% of the total issued Shares. Immediately following the allotment and issue of the Consideration Shares to the Vendor, the shareholding of the Vendor and parties acting in concert with it will increase to approximately 52.33% of the total issued Shares as enlarged by the allotment and issue of the Consideration Shares (assuming there will be no change in the total number of Shares in issue between the Latest Practicable Date and the allotment and issue of the Consideration Shares, save for the Share Consolidation and the allotment and issue of the Consideration Shares). Under Rule 26.1 of the Takeovers Code, the Vendor would be required to make an unconditional mandatory general offer for all the issued Shares not already owned or agreed to be acquired by it and parties acting in concert with it, unless the Whitewash Waiver is granted by the Executive.

An application has been made by the Vendor to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, (i) respective resolutions relating to the Whitewash Waiver and the Acquisition being approved by at least 75% and more than 50%, respectively of the votes cast by the Independent Shareholders at the EGM; and (ii) the Vendor and parties acting in concert with it not having made any acquisitions or disposals of voting rights of the Company between the date of the Agreement and completion of the issue of the Consideration Shares (save for the allotment and issue of the Consolidated Shares after the Share Consolidation having becoming effective) unless with the prior consent of the Executive.

The Vendor, its associates and parties acting in concert with it, together with those who are interested in, or involved in, the Acquisition and/or the Whitewash Waiver are required to abstain from voting on the relevant resolutions relating to the Agreement and the transactions contemplated thereunder (including the proposed grant of the Specific Mandate) and the Whitewash Waiver at the EGM.

The Independent Board Committee, comprising all three independent non-executive Directors, namely Mr. Chan Chi Keung Billy, Mr. Wang Zhe and Mr. Xu Liang Wei, has been established pursuant to the Listing Rules to give recommendation to the Independent

Shareholders in respect of the Acquisition. The Takeovers Code Independent Board Committee, comprising the non-executive Director and all three independent non-executive Directors, namely Mr. Chui Kwong Kau, Mr. Chan Chi Keung Billy, Mr. Wang Zhe and Mr. Xu Liang Wei, has been established pursuant to the Takeovers Code to give a recommendation to the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver. We, Optima Capital Limited, have been appointed as the Independent Financial Adviser, with the approval of the Independent Board Committee and the Takeovers Code Independent Board Committee, to advise the Independent Board Committee, the Takeovers Code Independent Board Committee and the Independent Shareholders in respect of the Acquisition (in particular as to whether the terms of the Agreement and the transactions contemplated thereunder (including the proposed grant of the Specific Mandate) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole) and the Whitewash Waiver.

We are not associated or connected with the Company, the Vendor, the controlling shareholder(s) of, or any party acting, or presumed to be acting, in concert with any of them, or any company controlled by any of them and, accordingly, are considered eligible to give independent advice on the Acquisition and the Whitewash Waiver. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Vendor, the controlling shareholder(s) of, or any party acting, or presumed to be acting, in concert with any of them, or any company controlled by any of them.

As at the Latest Practicable Date, Optima Capital Limited did not have any relationships or interests with the Company, the Vendor and its concert parties that could reasonably be regarded as relevant to the independence of Optima Capital Limited. In the last two years, there has been no other engagement between the Company, the Vendor and its concert parties and Optima Capital Limited. Accordingly, we do not consider any conflict of interest arises for Optima Capital Limited in acting as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among other things, the Agreement, the announcement of the Company dated 24 July 2020 in relation to, among others, the Acquisition and the Whitewash Waiver, the annual reports of the Company for the year ended 31 March 2018, 2019 and 2020, the accountants' report of the Target Group (prior to the Pre-Acquisition Reorganisation) for the three years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2020, the accountants' report of the Project Company for the period from 27 November 2017 (date of incorporation) to 31 December 2017, the two years ended 31 December 2018 and 2019, and the four months ended 30 April 2020, the unaudited pro forma financial information of the Enlarged Group, the valuation report of the property held by the Project Company (the "**Valuation Report**") prepared by Grant Sherman Appraisal Limited, an independent valuer, the trading performance of the Shares on the Stock Exchange and other information as set out in the Circular.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the "**Management**"). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the time of the EGM. We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We have not made any independence evaluation or appraisal of the assets and liabilities of the Group, the Target Group or the Project Company, and we have not been furnished with any such evaluation or appraisal, save and except for the Valuation Report as set out in Appendix VB to the Circular. Since we are not experts in the valuation of properties, we have relied solely upon the Valuation Report for the market value of the property held by the Project Company (the "**Property**") as at 30 June 2020.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not considered the taxation implication of the Acquisition and the Whitewash Waiver on the Group or the Independent Shareholders, since these are particular to their individual circumstances. In particular, the Independent Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealing should consider their own tax position and, if in any doubt, consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation regarding the Acquisition and the Whitewash Waiver, we have considered the principal factors and reasons set out below:

1. Background information on the Group

1.1 Principal business activities

The Company is an investment holding company incorporated in the Cayman Islands with limited liability. The Company and its subsidiaries are principally engaged in the property development, healthcare holiday resort development and operation, foundation piling and securities investment.

1.2 Financial performance and financial position of the Group

(i) Financial performance

The following table sets out a summary of the consolidated statements of profit or loss and other comprehensive income of the Company for the three years ended 31 March 2018, 2019 and 2020, which were extracted from the annual reports of the Company respectively:

	For the year ended 31 March		
	2018 ("FY2018")	**2019 ("FY2019")**	**2020 ("FY2020")**
	(audited)	*(audited)*	*(audited)*
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
— Property development	518,106	337,945	97,325
— Healthcare holiday resort development and operation	—	—	2,883
— Foundation piling	220,041	81,817	6,144
— Securities investment	—	—	—
	738,147	419,762	106,352
Cost of sales	(824,201)	(430,208)	(95,563)
Gross (loss)/profit	(86,054)	(10,446)	10,789
Impairment loss on property, plant and equipment	—	—	(12,779)
Fair value loss on equity instruments, net	65,593	(8,725)	(2,960)
Changes in fair value of and gain on transfer to investment properties	17,407	(27,331)	(52,875)
Selling and distribution expenses	(22,063)	(12,718)	(7,068)
Administrative and other expenses	(106,348)	(80,006)	(49,912)
Finance costs	(93,868)	(84,085)	(83,676)
Others	(5,542)	(2,542)	(4,438)
Income tax (expense)/credit	9,208	1,986	(20,875)
Loss for the year	**(221,667)**	**(223,867)**	**(223,794)**
Loss for the year attributable to:			
— Owners of the Company	**(213,775)**	**(200,114)**	**(189,432)**
— Non-controlling interests	**(7,892)**	**(23,753)**	**(34,362)**
	(221,667)	**(223,867)**	**(223,794)**

FY2018 vs FY2019

Revenue of the Group decreased by approximately 43.1% from approximately HK$738.1 million in FY2018 to approximately HK$419.8 million in FY2019, primarily due to (i) the weakened demand of potential home-buying customers of the Group in the PRC due to the deterioration of their overall financial condition brought by the uncertain global macro-economic environment as a result of the trade disputes between the United States and the PRC, leading to the revenue from the property development dropped by from approximately HK$518.1 million in FY2018 to approximately HK$337.9 million in FY2019 (representing a decline of 34.8%); and (ii) fewer public projects in the foundation piling business following serious delay in the approval of new infrastructure projects by the Legislative Council of Hong Kong and the Legislative Council Finance Committee, leading to the revenue contributed by the foundation piling segment dropped from approximately HK$220.0 million in FY2018 to approximately HK$81.8 million in FY2019 (representing a decrease of 62.8%).

The resorts project under the healthcare holiday resort development and operation segment consists of three phases. The construction works of phase one (including a clubhouse) and phase two (including apartments and villas) were completed in September 2019 and launched to the market in November 2019 and therefore no revenue was recognised in FY2018 and FY2019. The investments under the securities investment segment were equity securities listed on the Stock Exchange. Any profit or loss on these equity securities was recognised in the fair value change on equity instruments and no revenue was recognised under this segment.

The Group has narrowed the gross loss from approximately HK$86.1 million in FY2018 to approximately HK$10.4 million in FY2019, representing a substantial decrease of 87.9%. The substantial decrease in gross loss was mainly due to the higher profit margin derived from sales of properties and less losses incurred from the foundation piling projects.

Despite the substantial decrease in gross loss in FY2019, the loss for the year in FY2019 remained flat as compared to FY2018 mainly due to the combined effects of: (i) the improvement in gross loss as mentioned above; (ii) a decrease in selling and distribution expenses incurred in the property development business due to the drop in the revenue of property development; (iii) a decrease in staff costs incurred due to layoffs in the foundation piling segment in view of less project tendered in FY2019; (iv) a decrease in finance cost due to the early repayment of other borrowings; (v) a fair value loss on investment properties under construction; and (vi) a fair value loss on equity instruments in FY2019 as compared to a fair value gain on equity instruments in FY2018. The loss for the year attributable to owners of the Company has been improving slightly from the loss of approximately HK$213.8 million in FY2018 to approximately HK$200.1 million in FY2019, representing a decrease of 6.4%.

FY2019 vs FY2020

Revenue of the Group in FY2020 was approximately HK$106.4 million, representing a decrease of approximately HK$313.4 million or 74.7% as compared to the revenue of approximately HK$419.8 million in FY2019. The decrease in revenue was primarily due to (i) severe disruption to the overall market's business activities and economic performance as a result of the series of precautionary and control measures implemented after the outbreak of the COVID-19 since early 2020; (ii) the weakened demand of potential home-buying customers of the Group in the PRC due to the deterioration of their overall financial condition brought by the uncertain global macro-economic environment as a result of the trade disputes between the United States and the PRC, leading to the revenue from the property development segment dropped from approximately HK$337.9 million in FY2019 to approximately HK$97.3 million in FY2020 (representing a decline of 71.2%); and (iii) fewer public projects in the foundation piling business following serious delay in the approval of new infrastructure projects by the Legislative Council of Hong Kong and the Legislative Council Finance Committee, leading to the revenue contributed by the foundation piling segment dropped from approximately HK$81.8 million in FY2019 to approximately HK$6.1 million in FY2020 (representing a decrease of 92.5%).

The leasable units of the resorts project under the healthcare holiday resort development and operation segment were leased out since November 2019 and revenue of approximately HK$2.9 million was recognised. For the investment securities segment, the profit or loss on the equity securities was recognised in the fair value change on equity instruments and no revenue was recognised under this segment.

The Group has turned around the gross loss of approximately HK$10.4 million in FY2019 to a gross profit of approximately HK$10.8 million in FY2020, with a gross profit margin of approximately 10.1%. The improvement was mainly due to positive gross profit margins recorded by the property development segment and foundation piling segment in FY2020.

Despite the turnaround of the gross loss to gross profit, the Group incurred a comparable loss for the year in FY2020 as compared to FY2019. It was due to the combined effects of: (i) an improvement in gross profit as discussed above; (ii) a decrease in selling and distribution expenses incurred in the property development business due to the drop in the revenue of property development segment; (iii) a decrease in staff costs incurred since there was a decrease in sale volume of properties of the Group in FY2020; (iii) an impairment loss of the leasehold land and properties held by the Group as at 31 March 2020 due to the adverse impact caused by the COVID-19 to the property market in the PRC in FY2020; (iv) a decrease in fair value loss on equity instruments; and (v) an increase in fair value loss on investment properties. The loss for the year attributable to owners of the Company decreased from the loss of approximately HK$200.1 million in FY2019 to approximately HK$189.4 million in FY2020, representing a decrease of 5.3%.

The net loss of approximately HK$223.8 million and the net current liabilities of approximately HK$861.7 million at the end of FY2020 indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The Management is of the view that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future so that the business of the Group can be turnaround. Details of the sufficiency of the working capital of the Group are set out in the paragraph headed "(ii) Financial position — Liquidity" below.

(ii) Financial position

The following table sets out a summary of the consolidated statements of financial position of the Company as at 31 March 2018, 2019 and 2020, which were extracted from the annual reports of the Company respectively:

	As at 31 March		
	2018	**2019**	**2020**
	(audited)	*(audited)*	*(audited)*
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	2,113,349	2,233,076	1,971,504
Current assets	889,464	339,078	212,173
Current liabilities	1,149,743	1,277,858	1,073,850
Non-current liabilities	330,584	102,740	216,018
Net assets	**1,522,486**	**1,191,556**	**893,809**
Equity attributable to owners of the Company	912,510	637,300	407,207
Non-controlling interests	609,976	554,256	486,602
Total equity	**1,522,486**	**1,191,556**	**893,809**
Net asset value per Share *(HK$)*	0.1006	0.0702	0.0449

31 March 2018

As at 31 March 2018, the major non-current assets of the Group were investment properties under construction of approximately HK$1,559.5 million, property, plant and equipment of approximately HK$389.8 million, and prepayments, deposits and other receivables of approximately HK$120.8 million. The major current assets of the Group were completed properties held for sale of approximately HK$438.9 million, properties under development of approximately HK$45.2 million, trade and retention receivables of approximately HK$42.4 million, prepayments, deposits and other receivables of approximately HK$36.2 million, restricted cash of approximately HK$101.1 million, and cash and cash equivalents of approximately HK$210.4 million.

As at 31 March 2018, the major non-current liabilities of the Group comprised interest-bearing bank borrowings of approximately HK$280.8 million and deferred tax liabilities of approximately HK$48.9 million. The major current liabilities of the Group were interest-bearing bank and other borrowings of, in aggregate, approximately HK$874.5 million, other payables and accruals of approximately HK$184.3 million and amounts due to related companies of approximately HK$68.2 million.

31 March 2019

As at 31 March 2019, the major non-current assets of the Group were investment properties under construction of approximately HK$1,769.9 million, property, plant and equipment of approximately HK$365.9 million, and prepayments, deposits and other receivables of approximately HK$74.8 million. The major current assets of the Group were completed properties held for sale of approximately HK$115.5 million, trade and retention receivables of approximately HK$20.4 million, prepayments, deposits and other receivables of approximately HK$119.9 million, and cash and cash equivalents of approximately HK$62.1 million.

As at 31 March 2019, the major non-current liabilities of the Group comprised interest-bearing bank borrowings of approximately HK$87.7 million and deferred tax liabilities of approximately HK$14.7 million. The major current liabilities of the Group were interest-bearing bank and other borrowings of, in aggregate, approximately HK$805.5 million, trade payables of approximately HK$40.4 million, contract liabilities of approximately HK$42.3 million, other payables and accruals of approximately HK$220.0 million and amounts due to related companies of approximately HK$159.2 million.

31 March 2020

As at 31 March 2020, the major non-current assets of the Group were investment properties under construction of approximately HK$1,465.4 million, and property, plant and equipment of approximately HK$488.8 million. The major current assets of the Group were completed properties held for sale of approximately HK$27.2 million, prepayments, deposits and other receivables of approximately HK$83.7 million, and cash and cash equivalents of approximately HK$94.9 million.

As at 31 March 2020, the major non-current liabilities of the Group were interest-bearing bank and other borrowings of approximately HK$212.1 million. The major current liabilities of the Group were interest-bearing bank and other borrowings of, in aggregate, approximately HK$725.9 million, contract liabilities of approximately HK$26.4 million, other payables and accruals of approximately HK$66.4 million and amount due to related companies of approximately HK$252.6 million.

Net assets

The total assets of the Group decreased from approximately HK$3,002.8 million as at 31 March 2018 to approximately HK$2,572.2 million as at 31 March 2019, and further decreased to approximately HK$2,183.7 million as at 31 March 2020, while the total liabilities of the Group decreased from approximately HK$1,480.3 million as at 31 March 2018 to approximately HK$1,380.6 million as at 31 March 2019, and further decreased to approximately HK$1,289.9 million as at 31 March 2020. As a result of these movement, the net asset value of the Group decreased by approximately 21.7% from approximately HK$1,522.5 million as at 31 March 2018 to approximately HK$1,191.6 million as at 31 March 2019, and further decreased by approximately 25.0% to approximately HK$893.8 million as at 31 March 2020. The decreases in net asset value of the Group were mainly resulted from the loss for the year and other comprehensive loss incurred during the years, in particular from the poor financial performance of the property development segment and healthcare holiday resort development and operation segment as mentioned above, as well as the corporate expenses incurred during the years.

Gearing ratios

The Group's gearing ratio, calculated as total interest-bearing bank and other borrowings divided by the Group's total equity, amounted to approximately 75.9%, 75.0% and 104.9% as at 31 March 2018, 2019 and 2020 respectively.

Liquidity

We noted that the Group had net current liabilities throughout the last three financial years. As disclosed in the annual report of the Company for the year ended 31 March 2020, the Company had total interest-bearing bank and other borrowings of approximately HK$937.9 million, of which approximately HK$725.9 million will be due within twelve months from the reporting date. The Management considers that the Group will not have liquidity problem and it will have sufficient working capital for its present requirement for at least the next 12 months from the date of the Circular having taken into account that (i) the Group has obtained an unsecure loan credit facility (the "**Facility**") from a related party and the substantial shareholder of the Company of RMB900.0 million, bearing interest of 5% per annum and repayable within a period of twenty-four months from drawdown date of the loans under the Facility; (ii) the Group has another credit facility obtained in March 2020 with an unutilised amount of RMB341 million; and (iii) the Group has resumed the selling of the completed properties held for sale located in the PRC and leasing of the investment properties located in Shanghai since April 2020 after the disruption of the business activities in the PRC caused by a series of precautionary and control measures implemented by the PRC government as a result of the outbreak of the COVID-19 pandemic.

(iii) Business prospects

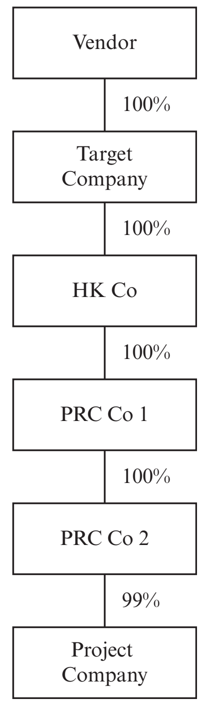
Although the series of precautionary and control measures implemented by the PRC government to ease the COVID-19 pandemic in early 2020 leading to a slow down of the sales of properties of the Group, the business activities have been resumed since April 2020. With a rigid demand on housing in the PRC and with the public awareness of health and well-being lifestyle increased after the outbreak of COVID-19 pandemic, the Management believes that there will be an increase in demand for wellbeing-related goods and services represented by high-quality living, tourism, vacation and healthcare services. Despite there are trade disputes between the United States and the PRC, the Management considers that the economic environment of the PRC will improve in the future as the PRC government has implemented different policies to stimulate market activities. It was also demonstrated by the rebound of the growth of the national gross domestic product (the "**GDP**") of the PRC in the second quarter of 2020, according to the Preliminary Results of the National GDP for the second quarter and first half of 2020 issued by National Bureau of Statistic in August 2020. As such, the Management is of the view that there will be a demand on housing in the PRC which will provide the Group with great opportunities for sustainable expansion of its property development business and healthcare holiday resort development and operation business, with high end real estate and living services. The Group will therefore allocate more resources to develop these two core businesses.

2. Background information on the Target Group and the Project Company

2.1 Pre-Acquisition Reorganisation of the Target Group

As mentioned in the letter from the Board, the Target Group would carry out the Pre-Acquisition Reorganisation to transfer 99% equity interest of the Project Company to the Target Company at an expected consideration of RMB99,000,000 based on the registered share capital of the Project Company. Upon completion of the Pre-Acquisition Reorganisation, the Target Company will indirectly own 99% equity interest of the Project Company.

As extracted from the letter from the Board, the following diagram sets out the shareholding structure of the Target Group immediately after completion of the Pre-Acquisition Reorganisation:



2.2 Structure and business of the Target Group

As at the Latest Practicable Date, each of the Target Company, HK Co, PRC Co 1 and PRC Co 2 was principally engaged in investment holding.

The Project Company is principally engaged in the development of the Project. Upon completion of the Pre-Acquisition Reorganisation, the Project Company will become a member of the Target Group and the Target Group will be principally engaged in property development in the PRC.

(i) Property interests

The following table sets out the particulars in relation to the Project owned by the Project Company as at the Latest Practicable Date:

	Location	**Approximate total gross floor area (“GFA”)/site area**	**Current development status**
The Project	No.1 Yihe Road, located at the east of Xinyang Road, south of Yihe Road, Sanmao Street, Yangzhong City, Zhenjiang City, Jiangsu Province, the PRC	173,457 sq.m./ 53,339.83 sq.m.	Under construction

The Project comprised two parcels of adjoining land with a completed sales office and various constructions in progress erected thereon. The market value of the Project as at 30 June 2020 was approximately RMB1,086.0 million (equivalent to approximately HK$1,191.6 million) based on the Valuation Report set out in Appendix VB to the Circular.

(ii) Development and business plan in relation to the Project

The Project is situated at No.1 Yihe Road, located at the east of Xinyang Road, south of Yihe Road, Sanmao Street, the central business district of Yangzhong City, Zhenjiang City, Jiangsu Province, the PRC, with a total site area of approximately 53,339.83 sq.m.. The land use rights of the Project have been granted for terms commencing from 20 April 2018 and expiring on 19 April 2088 and 19 April 2058 for residential and commercial use, respectively. The Project was under construction as at the Latest Practicable Date. Given that the Project is situated at the central business district of Yangzhong City, Zhenjiang City, Jiangsu Province, the PRC and the recent sale and rental prices of residential premises in the district have been increasing drastically over the past decade, the Project Company proposed to construct 12 six to 34-storey buildings with a total estimated gross floor area of approximately 173,457 sq.m., excluding the basement with a gross area of approximately 31,065 sq.m. on it for residential and commercial use and 1,223 carparking spaces at basement one and basement two. It is estimated that the construction of the Project will be completed in 2021. The proposed development is summarised as below:

Designed use(s)	**Approximate total gross floor area (sq.m.)**
High-rise apartments	155,156
Medium-rise apartments	9,279
Kindergarten	4,800
Retail	1,505
Ancillary facilities	2,717
Basement carparks	31,065
Total GFA (excluding the basement)	**173,457**

As at the Latest Practicable Date, approximately 53% of the construction work has been completed. It is expected that the remaining construction work will be completed in 2021.

As advised by the Management, the estimated total construction cost of the Project (excluding the land cost) is approximately RMB935.9 million and the construction cost incurred as at 30 April 2020 was approximately RMB616.9 million. The Project Company intends to finance the remaining construction work by its existing internal resources, including proceeds from presale and sale of the units of the Project, loans from related companies which are controlled by Mr. Qiu and other external borrowings.

It is the industry norm for property developers to finance the construction costs by property mortgage in view of the heavy capital requirements. The Project Company had entered into a mortgage agreement with an independent third party for a maximum loan amount of RMB300 million (the "**Mortgage Loan**"). As at the Latest Practicable Date, the outstanding Mortgage Loan amounted to RMB200 million, which will be due in September 2020. It was originally expected that the Project Company would be able to fully repay and/or refinance the Mortgage Loan when it falls due under the then expected development plan of the Project. However, due to the outbreak of COVID-19 since early 2020, the Project Company experienced unexpected slowdown in the progress of construction and presale of the Project, which have resulted in the Project Company only having cash and cash equivalents of approximately RMB160 million and contracted pre-sale of properties of approximately RMB35.0 million pending receipt of deposits from customers as at the Latest Practicable Date. Moreover, the Project Company had postponed its negotiations with financial institutions in respect of the refinancing of the Mortgage Loan until completion of the Pre-Acquisition Reorganisation in light of the expected change in its ownership as a result of the Acquisition which is in progress. In view of the aforementioned circumstances and subject to the actual progress of receipts of proceeds from pre-sale of properties, Mr. Qiu has undertaken to provide unsecured interest-free bridge financing with loans from related companies controlled by him in the event that the Project Company requires additional financing in repaying the Mortgage Loan and as working capital.

Taking into account (i) the cash and cash equivalents of the Project Company amounted to approximately RMB160 million as at the Latest Practicable Date; (ii) the proceeds to be received from pre-sale of properties; and (iii) the bridge financing which can be obtained from related companies controlled by Mr. Qiu, the Directors expect that the Project Company will have sufficient funds to fully repay the principal and interests of the Mortgage Loan on the due date. As at the Latest Practicable Date, the Project Company had pre-sold 663 units (representing approximately 49.5% of the saleable units) with the remaining saleable units being able to continue generating future operating cash flows. As the outbreak of COVID-19 in the PRC has been largely contained, the operations of the Project Company had been getting back on track as at the Latest Practicable Date. In addition, the

Project Company plans to obtain mortgage loans from financial institutions to refinance the loans from related companies and future working capital upon completion of the Pre-Acquisition Reorganisation.

In view of the foregoing, the Directors are of the view that the Project Company will be able to operate the Project with its own operating and financing capabilities, and obtain further mortgage financing from financial institutions. Having taking into account of the aforesaid reasons, in particular Mr. Qiu has undertaken to provide unsecure interest-free bridge loans to finance the Mortgage Loan and as working capital if required, we concur with the Directors that the Project Company will have sufficient funds to fully repay the principal and interests of the Mortgage Loan on the due date.

As disclosed in the annual report of the Company for the year ended 31 March 2020, there is a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. However, as mentioned in the paragraph headed "1.2 Financial performance and financial position of the Group" above, the Management is of the view that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due based on the reasons set out in that paragraph. It is also mentioned above that the Project Company plans to obtain mortgage loans from financial institutions. The Management advised that they target to obtain such loans after the completion of the Pre-Acquisition Reorganisation. The mortgage loans will be utilised to repay the loans from related companies and as future working capital. The Management considers that with the proceeds from the future sales of properties and the external mortgage loans, the Project Company will be able to self-finance its operation, and therefore, considers that the Acquisition should not adversely affect the financial position of the Group.

We note that the gearing ratio of the Group will increase slightly from approximately 104.9% to approximately 110.1% which was due to the interest-bearing borrowings of the Project Company, as disclosed in the paragraph headed "7. Effects on earnings and assets and liabilities of the Group" below. However, having considered that (i) the liquidity position of the Group would be improved (i.e. the net current liabilities of the Group is decreased); (ii) Mr. Qiu has undertaken to provide bridge loans to finance the Mortgage Loan and as working capital as mentioned above; and (iii) the above reasons mentioned by the Management, we concur with the Management that the Acquisition should not adversely affect the financial position of the Group. Further details on the financial impact of the Acquisition on the Group is disclosed in the paragraph headed "7. Effects on earnings and assets and liabilities of the Group" below.

2.3 Financial performance and financial position of the Target Group

Target Company

(i) Financial performance

The following table sets out a summary of the audited combined statements of comprehensive income of the Target Group, prior to the Pre-Acquisition Reorganisation, for the three years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2019 and 2020, which were extracted from the accountants' report of the Target Group as set out in Appendix IIA to the Circular:

	For the year ended 31 December			**For the four months ended 30 April**	
	2017	**2018**	**2019**	**2019**	**2020**
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(audited)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	—	35	18	18	—
Net (loss)/profit before taxation	**(3)**	**30**	**13**	**15**	**(1)**
Net (loss)/profit after taxation	**(3)**	**24**	**13**	**15**	**(1)**

The Target Group was engaged in the trading of chemical materials in the PRC in 2018 and 2019. It has ceased the business of the trading of chemical materials in 2020. As at the Latest Practicable Date, it was an investment holding company. The loss incurred for the four months ended 30 April 2020 was mainly due to administrative expenses.

(ii) Financial position

The following table sets out a summary of the audited consolidated statements of financial position of the Target Group, prior to the Pre-Acquisition Reorganisation, as at 31 December 2017, 2018 and 2019 and 30 April 2020, which were extracted from the accountants' report of the Target Company as set out in Appendix IIA to the Circular:

	As at 31 December			As at 30 April
	2017	**2018**	**2019**	**2020**
	(audited)	*(audited)*	*(audited)*	*(audited)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current assets	5	34	42	40
Current liabilities	(18)	(23)	(19)	(17)
Net current (liabilities)/assets	**(13)**	**11**	**23**	**23**
Share capital	—	—	—	—
Reserves	(13)	11	23	23
(Capital deficiency)/total equity	**(13)**	**11**	**23**	**23**

As at 30 April 2020, the major assets of the Target Group were an amount due from a related company of approximately HK$27,000 and cash and cash equivalents of approximately HK$11,000, and the major liabilities of the Target Group were amounts due to related companies of approximately HK$17,000.

Project Company

(i) Financial performance

The following table sets out a summary of the audited statements of comprehensive income of the Project Company for the period from 27 November 2017 (date of incorporation) to 31 December 2017, the two years ended 31 March 2018 and 2019 and the four months ended 30 April 2019 and 2020, which were extracted from the accountants' report of the Project Company as set out in Appendix IIB to the Circular:

	For the period from 27 November 2017 (date of incorporation) to 31 December	For the year ended 31 December		For the four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(audited)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	—	—	—	—	—
Net loss before taxation	**(231)**	**(14,066)**	**(16,039)**	**(4,578)**	**(2,471)**
Net loss after taxation	**(231)**	**(14,066)**	**(16,039)**	**(4,578)**	**(2,471)**

The Project Company was incorporated in November 2017 with the principal business activity of property development. The Project Company has commenced the presale of the Project but the units were yet to be delivered to the customers. Accordingly, no revenue has been recognised by the Project Company.

The Project Company did not incur material loss for the period from 27 November 2017 (date of incorporation) to 31 December 2017 as the Project was not commenced in 2017. The loss incurred for the year ended 31 December 2018 and 2019, and for the four months ended 30 April 2020 was mainly related to the selling and administrative expenses incurred after the Project has been commenced.

(ii) Financial position

The following table sets out a summary of the audited statements of financial position of the Project Company as at 31 December 2017, 2018 and 2019 and 30 April 2020, which were extracted from the accountants' report of the Project Company as set out in Appendix IIB to the Circular:

	As at 31 December			As at 30 April
	2017	**2018**	**2019**	**2020**
	(audited)	*(audited)*	*(audited)*	*(audited)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	—	8,372	7,562	7,290
Current assets	58,002	754,143	1,196,593	1,090,449
Current liabilities	(58,233)	(618,212)	(1,122,543)	(1,018,598)
Non-current liabilities	—	(59,600)	—	—
Net (liabilities)/assets	**(231)**	**84,703**	**81,612**	**79,141**
Share capital	—	99,000	99,000	99,000
Reserves	(231)	(14,297)	(17,388)	(19,859)
(Capital deficiency)/total equity	**(231)**	**84,703**	**81,612**	**79,141**

As at 30 April 2020, the major assets of the Project Company were properties under development of approximately RMB980.1 million (equivalent to approximately HK$1,075.4 million), cash and cash equivalents of approximately RMB48.6 million (equivalent to approximately HK$53.3 million), restricted cash of approximately RMB25.8 million (equivalent to HK$28.3 million) and prepayments, deposits and other receivables of approximately RMB22.2 million (equivalent to approximately HK$24.4 million).

As at 30 April 2020, the major liabilities of the Project Company comprised contract liabilities of approximately RMB591.8 million (equivalent to approximately HK$649.3 million), other borrowings of RMB200.0 million (equivalent to approximately HK$219.4 million), an amount due to a shareholder of approximately RMB153.6 million (equivalent to approximately HK$168.6 million) and account and other payables of approximately RMB73.2 million (equivalent to approximately HK$80.3 million).

3. Reasons for the Acquisition

The Group has been engaging in the property development business since November 2015.

As stated in the letter from the Board, the Target Company, upon completion of the Pre-Acquisition Reorganisation, will indirectly hold the Project which is designated for residential and commercial uses. The Acquisition allows the Company to enhance its landbank in the PRC, which is in line with the Group's strategy to obtain premium land sites to enhance its property development business as disclosed in the annual report of the Company for the year ended 31 March 2020. The Board considers that the Acquisition is a good investment opportunity with great development potential in view of the physical locations of the Project, local policy support, demand in properties in the vicinities and the outlook of the property market and economic development in the regions in general. The Board believes that the Company will benefit from the sale and leasing of the properties and the anticipated growth in the value of the Project. Upon Completion, the Company intends to retain the present management team of the Project Company who possesses profound management expertise and experience in property development in the PRC. Leveraging on the Project Company's experience in developing and selling residential properties, leasing and managing commercial properties in the PRC, the Directors consider that the Acquisition is an opportune investment for the Group to enhance the property investment portfolio of the Group in long run and bring synergy and enhance the competitive edge of the Group.

In order to assess the merits of the Acquisition, we have conducted desktop research and reviewed, among others, the annual reports of the Company and certain public information in relation to the economies and property market in the PRC, which are set forth below:

Group's land acquisition strategy — enhance its landbank in the PRC

As disclosed in the annual report of the Company for the year ended 31 March 2020, the Board acknowledges that land acquisition strategy to acquire land reserve to secure future saleable resources for its future development and the brand building of the Group in the property market in the PRC is the key elements for success of the Group. With the steady growth of China's economy and the increase in household income, and experience from the COVID-19 outbreak since early 2020, the Management expects that the demand for well-being related goods and services represented by high-quality living will continue to increase, which provides the Group with great opportunities for sustainable expansion of its property development business with high end real estate and living services.

Good investment opportunity with great development potential

As advised by the Management, the Project is situated at the junction of the east of Xingyang Road and south of Yihe Road, Sanmao Street, that is the central business district of Yangzhong City where the recent sale and rental prices of office premises have been increasing drastically over the past decade. The buildings in the locality are low to medium-rise residential or commercial buildings. Based on the development proposal provided by the Company, the proposed development of the Project will comprise a comprehensive medium to high-rise resident and commercial development with a total estimated gross floor area of approximately 173,457 sq.m. (excluding the basement with a total gross floor area of approximately 31,065 sq.m. on it for residential and commercial use and 1,223 carparking spaces at basement one and basement two). Zhenjian Railway Station and Changzhou Benniu International Airport are both about 1-hour driving distance from the Property and taxis and buses are accessible to the Property. Details of the proposed development of the Project is set out in the paragraph headed "2.2 Structure and business of the Target Group" above.

As it is noted that the Property is situated in Zhenjiang City, Jiangsu Province, the PRC, for our due diligence purpose, we have reviewed information on the national economy of the PRC, the property market of the PRC, the local government's planning in Yangzhong City, the property market in Zhenjiang City, Jiangsu Province, the PRC and the historical selling prices of residential properties in Yangzhong City.

National economy of the PRC

According to the 2019 Statistical Bulletin on National Economics and Social Development of the People's Republic of China* (中華人民共和國2019年國民經濟和社會發展統計公報) published by the National Bureau of Statistic of China in February 2020, the national GDP of the PRC was approximately RMB99,086.5 billion in 2019, represented a growth of approximately 6.1% when compared to the previous year. The annual disposable income per capita in the PRC was approximately RMB30,733 in 2019, represented an increase of approximately 8.9% when compared to the previous year.

According to the 2019 National Statistical Bulletin on Economics and Social Development of Zhenjiang City* (2019年鎮江國民經濟和社會發展統計公報) published by the Bureau of Statistics of Zhenjiang City in April 2020, the district GDP of Zhenjiang City was approximately RMB412.7 billion in 2019, represented a growth of approximately 5.8% from the previous year. The annual disposable income per capita in Zhenjiang City was approximately RMB44,259 in 2019, represented an increase of approximately 8.3% from the previous year.

Despite the growth as mentioned above, the economic growth of the PRC has been seriously hit as a result of the COVID-19 outbreak in early 2020, particularly after the countrywide lockdown that took place at the end of January and during February of 2020. The unprecedented damages caused by the pandemic has presented challenges to the PRC's economy as many of the companies experienced major business disruptions. According to the data from the People's Bank of China, the GDP of the PRC contracted by 6.8% in the first quarter of 2020. Having said that, the business activities have resumed in the second quarter of 2020 and regained growth momentum. A recent report published by the International Monetary Fund in June 2020 projected that the growth of GDP of the PRC to be 1% in 2020 and 8.2% in 2021. Based on the above, we consider that the recovery from the sharp contraction is underway, and the outlook of the PRC economy is still promising in the long run.

Property market of the PRC

According to the statistics published by the National Bureau of Statistics of China in January 2020 at http://www.stats.gov.cn, the national property sector expanded with the total investment in real estate reaching approximately RMB13,219.4 billion in 2019, representing an approximate 9.9% growth as compared to the prior year, among which (i) the investment in residential properties reached approximately RMB9,707.1 billion, increased by approximately 13.9%; and (ii) the investment in commercial buildings reached approximately RMB616.3 billion, increased by 2.8%. The total floor space newly commenced construction in 2019 was approximately 2,271.5 million sq.m., represented an increase of approximately 8.5% as compared to the prior year, among which the total floor space newly commenced construction of residential properties reached approximately 1,674.6 million sq.m., represented an increase of approximately 9.2% as compared to the previous year. The total floor space of commercial buildings sold in 2019 remained stable at approximately 1,715.6 million sq.m., and the total floor space of residential properties sold grew by approximately 1.5% as compared to the prior year. The total sales of commercial buildings in 2019 were approximately RMB15,972.5 billion, represented an increase by approximately 6.5% as compared to the prior year, while the sales of residential properties jumped by approximately 10.3% for the same period. As stated in the above, we consider that the outlook of the property market of the PRC is positive.

Local government's planning in Yangzhong City

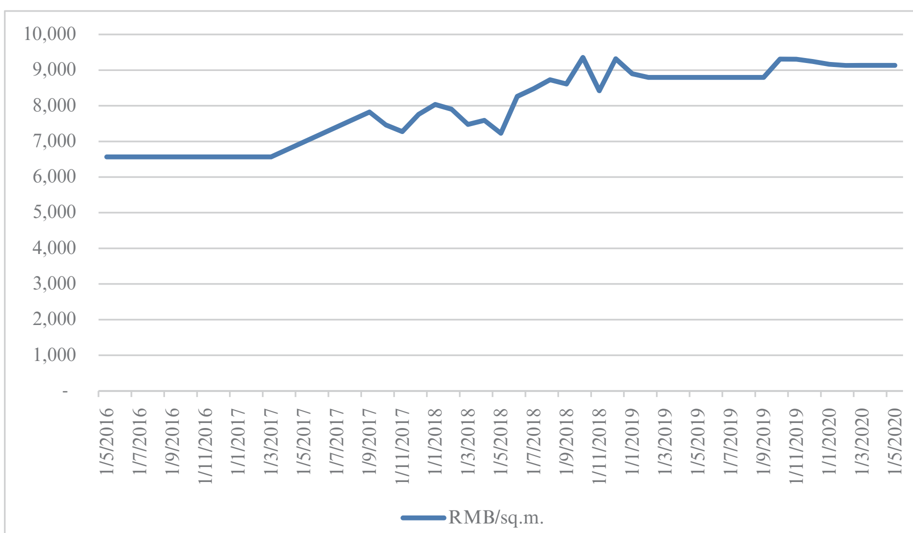
According to the 2013–2030 Urban City Planning in Yangzhong City*《揚中市城市總體規劃 (2013–2030)》approved by the people's government of Jiangsu Province, the PRC, Yangzhong City is planned to be a livable urban city with its owned characteristic, with low-consuming of resources but high economic efficiencies. The government planned to build an advanced and ecological urban city with high quality living environment in the area.

Property market of Zhenjiang City, Jiangsu Province, the PRC

According to the statistics released by the Bureau of Statistics of Zhenjiang City in February 2020 at http://tjj.zhenjiang.gov.cn, the property sector expanded with the total investment in real estate reaching approximately RMB40.3 billion in 2019, representing an approximately 13.3% growth as compared to the prior year, and the investment in Yangzhong City (where the Property is located) reached approximately RMB3.0 billion, representing an approximately 45.4% growth as compared to the prior year. The total sales of commercial building in 2019 was approximately RMB57.5 billion, up by approximately 13.1% as compared to the prior year, and the sales of residential properties jumped by approximately 16.7%.

Historical selling prices of residential properties in Yangzhong City

With reference to the public information displayed on the website of a property agency in the PRC, Anjuke, the historical selling prices of residential properties in Yangzhong City as illustrated below represented a general upward trend. The selling prices ranged from RMB6,565 per sq.m. in May 2015 to RMB9,133 per sq.m. in July 2020, representing an increase of approximately 39%.



Source: website of Anjuke, a property agency in the PRC (https://www.anjuke.com/fangjia/)

As evidenced by the favourable findings of our independent research for the property market in the PRC and in Zhenjiang City, and the local government's planning in Yangzhong City presented above, and with the expectation that the PRC economy will regain growth momentum, we are of the view that the prospect of the property market of the PRC, in particular in Yangzhong City, is promising and the positive trend is likely to continue in the near future.

Synergy effect

As stated in the letter from the Board, the Directors consider that the Acquisition could create synergy between the Group and the Project Company by way of leveraging on the Project Company's experience in developing and selling residential properties, leasing and managing commercial properties. As the Target Group has similar business operations as the Group, upon Completion, the Enlarged Group could utilise the existing resources of the Group and the Target Group, such as project development staff, sales staff, suppliers and certain qualified competent construction contractors in other property development projects. With the enhancement of its property portfolio and relevant expertise, the Enlarged Group may be able to take on property development projects with larger scale and expand its business.

Having considered the above, in particular, that (i) the Acquisition is in line with the Group's strategy on property development business; (ii) the property development business is one of the main business of the Group; (iii) the future outlook of the PRC economy; (iv) the positive prospect of the property market in Yangzhong City; (v) and the possible benefits and synergies that will be created by the Acquisition as represented by the Management; we concur with the Directors that the Acquisition is in the interests of the Company and its Shareholders as a whole.

4. Principal terms of the Agreement

Pursuant to the Agreement, the Company conditionally agreed to purchase and the Vendor conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, at the Consideration of HK$157,700,000, which will be satisfied by way of allotment and issue of the Consideration Shares on the Completion Date at the Issue Price of HK$0.35 per Consideration Share.

(i) Basis of the Consideration

As disclosed in the letter from the Board, the Consideration was arrived at after arm's length negotiations between the Company and the Vendor with reference to, among other things, (i) the adjusted net asset value of the Target Group and the Project Company as at 30 April 2020 taking into account the unaudited net asset value of the Target Group and the Project Company as at 30 April 2020 and the market value of the Property appraised by an independent property valuer as at 30 April 2020; (ii) recent market conditions; and (iii) the reasons and benefits as set out in the paragraph headed "Reasons for and benefits of the Acquisition" in the letter from the Board.

(ii) Consideration Shares

A total of 450,600,000 Consideration Shares will be allotted and issued by the Company to the Vendor on the Completion Date. Such Consideration Shares represent (i) approximately 49.66% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 33.18% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, after taking into account the effect of the Share Consolidation.

The Consideration Shares will be allotted and issued by the Company pursuant to the Specific Mandate and will rank *pari passu* with the Shares in issue. There are no restrictions on any subsequent sale of the Consideration Shares.

(iii) Conditions precedent

Completion is conditional upon the satisfaction (or waiver) of the following conditions:

(a) the Company having been satisfied with the results of such enquiries, investigations and due diligence reviews of the business, affairs, operations and financial position of the Target Group and the Project Company by the Company or any of its officers, employees, agents, professional advisers or other agents as the Company in its discretion deems necessary, desirable or appropriate to undertake;

(b) the passing of an ordinary resolution at the EGM with at least 75% of the votes of the Independent Shareholders that are cast either in person or by proxy approving the Whitewash Waiver, and more than 50% of the votes of the Independent Shareholders that are cast either in person or by proxy approving the Agreement and the transactions contemplated thereunder, as required under the Takeovers Code;

(c) the passing of an ordinary resolution at the EGM by way of poll approving the Agreement and the transactions contemplated thereunder, including the Specific Mandate, as required under the Listing Rules;

(d) the Pre-Acquisition Reorganisation having been completed;

(e) the listing of, and permission to deal in, all the Consideration Shares being granted by the Listing Committee (the "**Listing Approval**") and the Listing Approval not having been revoked prior to the Completion Date;

(f) the Executive having granted the Whitewash Waiver;

(g) the Share Consolidation and the Change in Board Lot Size having become effective;

(h) the warranties given by the Vendor remaining true and accurate in all respects and not misleading in any respect as of the Completion Date by reference to the facts and circumstances subsisting as at the Completion Date;

(i) no notice, order, judgement, action or proceeding of any court, arbitrator, authority, statutory or regulatory body having been served, issued or made which restrains, prohibits or makes unlawful any transaction contemplated by the Agreement or which is reasonably likely to materially and adversely affect the right of the Company to own the legal and beneficial title to the Sale Shares, free from encumbrances, following the Completion Date; and

(j) all consents of any authority or of any other person that are required to be obtained in connection with the consummation of the transactions contemplated by the Agreement (including but not limited to those related to the transfer of the Sale Shares, and any waivers of notice requirements under the articles of association of the Company) shall have been duly obtained and effective as of the Completion Date.

In respect of condition (j), as at the Latest Practicable Date, the Project Company was in the process of obtaining consent for the change of its shareholders under a loan facility amounted to RMB300 million (of which RMB200 has been drawn down) from the relevant lender which is an independent third party. Save as disclosed above, to the best knowledge and awareness of the Company, no other specific consents of any authority or any other person are required to be obtained in connection with the consummation of the transactions contemplated by the Agreement.

The Company may at any time waive in whole or in part and conditionally or unconditionally any of the foregoing conditions (other than the conditions (b), (c), (d), (e), (f) and (g) which are not waivable by any Parties in any event) by notice in writing to the Vendor.

If any of the conditions (b), (c), (d), (e) (f) and (g) is not satisfied on or before the Long-Stop Date or any of the other conditions is not satisfied or waived on or before the Completion Date, the Company may terminate the Agreement by notice in writing to the Vendor, provided however that (i) the surviving provisions shall continue in force following the termination of the Agreement; and (ii) the termination of the Agreement shall be without prejudice to the rights and liabilities of any Party accrued prior to such termination. In all other such circumstances, the Agreement shall lapse without liability to any Party.

5. Assessment of the Consideration

We have reviewed the calculation of the Consideration which was based on the unaudited net asset value of the Target Group (including the Project Company) as at 30 April 2020 as adjusted by the valuation surplus of the Property as at 30 April 2020 and the deferred tax liability arising from such valuation surplus. The Consideration represented a slight discount of approximately 1.5% to the adjusted unaudited net asset value of the Target Group of approximately HK$160.2 million.

As discussed in the paragraph headed "2. Financial performance and financial position of the Target Group" above, majority of the assets of the Target Group is the properties under development and cash. In order to assessing the fairness and reasonableness of the Consideration, we have reviewed the valuation of the properties under development (i.e. the Property).

The valuation

The valuation of the Property was prepared by Grant Sherman Appraisal Limited (the "**Valuer**") as set out in Appendix VB to the Circular. We have discussed with the Valuer on the valuation of the Property. In valuing the Property, the Valuer has fully complied with the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 of and Practice Note 12 to the Rule Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and Rule 11 of the Code on Takeovers and Mergers issued by Securities and Futures Commission.

We have performed the work as required under Note 1(d) to Rule 13.80 of the Listing Rules and paragraph 5.3 of the Corporate Finance Adviser Code of Conduct in respect of the Valuation Report. We have reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; and (ii) the experience of the Valuer in valuing properties in the PRC similar to the Property. We noted from the engagement letter entered into between the Company and the Valuer that, the scope of work was appropriate to the opinion given and there were no limitations on the scope of work which might adversely impact the degree of assurance given. From the qualification and experience of core members in charge of the valuation, we understand that Mr. Lawrence Chan Ka Wah ("**Mr. Chan**"), the director of the Valuer and the signor of the Valuation Report, is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, Registered Professional Surveyors in the General Practice Section, an RICS Registered Valuer and a member of the China Institute of Real Estate Appraisers and Agents, and has over 17 years of experience in the valuation of properties in Hong Kong, Macau, the PRC and the Asian Rim. We have also publicly searched on the track records of the Valuer on other property valuations and noted that the Valuer had been the valuer for a wide range of companies listed on the Stock Exchange. As such, we are of the view that the

Valuer and Mr. Chan are qualified, experienced and competent in performing property valuations and providing a reliable opinion in respect of the valuation of the Property.

The Valuer has confirmed that (i) it is independent to the Group, the Vendor and their respective connected persons and associates; (ii) it was not aware of any relationship or interest between itself and the Group or any other parties that would reasonably be considered to affect its independence to act as an independent valuer for the Company; and (iii) apart from normal professional fees payable to it in connection with their engagement for the valuation, they had no other engagement with the Group, the Vendor and their respective connected persons and associates.

Valuation methodology

The Project comprises two parcels of adjoining land with a completed sales office and various constructions in progress erected on the Property. As disclosed in the Valuation Report, in valuing the Property, the Valuer has adopted a direct comparison approach that calculates the market value of the Property by referring to comparable land transactions and other sales evidences that are available in the relevant market. The Valuer has also taken into account the expended construction costs to derive the value of the Property. Additionally, the Valuer has further adopted the market approach on the basis that the Property will be developed and completed in accordance with the latest development proposals provided to the Valuer by the Company as a cross-check method.

We have interviewed the Valuer and understand that the Valuer had also considered the other two generally accepted valuation approaches, namely the income approach and the cost approach. Nonetheless, given that (i) the income approach was not deemed applicable for the Property due to the lack of income streams and/or cash inflows associated solely with it; (ii) the cost approach is likely to be adopted if there is no relevant market comparables/sales comparables readily available; and (iii) the application of the direct comparison approach is relatively more objective as publicly available data on comparable sales transactions used under this approach reflects the market consensus on the pricing of similar assets, the Valuer considered the adoption of the direct comparison approach as more appropriate than the cost approach and income approach as it would provide a more objective result.

Given that the real estate market is a traditional industry, there already exists sufficient samples of comparable sales transactions available for analysis. As such, we are of the view that these comparable sales transactions would provide good benchmarks on the valuation of the Property. In addition, the direct comparison approach was considered as an appropriate valuation methodology and common practice in assessing the market value of the land in the PRC given the availability of the market information of actual sales transactions of comparable lands, which is considered to be the best indicator of the fair value of the Property. Accordingly, we agree with the Valuer that the direct comparison approach was appropriate for the valuation of the Property and the market approach is used as a cross-check method.

Sample selection

From the discussion with the Valuer, we understand that they have identified and analysed six comparable land sites from the public land sales record in the locality and three comparable shops from the website of a local property agency. The samples selected had similar characteristics as those of the Property such as the nature, usage, site areas, plot ratio and accessibility. The selection criteria for comparable land sites included the land site with areas of over 10,000 sq.m., plot ratio of not less than 2 times and sales records made during 2019 or thereafter to reflect the most reliable comparables, whereas the Valuer has taken into account the location, facility, amenity, accessibility, gross floor areas which are similar to those of the sales office of the Property when selecting the comparable shops.

For our due diligence purpose, we have obtained from the Valuer details of the comparable land sites and shops that they have selected to value the Property, details of which are set out below:

Comparable land sites

	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6
Location	The commercial and residential area located at the east of Henanqiao Road, the north of Fuzhen Road, Sanmao street, Yangzhong City (at the north of Yangzhong Zhong Yin Yue Cheng)	The commercial and residential area located at the east of Guihua Road, the south of Yingbin Avenue, the west of Lianmeng South Road, the north of Guihuaqujian Road, Yangzhong City (close to Wu Yue Square of Yang Zhong City)	The commercial and residential area located at the east of Guihuadao Road, the south of Guihuaqujian Road, the west of Lianmengnan Road, the north of Nanjiang Road, Yangzhong City (close to Yang Zhong Wu Yue Square of Yang Zhong City)	The commercial and residential area located at the south of Yihe Road, the east of Lian Feng Gang, Yangzhong City (close to Yi He Jia Yuan)	The commercial and residential area located at the east of Lianmengnan Road, the north of Yingbin Avenue, Xicheng District, Yangzhong City (at the northwest of Zhong He Ecological Park of Yang Zhong City)	The commercial and residential area located at the east of Mingzhu Avenue, the south of Yangzhong Middle Yangzi Road, Yangzhong City (right next to Chunyang Apartment)
Site area (sq.m.)	63,095	60,217	59,693	41,375	25,919	14,692
Property type	Residential land	Residential land	Residential land	Residential land	Residential land	Residential land
Accommodation value (RMB/sq.m.)	Approximately 1,980	Approximately 2,027	Approximately 1,921	Approximately 3,051	Approximately 913	Approximately 4,907
Plot ratio (maximum)	2.5	2.8	2.6	2.2	2.2	2.5

Comparable shops

	Comparable 1	Comparable 2	Comparable 3
Location	The ground floor podium of Bin Jiang Hua Fu, Country Garden, Xinyang South Road, Yangzhong City	The ground floor podium of the Century Sitong, 333 Waihuan South Road, Yangzhong City	Shop unit close to Bin Jiang Hua Fu, Country Garden, Xinyang South Road, Yangzhong City
Floor level	1	1	1
Total gross floor area (sq.m.)	133	100	151
Unit type	Shop	Shop	Shop
Gross unit rate (RMB/sq.m.)	Approximately 10,165	Approximately 16,471	Approximately 13,907

We noted from the Valuer that the number of comparables selected for comparison is adequate and practical, and both the selected comparable land sites (which were residential land) and comparable shops located in the area close to the Property. We note that certain adjustments related to quantum, accessibility, amenity, time factor, facility, floor level and location have been made by the Valuer to adjust for the differences between the selected comparables and the Property. We have enquired with the Valuer on the nature and justification of the adjustments and are satisfied that they are appropriate to provide a fair and reasonable basis for the valuation.

As mentioned above, the Valuer has also appraised the Property on the basis that the Property will be developed and completed in accordance with the latest development proposals provided by the Company as a cross-check method. The Valuer has taken reference to the lowest range of the construction cost for high rise and ordinary quality of the residential building located in Shanghai, the PRC, that was sourced from the quarterly construction cost update for June 2020 issued by Rider Levett Bucknall, which is an independent organisation in cost management and quantity surveying, project management and advisory services. As advised by the Valuer, Shanghai is, among the other cities as cited in the aforesaid construction cost update, closest to Yangzhong City where the Property is located and therefore it is appropriate to take it as a reference. We agree with the Valuer to take it as the basis for the calculation of the cross-checking.

According to the International Valuation Standards, market value is defined as *"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion"*. Having reviewed the valuation report and discussed with the Valuer, no unusual matters had come to our attention that led us to believe that the Valuation Report was not prepared on a reasonable basis. We are of the view that the methodology used in the valuation including the basis and assumptions, and the comparables selected in valuing the Property is in line with market practices to value the Property of a similar nature and we believe that the valuation fairly represents the market value of the Property and forms a fair and reasonable basis for our assessment on the Consideration.

Comparable transactions

To further assess the fairness and reasonableness of the Consideration, we had prepared a table which lists out consideration paid by other listed issuers in transactions involving acquisition of companies which are engaging in property development. We have identified the transactions based on the following criteria: (i) the purchasers are companies listed on the Stock Exchange; (ii) the acquisitions constitute connected transactions pursuant to the Listing Rules and the circulars are published during the period from 24 July 2019 (being one year prior to the publication of the Announcement) and up to and including the Latest Practicable Date (the "**Review Period**"); (iii) the target companies are engaging in property development in the PRC; (iv) the considerations for the transactions are within RMB300 million; and (v) the consideration is based on the adjusted net asset value of the target companies with reference to the valuation report of the property(ies). We have identified and made references to seven comparable transactions (the "**Comparable Transactions**") which meet the aforesaid criteria, and we consider it is an exhaustive list of relevant and representative comparable transactions. Although the locations of the subject property development of the Comparable Transactions are not identical to that of the Project, the Comparable Transactions and the Project are exposed to similar market conditions and dynamics in the PRC. In addition, the Project and all target properties of the Comparable Transactions were under constructions (except for one Comparable Transaction that has not disclosed the status). As such, we consider the Comparable Transactions could provide a general reference for acquisitions of property development companies in the PRC by listed issuers in Hong Kong and are comparable. Set out below is the summary of relevant information of the Comparable Transactions:

Date of circular	Company name and stock code	Consideration	Way for settlement of the consideration	Adjusted net asset value	Premium/ (discount) of the consideration over/to the adjusted net asset value	Fair value of the consideration based on the share price as at the last trading day *(Note 2)*	Premium/(discount) of fair value of the consideration based on the share price as at the last trading day over/to the adjusted net asset value
18 September 2019	eForce Holdings Limited (stock code: 943)	RMB200,000,000	By issue of promissory note	RMB222,400,000	(10.1)%	N/A	N/A
20 September 2019	Oriental University City Holdings (H.K.) Limited (stock code: 8067)	RMB252,370,000	By cash and issue of convertible note	RMB252,370,000	(0)%	N/A	N/A
27 September 2019	Yuexiu Property Company Limited (stock code: 123)	RMB128,000,000	By loan extension	RMB128,000,000	(0)%	N/A	N/A
8 November 2019	China Sandi Holdings Limited (stock code: 910)	RMB243,670,000	By cash	RMB243,670,000	(0)%	N/A	N/A
25 November 2019	Sansheng Holdings (Group) Co. Ltd (stock code: 2183)	HK$231,000,000	By issue of consideration shares	HK$1,152,800,000	(80.0)%	HK$233,200,000	(79.8)%
21 February 2019	DTXS Silk Road Investment Holdings Company Limited (stock code: 620)	RMB190,000,000	By cash	RMB406,084,944	(53.2)%	N/A	N/A
22 June 2019	China Tangshang Holdings Limited (stock code: 674)	HK$196,861,538	By issue of consideration shares	HK$196,861,538	(0)%	HK$99,200,000	(49.6)%
			Mean (simple average)		**(20.5)%**		**(64.7)%**
			Median		**(0)%**		**—**
			Minimum		**(0)%**		**(49.6)%**
			Maximum		**(80.0)%**		**(79.8)%**
	The Company	**HK$157,700,000**	**By issue of Consideration Shares**	**HK$160,171,170**	**(1.5)%**	**HK$175,734,000**	**9.7%**

Notes:

1. The above information is sourced from the relevant circular of the acquisitions on the Stock Exchange website.

2. The fair value of the consideration is calculated by multiplying the relevant closing price on the last trading day and the number of the consideration shares.

As illustrated in the table above, although the discount represented by the Consideration to the adjusted net asset value of the Target Group is lower than the mean of the Comparable Transactions, consideration of more than half of the Comparable Transactions are equivalent to the adjusted net asset value of the targets. We are of the view that the substantial discount of the considerations for the transactions of Sansheng Holdings (Group) Co. Ltd (stock code: 2183) and DTXS Silk Road Investment Holdings Company Limited (stock code: 620) are exceptional and there are not sufficient details about the circumstances giving rise to the magnitude of such discounts. We also note that it is not uncommon for listed companies in the Stock Exchange to acquire companies engaging in property development in the PRC from their connected persons at their adjusted net asset value.

In addition, the fair value of the Consideration represents a premium to the adjusted net asset value of the Target Group based on the closing price of the Share on the Last Trading Day while the fair value of the consideration of the Comparable Transactions represents discounts to the adjusted net asset value of the target company. However, having taking into account that only two of the Comparable Transactions settled the consideration by way of issue of consideration shares, we are of the view that the discounts of the fair value of the consideration of the above Comparable Transactions would not represent a fair and reasonable basis for comparison purpose. The assessment of the fairness and reasonable of the Issue Price is set out in the paragraph headed "6. Assessment of the Issue Price" below.

The adjusted net assets value of the Target Group shall fairly represent the fair value of its assets and liabilities after considering the valuation of the Property conducted by the Valuer. As the Consideration is at a slight discount of approximately 1.5% to the adjusted net asset value of the Target Group, we are of the view that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Payment method

Regarding the payment method for the Consideration, we have discussed with the Management on the appropriateness of the allotment and issue of the Consideration Shares. By the allotment and issue of the Consideration Shares, the Group does not have any immediate cash outflow. The Management considered that it is important to maintain sufficient cash resources for its ordinary course of business in view of the impact of the COVID-19 pandemic.

As mentioned in the paragraph headed "1.2 Financial performance and financial position of the Group" above, as at 31 March 2020, the Group had cash and cash equivalents of approximately HK$94.9 million and bank and other borrowings of approximately HK$725.9 million which will be due within twelve months. The Management takes the view that if cash payment was made for the settlement of the Consideration, it will cause an adverse impact to its cash flow.

The Management has also considered other alternative financing methods to finance the Acquisition. However, the Management considered that the issuance of the Consideration Shares will put the Company in a position to better equip itself for the long term business development of the

Group when compare to other means of fund raising such as debt financing or other equity financing. Debt financing will incur additional financing costs, while other equity financing takes longer time to complete.

Given that (i) the issue of the Consideration Shares shall not affect the cash flow and liquidity position of the Group, while enlarging and strengthening the capital base of the Company; (ii) other debt financing alternatives will incur additional interest expense to the Group; (iii) other equity financing alternatives would also introduce dilution to the existing shareholders and may take longer time to complete, and the terms of other equity financing such as rights issue or open offer would not be better than those of the issuance of the Consideration Shares given the low liquidity of the Shares as mentioned below; and (iv) the Group shall retain more cash for the development of its business and for general working capital needs, we concur with the view of the Management that it would be in the best interest to the Company and the Shareholders to settle the Consideration by way of allotment and issuance of the Consideration Shares.

6. Assessment of the Issue Price

As disclosed in the letter form the Board, the Issue Price for the Consideration Shares of HK$0.35 per Consideration Share was determined based on arm's length negotiations between the Parties with reference to the prevailing market prices of the Shares, the recent fluctuations in the price of the Shares and the recent market conditions. The Issue Price represents:

(i) a discount of approximately 10.26% to the theoretical closing price of HK$0.39 per Consolidated Share based on the closing price of HK$0.039 per Share on the Last Trading Day and taking into account the effect of the Share Consolidation;

(ii) a discount of approximately 14.63% to the theoretical closing price of HK$0.41 per Consolidated Share based on the average closing price of HK$0.041 per Share for the last five trading days up to and including the Last Trading Day and taking into account the effect of the Share Consolidation;

(iii) a discount of approximately 16.67% to the theoretical closing price of HK$0.42 per Consolidated Share based on the average closing price of HK$0.042 per Share for the last ten trading days up to and including the Last Trading Day and taking into account the effect of the Share Consolidation;

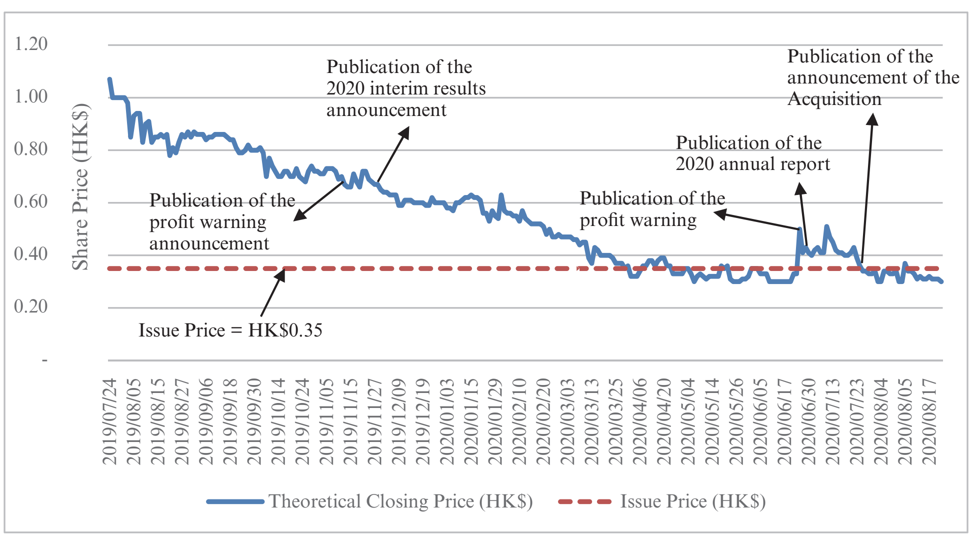
(iv) a premium of approximately 16.67% over the theoretical closing price of HK$0.30 per Consolidated Share based on the closing price of HK$0.030 per Share on the Latest Practicable Date and taking into account the effect of the Share Consolidation;

(v) a discount of approximately 22.22% to the theoretical net asset value per Consolidated Share of approximately HK$0.45 based on the net asset value per Share of approximately HK$0.045 as at 31 March 2020, which is based on the Company's audited consolidated net asset value attributable to the Shareholders of approximately HK$407,207,000 as at 31 March 2020 and the 9,074,000,000 Shares in issue as at the date of the Agreement; and

(vi) a discount of approximately 28.57% to the theoretical unaudited adjusted net asset value (the "**Theoretical Unaudited ANAV**") per Consolidated Share of approximately HK$0.49 based on the unaudited adjusted net asset value per Share of approximately HK$0.049 as at 31 March 2020, which is based on (i) the Company's unaudited adjusted consolidated net asset value attributable to the Shareholders of approximately HK$447,987,000 as at 31 March 2020 after taking into account the valuation of the property interests held by members of the Group (excluding an associated company of the Group) set out in Appendix VA to the Circular; and (ii) the 9,074,000,000 Shares in issue as at the date of the Agreement.

6.1 Historical price performance of the Shares

For the purpose of assessing the fairness and reasonableness of the Issue Price, we have reviewed the historical price performance of the Shares. The share price chart below illustrates the daily theoretical closing price per Consolidated Share on the Stock Exchange during the period from 24 July 2019 (being one year prior to the publication of the Announcement) up to and including the Latest Practicable Date (the "**Review Period**"). We consider such period to be adequate to illustrate the recent price performance of the Shares.



Note: source from the Stock Exchange.

During the Review Period, the theoretical closing price of the Consolidated Shares demonstrated a decreasing trend from the highest of HK$1.07 per Consolidated Share on 24 July 2019 to the lowest of HK$0.30 per Consolidated Share on 6 May 2020, 25 May 2020 to 27 May 2020, 10 June 2020 to 12 June 2020, 15 May 2020 to 19 May 2020, 3 August 2020 to 4 August 2020 and 21 August 2020, with an average of HK$0.56 per Consolidated Share. The theoretical closing price of the Consolidated Share increased sharply to HK$0.50 on 24 June 2020, being the date of the publication of the profit warning announcement of the Company. Since then, the theoretical closing price per Consolidated Share decreased gradually and closed at HK$0.39 per Consolidated Share on the Last Trading Date, and further closed at HK$0.30 per Consolidated Share on the Latest Practicable Date. We have discussed with the Management regarding the possible reasons for the general decline in the theoretical closing price and they are not aware of any specific reasons and material information relating to the Group that might have led to the aforesaid decrease in the Share price. We also note that the Company has not conducted any corporate exercises during the Review Period. We therefore consider that the decline in the Share price may due to the deteriorating financial performance of the Group.

During the Review Period, the Issue Price represented (i) a discount of approximately 67.3% to the highest theoretical closing price of the Consolidated Shares; (ii) a premium of approximately 16.7% over the lowest theoretical closing price of the Consolidated Shares; and (iii) a discount of approximately 37.5% to the average theoretical closing price of the Consolidated Shares. Although the Issue Price represented a discount to the average theoretical closing price of the Consolidated Shares, we noted that the theoretical closing price of the Consolidated Shares has demonstrated a downward trend during the Review Period which we believe that it was related to the financial performance of the Company. As the theoretical closing price of the Consolidated Shares was below the Issue Price as at the Latest Practicable Date, we are of the view that the Issue Price is at a premium over the recent market price of the Shares which reflected the latest market condition, and accordingly, we consider the Issue Price is fair and reasonable.

6.2 Historical trading volumes of the Shares

The table below sets out the monthly and daily trading volume of the Shares, and the percentage of the average daily trading volume of the Shares to the total issued number of the Shares and to the total number of issued Shares held by public Shareholders during the Review Period:

	Total trading volume in the month/period	Average daily trading volume *(Note 2)*	% of the average daily trading volume to the total number of issued Shares as at the end of the relevant month/period *(Note 3)*	% of the average daily trading volume to the total number of issued Shares held by public Shareholders as at the end of the relevant month/period *(Note 4)*	Number of trading days in each month/period *(Note 5)*
2019					
July (from 24 July 2020)	38,691,200	6,448,533	0.07%	0.10%	6
August	64,504,000	2,932,000	0.03%	0.05%	22
September	50,130,600	2,387,171	0.03%	0.04%	21
October	51,898,000	2,471,333	0.03%	0.04%	21
November	41,626,800	1,982,229	0.02%	0.03%	21
December	33,838,400	1,691,920	0.02%	0.03%	20
2020					
January	211,922,402	10,596,120	0.12%	0.16%	20
February	46,664,118	2,333,206	0.03%	0.04%	20
March	15,318,798	696,309	0.01%	0.01%	22
April	10,920,400	574,758	0.01%	0.01%	19
May	10,516,000	525,800	0.01%	0.01%	20
June	119,562,400	5,693,448	0.06%	0.09%	21
July	41,409,600	1,882,255	0.02%	0.03%	22
August (up to the Latest Practicable Date)	52,066,400	3,471,093	0.04%	0.05%	15

Notes:

(1) Source from the Stock Exchange and the Company.

(2) Average daily trading volume is calculated by diving the total trading volume of the Shares in the month/period by the number of trading days during the month/period.

(3) The calculation is based on the average daily trading volume of the Shares divided by the total number of issued Shares at the end of the month or as at the Latest Practicable Date.

(4) The calculation is based on the average daily trading volume of the Shares divided by the total number of issued Shares held by public Shareholders at the end of the month or as at the Latest Practicable Date.

As illustrated in the table above, the average daily trading volume of the Shares as a percentage of the total number of issued Shares ranged from approximately 0.01% to 0.12%, and the average daily trading volume of the Shares as a percentage of the total number of issued Shares held by public Shareholders ranged from approximately 0.01% to 0.16% during the Review Period. The above statistics revealed that the liquidity of the Shares was very low during the Review Period.

6.3 Comparable Issues

In considering whether the Issue Price is fair and reasonable when compared with the theoretical closing price and the Theoretical Unaudited ANAV per Consolidated Share (after taking into account the valuation of the property interests held by members of the Group (excluding an associated company of the Group) as set out in Appendix VA to the Circular), we have considered whitewash waiver applications as a result of issue of consideration shares announced during the period from 24 July 2019 and up to and including the Latest Practicable Date (i.e., the Review Period) by companies listed on the Stock Exchange. However, two out of three comparable companies identified were under prolonged suspension at the time the whitewash waiver application was made. To conduct a more reasonable comparison, we have changed our selection criteria to include all whitewash waiver application as a result of issue of consideration shares or subscription of new shares which resulted in a change of control of the ultimate beneficial owners of the listed companies and announced during the Review Period by companies listed on the Stock Exchange (the "**Comparable Issues**"). Out of the samples being identified, we have excluded (i) subscriptions announced by listed companies which were, as at the date of the announcement, under prolonged suspension (i.e. listed companies being suspended for three months or more as shown in the monthly prolonged suspension status report issued by the Stock Exchange); and (ii) transactions involving open offers or rights issue, where different pricing considerations apply. We consider the Comparable Issues represent an exhaustive list of relevant comparable issues based on the said criteria above.

It should be noted that the subject companies involved in the Comparable Issues may have different nature of business operations, market capitalisations, financial performance and financial position as compared with those of the Company. The circumstances leading to the subject companies to proceed with the whitewash waiver application may also be different from those relating to the Company. However, as the Comparable Issues fulfilling the above criteria can provide a general reference of the issue price in the market, we consider it is appropriate to use the Comparable Issues to assess the fairness and reasonableness of the Issue Price.

For each of the Comparable Issues identified, we compared the premium or discount of its issue/subscription price to (i) the closing price of the shares as at the last trading day immediately prior to the publication of the respective announcement; (ii) the average closing price of the shares for the five trading days immediately prior to the publication of the respective announcement; (iii) the average closing price of the shares for the ten trading days immediately prior to the publication of the respective announcement; and (iv) the latest consolidated net asset value per share prior to the publication of the respective announcement, as summarised in the following table:

			Premium/(discount) of issue/subscription price over/(to)			
Date of announcement	**Company name and stock code**	**Principal business of the issuer**	**the closing price of the shares as at the last trading day immediately prior to the announcement**	**the average closing price of the shares for the last five trading days immediately prior to the announcement**	**the average closing price of the shares for the last ten trading days immediately prior to the announcement**	**the latest consolidated net asset value per share prior to the announcement**
			% *(approximate)*	% *(approximate)*	% *(approximate)*	% *(approximate)*
1 November 2019	Ozner Water International Holding Limited (stock code: 2014)	Provision of water purifying services	(30.40)	(29.70)	(28.90)	(42.60)
19 November 2019	Panda Green Energy Group Limited (stock code: 686)	Development investment, operation and management of solar power plants and other renewable energy projects	7.76	9.17	10.13	(48.98)
6 February 2020	China Finance Investment Holdings Limited (stock code: 875)	Growing and trading of agricultural produce, provision of money lending services and securities trading and brokerage services	(31.60)	(33.90)	(34.50)	(68.10)
27 March 2020	Asia Energy Logistics Group Limited (stock code: 351)	Railway construction and operations and shipping and logistics business	(3.03)	(6.98)	(21.95)	N/A *Note 2*
24 April 2020	Asia Grocery Distribution Limited (stock code: 8413)	Trading and distribution of food and beverage grocery products in Hong Kong	(64.90)	(61.40)	(59.00)	122.20
		Mean (simple average)	**(24.43)**	**(33.00)**	**(26.84)**	**(9.37)**
		Median	**(30.40)**	**(31.80)**	**(28.90)**	**(45.79)**
		Minimum	**(31.60)**	**(33.90)**	**(34.50)**	**(68.10)**
		Maximum	**7.76**	**(6.98)**	**10.13**	**122.20**
	The Company		**(10.26)**	**(14.63)**	**(16.67)**	**(28.57)**

Note:

(1) Source from relevant announcements published on the Stock Exchange's website.

(2) Asia Energy Logistic Group Limited record a negative consolidated net assets value (i.e. net liabilities) in its latest financial statements prior to the announcement in relation to the subscription and the whitewash waiver.

(3) Vcredit Holdings Limited (stock code: 2003) published an announcement in relation to, among other things, termination of the subscription agreement and application of whitewash waiver on 25 May 2020. Therefore, this transaction was excluded in our analysis of the Comparable Issues.

As illustrated in the table above, the mean and median of the issue/subscription price of the Comparable Issues to the historical share prices were discounts ranging from 24.43% to 33.00%, while the Issue Price represents a much lower discount of 10.26% to 16.67% to the historical theoretical closing prices of the Consolidated Shares.

Although the discount of the Issue Price to the Theoretical Unaudited ANAV per Consolidated Share of approximately 28.57% is higher than the mean of the discounts of the Comparable Issues, it is lower than the median of the discounts of the Comparable Issues, and it is also within the range of premium/discount of the Comparable Issues. Besides, we note that it is common for the shares of property developer companies listed on the Stock Exchange to be traded at discount to their net asset value. We therefore consider the discount of the Issue Price to the Theoretical Unaudited ANAV per Consolidated Share acceptable.

Based on the above comparison, we are of the view that the Issue price is fair and reasonable.

7. Effects on earnings and assets and liabilities of the Group

Upon Completion, the Target Company and its subsidiaries will become subsidiaries of the Company and accordingly, their financial information will be consolidated into the consolidated financial statements of the Group. It is expected that the Acquisition will have the following financial effects on the Group:

7.1 Earnings

Upon Completion, the Target Group (including the Project Company) will become a wholly-owned subsidiary of the Company and its financial information will be consolidated into the financial information of the Group. In view of the future prospects of the property market in Zhenjiang City, the PRC, it is anticipated that the Acquisition will improve the Enlarged Group's trading prospects in the future. The Company expects that the Project would contribute positively to the Group's financial performance upon delivery of the properties of the Project to customers.

7.2 Assets and liabilities

Based on the unaudited pro forma financial information as set out in Appendix IV to the Circular, assuming that the Completion had taken place on 30 April 2020, the total assets of the Enlarged Group would have increased by approximately 59.6% from approximately HK$2,183.7 million to approximately HK$3,485.8 million on a pro forma basis, and the total liabilities of the Enlarged Group would have increased by approximately 88.8% from approximately HK$1,289.9 million to approximately HK$2,435.0 million on a pro forma basis. The net assets of the Enlarged Group would have increased by approximately 17.6% from approximately HK$893.8 million to approximately

HK$1,050.8 million. The increase in net assets of the Enlarged Group was resulted from the consolidation of the net assets of the Target Group but the issue and allotment of the Consideration Shares.

The Theoretical Unaudited ANAV attributable to owners of the Company per Share will decrease from approximately HK$0.49 per Consolidated Share to approximately HK$0.44 per Consolidated Share upon completion of the Acquisition. Such decrease was due to the allotment and issue of the Consideration Shares at a discount to the Theoretical Unaudited ANAV per Consolidated Share.

7.3 Gearing and liquidity

As at 31 March 2020, the Group's gearing ratio, calculated as total interest-bearing bank and other borrowings divided by the Group's total equity, amounted to approximately 104.9%. Based on the unaudited pro forma financial information as set out in Appendix IV to the Circular, assuming that the Completion had taken place on 30 April 2020, the Enlarged Group's pro forma gearing ratio would increase to approximately 110.1%. Such increase was mainly due to the high gearing ratio of the Project Company where the interest-bearing other borrowings of the Project Company will be consolidated to the financial statement of the Enlarged Group.

As at 31 March 2020, the net current liabilities of the Group were approximately HK$861.7 million. Based on the unaudited pro forma financial information as set out in Appendix IV to the Circular, assuming that the Completion had taken place on 30 April 2020, the pro forma net current liabilities of the Enlarged Group would have been decreased to approximately HK$688.3 million resulting from the net current assets being consolidated to the financial statements of the Enlarged Group.

7.4 Working Capital

We notice from the financial information on the Project Company set out in Appendix IIB to the Circular that as at 30 April 2020, there is an amount of approximately RMB153.6 million which was due to a shareholder and there are other borrowings of RMB200.0 million i.e. the Mortgage Loan. We were advised by the Management that the Project Company intends to repay the Mortgage Loan in September 2020 by its existing cash, proceeds from presale of the units of the Property and loans from related companies which are controlled by Mr. Qiu. The Project Company plans to obtain mortgage loans from financial institutions to refinance the loans from related companies and future working capital upon completion of the Pre-Acquisition Reorganisation.

As mentioned in the paragraph headed "1.2 Financial performance and financial position of the Group" above, the Management considers that the Group will have sufficient working capital having taken into account that (i) the Group has obtained an unsecure loan credit facility from a related party and the substantial shareholder of the Company of RMB900.0 million, (ii) the Group has another credit facility with an unutilised amount of RMB341 million; and (iii) the Group has restarted the selling and leasing of its properties in the PRC.

Based on the above, as set out in the section headed "3. WORKING CAPITAL" in the financial information of the Group in Appendix I to the Circular that, the Directors are of the opinion, after taking into account the financial resources available to the Enlarged Group, including existing bank balances and cash, internal generated funds and available credit facilities, the Enlarged Group has sufficient working capital for its present requirements for at least the next 12 months from the date of the circular.

The above analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be after completion of the Acquisition.

8. Effect of the Acquisition on the shareholding structure of the Company

On Completion Date, 450,600,000 Consideration Shares will be allotted and issued by the Company to the Vendor. Such Consideration Shares represent (i) approximately 49.66% of the existing share capital of the Company as at the Latest Practicable Date; and (ii) approximately 33.18% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, after taking into account the effect of the Share Consolidation.

The following shareholding table shows the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Share Consolidation having become effective; and (iii) immediately after the allotment and issue of the Consideration Shares and taking into account the effect of the Share Consolidation, assuming that no other further Shares will be allotted and issued after the Latest Practicable Date and prior to Completion:

	As at the Latest Practicable Date		**Immediately after the Share Consolidation having become effective**		**Immediately after the allotment and issue of the Consideration Shares and taking into account the effects of the Share Consolidation**	
Name of Shareholders	*No. of Shares*	*Approximate % of the issued share capital of the Company*	*No. of Shares*	*Approximate % of the issued share capital of the Company*	*No. of Shares*	*Approximate % of the issued share capital of the Company*
Vendor *(Note 1)*	—	—	—	—	450,600,000	33.18
Liyao *(Note 2)*	2,600,000,000	28.65	260,000,000	28.65	260,000,000	19.15
Sub-total for the Vendor and parties acting in concert with it	2,600,000,000	28.65	260,000,000	28.65	710,600,000	52.33
Public Shareholders	6,474,000,000	71.35	647,400,000	71.35	647,400,000	47.67
Total	9,074,000,000	100	907,400,000	100	1,358,000,000	100

Notes:

(1) The Vendor is wholly-owned by Boill Holding Group, which is in turn beneficially owned as to 97.64% and 2.36% by Mr. Qiu and Ms. Huang, respectively, as at the Latest Practicable Date. Mr. Qiu is the sole director of the Vendor.

(2) Mr. Qiu was the sole shareholder of Liyao as at the Latest Practicable Date.

As shown in the table above, the shareholding of the existing public Shareholders will be decreased from approximately 71.35% to approximately 47.67% immediately after the allotment and issue of the Consolidation Shares, representing a dilution by approximately 23.68%. Having taking into account, among others, (i) the optimistic prospects of the property market in the PRC, in particular in Yangzhong City; (ii) the benefits which are expected to be brought by the Acquisition; (iii) the Consideration and the Issue Price are fair and reasonable; and (iv) the financial effects of the Acquisition to the Group as discussed above, we are of the opinion that the dilution effect on the shareholding of the existing public Shareholders is acceptable.

WHITEWASH WAIVER

Under Rule 26.1 of the Takeovers Code, the Vendor would be required to make an unconditional mandatory general offer for all the issued Shares not already owned or agreed to be acquired by it and parties acting in concert with it pursuant to Rule 26 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive.

As stated in the letter from the Board, the conditions precedent to the Acquisition included, among others: (i) the granting of the Whitewash Waiver by the Executive; (ii) the approval of the Whitewash Waiver by at least 75% of the votes of the Independent Shareholders at the EGM in accordance with the Takeovers Code. These two conditions are not waivable by any parties to the Agreement. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders at the EGM, the Acquisition will not proceed.

Based on our analysis on the Acquisition, we consider that the Consideration and the Issue Price are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Since the Consideration and the Issue Price are the major terms of the Acquisition, we are of the view that the Acquisition is fair and reasonable. If the Whitewash Waiver is not approved by the Independent Shareholders at the EGM, the Acquisition will not proceed. Accordingly, we consider that the Whitewash Waiver is in the interests of the Company and the Shareholders as a whole for the purpose of implementing the Acquisition.

DISCUSSION

The Group has been engaged in the property development business since November 2015 and the property development business will be one of the core businesses of the Group in the future. As discussed above, the Project is situated at the central business district of Yangzhong City where the recent sale and rental prices of office premises have been increasing drastically over the past decade. Accordingly, the Acquisition is in line with the Group's strategy to obtain premium land sites to enhance its property development business.

Based on our independent research, the future outlook of the PRC economy is expected to regain its growth momentum. Besides, the prospect of the property market in Yangzhong City (where the Project situated) is promising with reference to the increasing trend of the historical selling price of residential properties and the local government's planning for Yangzhong City. Having considered the possible benefits and synergies that will be created by the Acquisition as represented by the Management, we believe that the Acquisition would be an opportune investment for the Group to enhance the property investment portfolio of the Group in long run and enhance the competitive edge of the Group. We also concur with the Directors' view that the Acquisition is in the interests of the Company and its Shareholders as a whole.

The Consideration represents a discount of approximately 1.5% to the adjusted net asset value of the Target Group as at 30 April 2020. As the most significant asset of the Target Group is the Property, after reviewing the Valuation Report and discussing with the Valuer, in particular on the methodologies, bases and assumption adopted for the valuation and the comparables selected, we are of the view that the value of the Property is justified. Besides, we note that it is typical for listed companies in the Stock Exchange to acquire companies engaging in property development in the PRC from connected persons at adjusted net asset value, we therefore consider the Consideration to be fair and reasonable.

In view of the financial position of the Group, as discussed above, it is desirable for the Group to settle the Consideration by way of issuing the Consideration Shares as the Group would be able to retain more cash for the development of the Group's business and for its general working capital needs and the liquidity position of the Group would not be affected. As discussed with the Management, the Company has also considered other debt or equity financing method to settle the Consideration. After exploring different alternatives, the Management concluded that debt financing will incur additional interest expense to the Group which is not preferred, and other equity financing such as rights issue or open offer would take longer time to complete and the terms of issuing the new shares would not be better than those of the issuance of the Consideration Shares given the low liquidity of the Shares. Based on the above, we concur with the Management that it would be in the best interest to the Company and the Shareholders to settle the Consideration by the Consideration Shares.

The Issue Price represents discounts to the historical theoretical closing prices of the Consolidated Shares. However, we noted that the Share price has demonstrated a downward trend during the Review Period and the theoretical closing price of the Consolidated Shares was below the Issue Price as at the Latest Practicable Date. The Issue Price is at a premium over the recent market price of the Shares which reflected the latest market condition, which we consider the Issue Price is fair and reasonable despite it is lower than the average of the theoretical closing price during the Review Period. Besides, we have also identified the Comparable Issues and compared the discounts to the historical closing prices of the shares which showed that the discounts to the theoretical closing prices of the Consolidated Shares are below the mean and median of the Comparable Issues and also within the range of the Comparable Issues. When comparing the Issue Price to the Theoretical Unaudited ANAV of the Company, the discount of the Issue Price to the Theoretical Unaudited ANAV per Consolidated Share is below the median of the Comparable Issues and within the range of those of the Comparable Issues. Based on these analyses, we are of the view that the Issue Price is fair and reasonable.

Based on the analysis of the financial effects of the Acquisition, the net assets of the Enlarged Group would be increased. The Project Company has already pre-sold 663 units and it will recognise the revenue upon delivery of these units to the customers and such revenue will be consolidated in the consolidated financial statements of the Group. Although the Theoretical Unaudited ANAV per Consolidated Share will be slightly lower and the gearing ratio of the Enlarged Group will increase by 5.2%, the net current liabilities of the Group would decrease by approximately HK$170.7 million. We consider the overall financial effect of the Acquisition to the Group is acceptable.

As a result of the issuance of the Consideration Shares, the shareholding of the existing public Shareholders will be diluted. However, having taking into account the benefits that the Acquisition would bring to the Group and the reasons for the Acquisition, provided that the Consideration and the Issue Price are fair and reasonable, we are of the opinion that the dilution effect on the shareholding of the existing public Shareholders is acceptable.

As the Vendor and the parties acting in concert with it will, as a result of the issue of the Consideration Shares, increase its shareholding in the Company from approximately 28.65% to approximately 52.33%, which would trigger a general offer in the absence of the Whitewash Waiver. Independent Shareholders should note that the Acquisition is conditional on the Whitewash Waiver being granted and this condition is not waivable, i.e. if the Whitewash Waiver is not granted, the Acquisition will not proceed.

RECOMMENDATION

Having considered of the principal factors and reasons stated above, and our analysis regarding the Acquisition, we are of the view that, although the Acquisition was not conducted in the ordinary and usual course of the business of the Group, the terms of the Agreement and the transactions contemplated thereunder (including the proposed grant of the Specific Mandate) and the Whitewash Waiver are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and that the Acquisition and the Whitewash Waiver are in the interest of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee and the Takeovers Code Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder (including the proposed grant of the Specific Mandate) and the Whitewash Waiver.

Yours faithfully,
for and on behalf of
Optima Capital Limited
Ng Ka Po
Senior Director, Corporate Finance

Mr. Ng Ka Po is a responsible officer of Optima Capital Limited and a licensed person registered with the Securities and Futures Commission to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. He has over 15 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.

1. SUMMARY OF FINANCIAL INFORMATION

The audited financial statements of the Group prepared in accordance with all applicable HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the three years ended 31 March 2020 together with the relevant notes thereto can be found from pages 56 to 140 of the annual report of the Company for the year ended 31 March 2018, pages 34 to 128 of the annual report of the Company for the year ended 31 March 2019, and pages 61 to 191 of the annual report of the Company for the year ended 31 March 2020, respectively. The management discussion and analysis of the Company for the three years ended 31 March 2020 are disclosed in the published annual report of the Company for the relevant years.

Each of the said audited financial statements of the Group for the three years ended 31 March 2020 is incorporated by reference to this circular and forms part of this circular. The said annual reports of the Company are available on the Company's website at https://www.boillhealthcare.com.hk/ and the website of the Stock Exchange at http://www.hkexnews.hk/.

For the annual report of the Company for the year ended 31 March 2018, please see:

https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0727/ltn20180727277.pdf

For the annual report of the Company for the year ended 31 March 2019, please see:

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0723/ltn20190723029.pdf

For the annual report of the Company for the year ended 31 March 2020, please see:

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0721/2020072101044.pdf

The following summary of financial information of the Group for each of the three years ended 31 March 2020 are extracted from the consolidated financial statements of the Company as set forth in the annual reports of the Company for the three years ended 31 March 2020, respectively.

	Year ended 31 March		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	738,147	419,762	106,352
Loss before taxation	(231,264)	(225,853)	(202,919)
Income tax credit (expense)	9,208	1,986	(20,875)
Loss for the year	(221,667)	(223,867)	(223,794)
Loss for the year attributable to:			
Owners of the Company			
from continuing operations	(214,164)	(200,114)	(189,432)
from discontinued operation	389	—	—
Non-controlling interests	(7,892)	(23,753)	(34,362)
Total comprehensive income attributable to:			
Owners of the Company			
from continuing operations	(102,000)	(275,210)	(230,093)
from discontinued operation	389	—	—
Non-controlling interests	41,669	(55,720)	(53,027)
Loss per share attributable to owners of the Company			
Basic and diluted (HK cents)	2.39	2.21	2.09
Dividends per share	nil	nil	nil

	Year ended 31 March		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	3,002,813	2,572,154	2,183,677
Total liabilities	1,480,327	1,380,598	1,289,868
Total equity			
Non-controlling interests	609,976	554,256	486,602
Equity attributable to owners of the Company	912,510	637,300	407,207

As disclosed in the annual report of the Company for the year ended 31 March 2019, the following statement regarding material uncertainty related to going concern was given by BDO Limited, the auditor of the Company:

"We draw attention to Note 3(b) in the consolidated financial statements, which indicates that the Group incurred a net loss of HK$223,867,000 during the year ended 31 March 2019 and, as of that date, the Group's current liabilities exceeded its current assets by HK$938,780,000. The Group's ability to meet these liquidity requirements depends on its ability to obtain sufficient cash sources through refinancing arrangement from a related party and the substantial shareholder of the Company and the related party and substantial shareholder can realise their cash to the Group in the required timescale. As stated in Note 3(b), these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

As disclosed in the annual report of the Company for the year ended 31 March 2020, the following statement regarding material uncertainty related to going concern was given by BDO Limited, the auditor of the Company:

"We draw attention to note 3(b) in the consolidated financial statements, which indicates that the Group incurred a net loss of HK$223,794,000 during the year ended 31 March 2020 and, as of that date, the Group's current liabilities exceeded its current assets by HK$861,677,000. These conditions, along with other matters set forth in note 3(b) to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

Save as disclosed above, there were no modified opinion, emphasis of matter or material uncertainty related to going concern contained in the auditors' report of the Group in respect of each of the three years ended 31 March 2020.

2. INDEBTEDNESS STATEMENT

The Group

Debts and borrowings

As at 30 June 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding secured bank and other borrowings of approximately HK$942.8 million.

The secured bank and other borrowings of the Group as at 30 June 2020 were secured by:

(i) the Group's leasehold land and buildings;

(ii) certain of the Group's investment properties;

(iii) the Group's investment properties under construction;

(iv) the Group's shares of an associate and certain subsidiaries;

(v) personal guarantee given by Mr. Qiu and Ms. Huang; and

(vi) corporate guarantees provided by related companies controlled by Mr. Qiu.

Amounts due to related companies

As at 30 June 2020, the Group had outstanding amounts due to related companies of approximately HK$298.5 million, which were unsecured, interest free and repayable on demand.

Contingent liabilities

As at 30 June 2020, the Group had no material contingent liabilities.

The Target Group

As at 30 June 2020, the Target Group had no indebtedness and contingent liabilities.

The Project Company

Debts and borrowings

As at 30 June 2020, the Project Company had outstanding secured other borrowings of approximately RMB200.0 million. The other borrowings of the Project Company as at 30 June 2020 were secured by (i) the Project Company's properties under construction; and (ii) the cash deposit of the borrowings of the Project Company.

Amounts due to a shareholder and a related company

As at 30 June 2020, the Project Company had outstanding amounts due to a shareholder and a related company of approximately RMB 183.2 million, which were unsecured, interest free and repayable on demand.

Contingent liabilities

As at 30 June 2020, the Project Company had no material contingent liabilities.

Save as aforesaid, the Group, the Target Group and the Project Company did not, as at 30 June 2020, have any outstanding debt securities, whether issued and outstanding, authorised or otherwise created but unissued, term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the Company or by third parties) or unsecured, other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured borrowings or debt, mortgages, charges, guarantees or other material contingent liabilities.

The Directors confirm that there was no material change in the indebtedness and contingent liabilities of the Group, the Target Group and the Project Company since 30 June 2020 and up to the Latest Practicable Date.

3. WORKING CAPITAL

Taking into account the financial resources available to the Enlarged Group, including existing bank balances and cash, internally generated funds and the available credit facilities, the Directors are of the opinion that, following the Completion, the Enlarged Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in property development, healthcare holiday resort development and operation, foundation piling and securities investment.

Following the unexpected outbreak of the COVID-19 in early 2020, a series of precautionary and control measures have been implemented across Hong Kong and the PRC, causing severe disruption to the overall market's business activities and economic performance. While the Group's daily operations have remained relatively unscathed, the outbreak has relatively subdued the property development market in Hong Kong and the PRC, and has adversely affected the sale of properties and signing of new rental contracts, as well as the fair value of the properties in the market. Coupled with the uncertainties around the trade disputes between the United States of America and the PRC and the prolonged social unrest in Hong Kong, the Group has been proactive in preparing for the challenges ahead in these unprecedented times, and will prudently manage its financial position to maintain sustainable growth.

Upon Completion, property development will remain as part of the Enlarged Group's business. The Board remains positive regarding the Enlarged Group's overall financial prospects and capabilities for the following reasons: (i) the Group's possible leverage on the Target Group's experience in developing and selling residential properties, and the leasing and managing commercial properties; (ii) the anticipated growth in the value of the Project when the construction is expected to be completed in 2021; and (iii) the Project will further extend the Group's geographical coverage and brand penetration in Jiangsu Province, and will be synergetic to the Group's existing projects as a result of future optimisation in resource allocation and improved operational alignment. Together with the Project, the Group's various property development projects will all be able to contribute revenue and cash flows in the coming few years, thus assuring continuing prospects in the challenging environment. It is also expected that investors' confidence will be restored and the public demand for wellbeing-related goods and services will be increased when the spread of the COVID-19 is contained, thus providing more business opportunities for the Group in the future. In light of the above, the Group is confident that the Acquisition will have a synergy effect on the Group's current operation and the Project will become one of the Group's growth drivers.

As the Group has been pursuing a land acquisition strategy for its future development and brand building of the Group, the Group will continue to obtain premium land sites when opportunities arise, taking into account the overall macroeconomic conditions and risks.

5. MATERIAL CHANGE

Save as disclosed below, the Directors confirm that there was no material change in the financial and trading position or outlook of the Group since 31 March 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up), and up to and including the Latest Practicable Date.

The outbreak of the coronavirus disease (COVID-19) since early 2020 has led to a series of precautionary and control measures implemented by the PRC government, causing severe disruption to the business activities in the PRC. The sales and marketing planning of the Company continued to be affected leading to a slow down of the sales of the properties of the Group.

The following is the text of a report set out on pages IIA-1 to IIA-23, received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Circular.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP TO THE DIRECTORS OF BOILL HEALTHCARE HOLDINGS LIMITED

Introduction

We report on the historical financial information of Set Flourish Ventures Limited (the "**Target Company**") and its subsidiaries (together the "**Target Group**") set out on pages IIA-4 to IIA-23, which comprises the combined statements of financial position as at 31 December 2017, 2018, 2019 and 30 April 2020, the statement of financial position of the Target Company as at 31 December 2019 and 30 April 2020, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2020 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information of the Target Group** "). The Historical Financial Information of the Target Group set out on pages IIA-4 to IIA-23 forms an integral part of this report, which has been prepared for inclusion in the circular of Boill Healthcare Holdings Limited (the "**Company**") dated 25 August 2020 (the "**Circular**") in connection with the proposed acquisition of the entire equity interest of Set Flourish Ventures Limited pursuant to the Agreement as defined in the Circular.

Directors' responsibility for the Historical Financial Information of the Target Group

The directors of the Company are responsible for the preparation of Historical Financial Information of the Target Group that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 2.1 to the Historical Financial Information of the Target Group, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information of the Target Group 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 of the Target Group and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information of the Target Group is free from material misstatement.

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

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 of the Target Group gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Group as at 31 December 2017, 2018, 2019 and 30 April 2020 and of the financial position of the Target Company as at 31 December 2019 and 30 April 2020 and of the Target Group's financial performance and cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Note 2.1 to the Historical Financial Information of the Target Group.

Review of stub period comparative historical financial information of the Target Group

We have reviewed the stub period comparative historical financial information of the Target Group which comprises the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for the four months ended 30 April 2019 and other explanatory information (together the "**Stub Period Comparative Historical Financial Information of the Target Group**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information of the Target Group in accordance with the basis of presentation and preparation set out in Note 2.1 to the Historical Financial Information of the Target Group. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information of the Target Group based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information of the Target Group, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Note 2.1 to the Historical Financial Information of the Target Group.

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

Adjustments

In preparing the Historical Financial Information and Stub Period Comparative Historical Financial Information of the Target Group, no adjustments to the Underlying Financial Statements of the Target Group as defined on page IIA-4 have been made.

BDO Limited
Certified Public Accountants
Lam Tsz Ka
Practising Certificate no. P06838
Hong Kong, 25 August 2020

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information of the Target Group

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

The Underlying Combined Financial Statements of the Target Group for the Track Record Period, on which the Historical Financial Information of the Target Group is based, were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information of the Target Group is presented in Hong Kong Dollar ("**HK$**") and all values are rounded to the nearest dollar except when otherwise indicated.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Four months ended 30 April	
		2017	**2018**	**2019**	**2019**	**2020**
	Notes	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
					(Unaudited)	
Revenue	6	—	34,799	17,723	17,723	—
Other income	6	—	80	—	—	9
Selling and distribution expenses		—	(1,828)	(1,398)	(1,398)	—
Administrative expenses		(2,548)	(3,224)	(3,310)	(1,244)	(998)
(Loss)/profit before income tax		(2,548)	29,827	13,015	15,081	(989)
Income tax expense	8	—	(6,003)	—	—	—
(Loss)/profit for the year/period		(2,548)	23,824	13,015	15,081	(989)
Other comprehensive income						
Item that may be classified to profit or loss in the subsequent periods:						
— Exchange differences arising on translation to presentation currency		(469)	(324)	(480)	323	1,460
Total comprehensive income for year/period		(3,017)	23,500	12,535	15,404	471

COMBINED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2017 HK$	As at 31 December 2018 HK$	As at 31 December 2019 HK$	As at 30 April 2020 HK$
ASSETS AND LIABILITIES					
Current assets					
Amount due from a related company	11	—	—	27,827	27,430
Other receivables		—	3,863	1,554	1,532
Cash and cash equivalents	10	5,260	29,696	12,445	11,289
		5,260	33,559	41,826	40,251
Current liabilities					
Amounts due to related companies	11	17,984	22,783	16,707	17,566
Other payables		—	—	1,808	—
		17,984	22,783	18,515	17,566
Net current (liabilities)/assets		(12,724)	10,776	23,311	22,685
EQUITY					
Share capital	12	—	—	—	—
Reserves	13	(12,724)	10,776	23,311	22,685
(Capital deficiency)/total equity		(12,724)	10,776	23,311	22,685

STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY

	Notes	As at 31 December 2019 HK$	As at 30 April 2020 HK$
ASSETS			
Current assets			
Amounts due from immediate holding company	11	—	—
Net assets		—	—
EQUITY			
Share capital	12	—	—
Total equity		—	—

COMBINED STATEMENTS OF CHANGES IN EQUITY

		Reserves			
	Share capital	(Accumulated losses)/ retained earnings	Merger reserve	Foreign exchange reserve	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
	(Note 12)	*(Note 13)*	*(Note 13)*	*(Note 13)*	
At 1 January 2017	—	(9,707)	—	—	(9,707)
Loss for the year	—	(2,548)	—	—	(2,548)
Exchange differences on translating foreign operations	—	—	—	(469)	(469)
At 31 December 2017 and 1 January 2018	—	(12,255)	—	(469)	(12,724)
Profit for the year	—	23,824	—	—	23,824
Exchange differences on translating foreign operations	—	—	—	(324)	(324)
At 31 December 2018 and 1 January 2019	—	11,569	—	(793)	10,776
Profit for the year	—	13,015	—	—	13,015
Exchange differences on translating foreign operations	—	—	—	(480)	(480)
At 31 December 2019 and 1 January 2020	—	24,584	—	(1,273)	23,311
Arising from reorganisation	—	—	(1,097)	—	(1,097)
Loss for the year	—	(989)	—	—	(989)
Exchange differences on translating foreign operations	—	—	—	1,460	1,460
At 30 April 2020	—	23,595	(1,097)	187	22,685
For the four months ended 30 April 2019 (unaudited)					
At 1 January 2019	—	11,569	—	(793)	10,776
Profit for the period	—	15,081	—	—	15,081
Exchange differences on translating foreign operations	—	—	—	323	323
At 30 April 2019 (unaudited)	—	26,650	—	(470)	26,180

COMBINED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Four months ended 30 April	
		2017	2018	2019	2019	2020
	Notes	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
					(Unaudited)	
Cash flows from operating activities						
(Loss)/profit before income tax		(2,548)	29,827	13,015	15,081	(989)
Adjustments for:						
Interest income	6	—	(80)	—	—	(9)
Operating (loss)/profit before working capital changes		(2,548)	29,747	13,015	15,081	(998)
Increase/(decrease) in other payables		—	—	1,808	4,451	(1,807)
(Increase)/decrease in other receivables		—	(3,863)	2,309	3,863	22
Repayment to a related company		—	—	(28,346)	—	—
Cash generated from/(used in) operations		(2,548)	25,884	(11,214)	23,395	(2,783)
Income tax paid		—	(6,003)	—	—	—
Net cash generated from/(used in) operating activities		(2,548)	19,881	(11,214)	23,395	(2,783)
Cash flows from investing activities						
Interest received		—	80	—	—	9
Net cash generated from investing activities		—	80	—	—	9
Cash flows from financing activities						
Advance from/(repayment to) related companies	16	6,683	4,800	(5,821)	(5,546)	938
Net cash generated/(used in) from financing activities		6,683	4,800	(5,821)	(5,546)	938
Net increase/(decrease) in cash and cash equivalents		4,135	24,761	(17,035)	17,849	(1,836)
Cash and cash equivalents at beginning of the year/period	10	1,594	5,260	29,696	29,696	12,445
Effect of exchange rate changes on cash and cash equivalents		(469)	(325)	(216)	615	680
Cash and cash equivalents at end of the year/period	10	5,260	29,696	12,445	48,160	11,289

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1.1 GENERAL INFORMATION AND GROUP REORGANISATION

General Information

The Target Company was incorporated in the British Virgin Islands (the "**BVI**") on 28 October 2019 with limited liability. The address of its registered office is Vistra Corporate Services Centre, Wickhams Cay II, Road Tortola, VG1110, British Virgin Islands.

The Target Company acts as an investment holding company and principal activities of the subsidiaries are set out in note 14.

Group Reorganisation

In the preparation for the acquisition, a reorganisation was undertaken which is composed of formation of companies and business combination under common control to form the Target Group.

The relevant entities are either directly controlled by Mr. Qiu Dongfang ("**Mr. Qiu**") or indirectly controlled by Mr. Qiu through a wholly owned intermediate holding company.

Pursuant to the reorganisation, Boill Healthcare Holdings Limited will be the holding company of the Target Group and owned 100% of the shares of the Target Company. Details of the reorganisation are set as follows:

(a) On 28 October 2019, the Target Company was incorporated in the BVI with limited liability. Upon incorporation, 100 shares of US$1 each, representing the entire issued share capital of the Target Company, was allotted and issued to Boill International Co., Limited, a company indirectly owned by Mr. Qiu.

(b) On 13 December 2019, Able Well International Investment Limited ("**Able Well**") was incorporated in Hong Kong with limited liability. Upon incorporation, 100 shares of HK$1 each, representing the entire issued share capital of Able Well, was allotted and issued to the Target Company.

(c) On 20 February 2020, Able Well signed a share transfer agreement to acquire all of the issued share capital of Xiangshan Boill International Trade Company Limited (象山保集國際貿易有限公司, "**Xiangshan Boill**") at nil consideration from Boill International Co., Limited, which is controlled by Mr. Qiu. Upon completion of the acquisition, Xiangshan Boill became a wholly owned subsidiary of Able Well.

(d) On 28 February 2020, Xiangshan Boill signed a share transfer agreement to acquired all of the issued capital of Shanghai Huixuan Asset Management Company Limited (上海匯暅資產管理有限公司, "**Shanghai Huixuan**") at a consideration of RMB1,000 from Shanghai Bingduo Investment Limited (上海秉鐸投資有限公司), which is controlled by Mr. Qiu. Upon completion of the acquisition, Shanghai Huixuan became a wholly owned subsidiary of Xiangshan Boill.

Pursuant to the reorganisation mentioned above, the Target Company became the holding company of all the companies now comprising the Target Group on 28 February 2020. All the companies now comprising the Target Group during the Track Record Period or since their respective dates of incorporation/establishment were under common control of Mr. Qiu before and after the reorganisation and that control is not transitory. Hence, the Target Group resulting from the reorganisation as set out above is regarded as a continuing entity. The Historical Financial Information of the Target Group has been prepared on the basis as if the Target Company had always been the holding company of the Target Group using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Target Group for the Track Record Period include the results, changes in equity and cash flows of the Target Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation, where that is a shorter period.

The combined statements of financial position of the Target Group as at 31 December 2017, 2018, 2019 and 30 April 2020 have been prepared to present the assets and liabilities of the Target Group as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation where applicable.

All material intra-group transactions and balances have been eliminated on combination.

2.1 BASIS OF PREPARATION AND PRESENTATION

The Historical Financial Information and Stub Period Comparative Historical Financial Information of the Target Group have been prepared in accordance with applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), Hong Kong Accounting Standards ("**"HKAS**") and Interpretations (hereinafter collectively referred to as the "**HKFRSs**") issued by the HKICPA. The Historical Financial Information and Stub Period Comparative Historical Financial Information of the Target Group also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosures provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The preparation of Historical Financial Information of the Target Group in conformity with HKFRSs requires the use of significant accounting judgements and estimates. Although these judgements and estimates are based on the management's best knowledge, judgements and estimates of current events and actions, actual results maybe ultimately differ from those judgements and estimates. The areas involving a high degree of judgement or complexity, or areas whose assumptions and estimates are significant to the Historical Financial Information are set out in Note 4.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Target Group has adopted all of applicable new and revised HKFRSs to the Track Record Period as set out in the significant accounting policies in Note 3, except for any new standards or interpretations that are not yet effective for the accounting period beginning on or after 1 January 2020.

2.2 NEW/REVISED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

The following new or revised HKFRSs that are potentially relevant to Historical Financial Information of the Target Group, have been issued but are not yet effective and has not been early adopted by the Target Group. The Target Group's current intention is to apply this change on the date it become effective.

Amendment to HKFRS 16	COVID-19-Related Rent Concessions[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current[2]

1 Effective for annual periods beginning on or after 1 June 2020
2 Effective for annual periods beginning on or after 1 January 2022

The Target Group has already commenced on assessment of the potential impact of the new/revised standards but is not yet in a position to state whether these new/revised standards would have a significant impact on the Target Group's result of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Group 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 market place.

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

Debt instruments

Subsequent measurement of debt instruments depends on the Target Group's business model for managing the asset and the cash flow characteristics of the asset. There is only one measurement category into which the Target Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(ii) Impairment loss on financial assets

The Target Group recognises loss allowances for expected credit losses ("**ECLs**") on financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Target Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Target Group in accordance with the contract and all the cash flows that the Target Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

For debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

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

The Target Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Target Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Target Group in full, without recourse by the Target Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non-credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the director determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(iii) Financial liabilities

The Target Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities measured at amortised cost

Financial liabilities at amortised cost including amounts due to related companies are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

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

(vi) Derecognition

The Target Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(b) 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 Group's cash management.

(c) Income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of the reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

(d) Revenue recognition

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 Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or services may be transferred over time or at a point in time. Control of the goods or services is transferred over time if the Target Group's performance:

- provides benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Target Group performs; or

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

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

Sale of chemicals

Sale of chemical materials is recognised at a point of time when they are transferred to the customers.

(e) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service. Short-term employee benefits are recognised in the period when the employees render the related service.

(ii) Defined contribution retirement plan

The employees are required to participate in a central pension scheme operated by the local municipal government. It is required to contribute certain percentage of employees' salaries to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the period.

(f) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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

(g) Related parties

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

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

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

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

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

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

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

(iii) both entities are joint ventures of the same third party;

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

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

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

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

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

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

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Target Group did not use any critical accounting estimates in the preparation of the Historical Financial Information and Stub Period Comparative Historical Financial Information of the Target Group and the estimates used did not have a significant risk causing a material adjustment to the carrying amounts of assets and liabilities of the Target Group.

5. SEGMENT INFORMATION

The Target Group operates only one business segment that is engaged in trading of chemical materials in the PRC during the Track Record Period. Accordingly, no further disclosures by reportable segment based on business segment are made. The Target Group did not carry out trading of chemical materials since March 2019.

Information about major customer

During the Track Record Period, revenue from major customers, each of whom amounted to 10% or more of the Target Group's revenue, is set out below:

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(Unaudited)	
Customer A	—	24,651	—	—	—
Customer B	—	9,411	5,019	5,019	—
Customer C	—	—	5,019	5,019	—
Customer D	—	—	7,685	7,685	—

6. REVENUE AND OTHER INCOME

Revenue represents gross proceeds, net of business tax, from the sale of chemical materials during the Track Record Period.

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(Unaudited)	
Sale of chemical materials	—	34,799	17,723	17,723	—

An analysis of the Target Group's other income is as follows:

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(Unaudited)	
Bank interest income	—	80	—	—	9

7. DIRECTOR'S EMOLUMENTS

During the Track Record Period, the directors of the Target Group did not receive any fee or other emoluments in respect of her services provided to the Target Group. In addition, no emoluments paid or payable by the Target Group were waived and no emoluments were paid by the Target Group to the directors as an inducement to join or upon joining the Target Group or as a compensation for loss of office during the Track Record Period.

8. INCOME TAX EXPENSE

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	HK$	*HK$*	*HK$*	*HK$* (Unaudited)	*HK$*
PRC Enterprise Income Tax					
— Provision for the year/period	—	6,003	—	—	—

The Target Group is subject to PRC Enterprise Income Tax, which is provided on the estimated assessable profits of the subsidiaries operating in the PRC at 25% during the Track Record Period.

The income tax expense can be reconciled to the profit/(loss) before income tax per the combined statements of comprehensive income during the Track Record Period as follows:

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	HK$	*HK$*	*HK$*	*HK$* (Unaudited)	*HK$*
(Loss)/profit before income tax	(2,548)	29,827	13,015	15,081	(989)
Tax calculated at the rates applicable to (loss)/profit in the tax jurisdictions concerned	(637)	7,457	3,254	3,770	(247)
Effect of tax exemptions granted to PRC subsidiary	—	(1,454)	(3,254)	(3,770)	—
Tax effect of tax losses not recognised	637	—	—	—	247
Income tax expense	—	6,003	—	—	—

9. DIVIDEND

No dividend has been paid or declared by the Target Group during the Track Record Period.

10. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	HK$	*HK$*	*HK$*	*HK$*
Cash at banks	5,260	29,696	12,445	11,289

11. RELATED PARTIES DISCLOSURES

I. Balances with the related parties

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	HK$	*HK$*	*HK$*	*HK$*
Amount due from a related company:				
上海保集貿易集團有限公司	—	—	27,827	27,430
Amounts due to related companies:				
上海秉鐸投資有限公司	11,989	11,397	11,142	12,080
上海保集貿易集團有限公司	—	5,693	—	—
上海保集房地產投資有限公司	5,995	5,693	5,565	5,486
	17,984	22,783	16,707	17,566
Maximum amount due from a related company:				
上海保集貿易集團有限公司	—	—	27,827	27,827

The amounts are unsecured, interest-free and repayable on demand. The ultimate shareholder of both the Target Group and the related companies is Mr. Qiu.

II. Compensation of key management personnel

The director of the Target Group is the key management personnel of the Target Group, neither of whom has received emolument in respect of her service rendered to the Target Group during the Track Record Period.

III. Related parties transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Target Group had the following related party transactions with its related parties:

Relationship	Transactions	Year ended 31 December			Four months ended 30 April	
		2017	2018	2019	2019	2020
		HK$	*HK$*	*HK$*	*HK$*	*HK$*
					(Unaudited)	
Companies with common key management personnel	Sale of chemical materials	—	34,799	17,723	17,723	—

Note: The key management personnel of the Target Group and the related companies are Mr. Zhao Lung.

12. SHARE CAPITAL

Target Company

	Number of shares	HK$
Authorised:		
Ordinary shares of US$1 each		
On date of incorporation, 31 December 2019 and 30 April 2020	50,000	389,350
Issued and fully paid:		
On date of incorporation, 31 December 2019 and 30 April 2020	100	—

Notes:

(a) The Target Company was incorporated in the BVI on 28 October 2019 with an authorised share capital of 50,000 shares of US$1 each.

(b) On 22 December 2019, 100 shares of US$1 each were allotted and issued to the shareholder of the Target Company. The share capital have not been paid up during the Track Record Period.

13. RESERVES

Target Group

The amounts of the Target Group's reserves and the movements therein for the Track Record Period are presented in the combined statements of changes in equity on pages IIA-6 of this report.

(a) Merger reserve

The merger reserve of the Target Group represents the difference between the distribution upon acquisition of subsidiaries and the nominal value of share capital of the subsidiaries arising from the reorganisation as explained in note 1.1.

(b) (Accumulated losses)/retained earnings

Cumulative net (losses)/profits recognised in profit and loss per the combined statements of comprehensive income.

(c) Foreign exchange reserve

Foreign exchange reserve comprise all foreign exchange difference arising from translation of the financial statements of foreign operations whose functional currency is different from that of the Target Group's presentation currency.

14. INTERESTS IN SUBSIDIARIES

At the end of each reporting period, the Target Company has the following subsidiaries and their particulars are as follows:

Name of subsidiary	Place of incorporation	Registered capital	Effective equity interest attributable to the Target Company at 30 April 2020	Principal activities
Able Well International Investment Limited (佳匯國際投資有限公司)	Hong Kong	HK$100	100%	Investment holding in Hong Kong
Xiangshan Boill International Trade Company Limited (象山保集國際貿易有限公司)*	PRC	US$8,000,000	100%	Trading of chemicals in PRC
Shanghai Huixuan Asset Management Company Limited (上海匯晅資產管理有限公司)	PRC	RMB5,000,000	100%	Investment holding in PRC

* *This is a wholly owned foreign enterprise established in the PRC.*

As the date of this report, no statutory financial statements has been prepared for these subsidiaries of the Target Company as they are not required to do so in their respective regions.

15. FINANCIAL RISK MANAGEMENT

The main risks arising from the Target Group's financial instruments include credit risk and liquidity risk. The Target Group has no significant exposures to other financial risks except as disclosed below. The director of the Target Group reviews and agrees policies for managing each of these risks and they are summarised below.

(i) Credit risk

The Target Group's maximum exposure to credit risk is the carrying amounts of cash and cash equivalents and amount due from a related company. The Target Group has no concentration of credit risk from third party debtors.

As at 30 April 2020, substantially all of the Target Group's bank deposits were deposited with major financial institutions in the PRC, which management believes are of high-credit-quality without significant credit risk.

For the amount due from a related company, the management of the Target Group takes into account the historical default experience and forward-looking information, as appropriate, for example the Target Group considers the consistently low historical default rates of counterparties, and concludes that credit risk inherent in the Target Group's outstanding balance is insignificant.

(ii) Liquidity risk

The Target Group is exposed to liquidity risk in respect of settlement of its financial liabilities and its cash flow management. The Target Group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at each reporting date of the Target Group's financial liabilities, based on undiscounted cash flows and the earliest date the Target Group can be required to pay.

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	HK$	*HK$*	*HK$*
At 31 December 2017			
Amounts due to related companies	17,984	17,984	17,984

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	HK$	*HK$*	*HK$*
At 31 December 2018			
Amounts due to related companies	22,783	22,783	22,783

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	HK$	*HK$*	*HK$*
At 31 December 2019			
Amounts due to related companies	16,707	16,707	16,707
Other payables	1,808	1,808	1,808
	18,515	18,515	18,515

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	HK$	*HK$*	*HK$*
At 30 April 2020			
Amounts due to related companies	17,566	17,566	17,566

(iii) Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of each reporting periods are as follows:

Target Group

	As at 31 December			As at 30 April
	2017	**2018**	**2019**	**2020**
	HK$	*HK$*	*HK$*	*HK$*
Financial assets				
At amortised costs:				
Amount due from a related company	—	—	27,827	27,430
Other receivables	—	3,863	1,554	1,532
Cash and cash equivalents	5,260	29,696	12,445	11,289
	5,260	33,559	41,826	40,251

	As at 31 December			As at 30 April
	2017	**2018**	**2019**	**2020**
	HK$	*HK$*	*HK$*	*HK$*
Financial liabilities				
At amortised costs:				
Other payables	—	—	1,808	—
Amounts due to related companies	17,984	22,783	16,707	17,566
	17,984	22,783	18,515	17,566

(iv) Capital management

The Target Group's primary objective when managing capital is to safeguard the Target Group's ability to continue as a going concern and to maximise the return to stakeholders. The Target Group's capital structure is regularly reviewed and managed by the directors of the Target Group. The Target Group is not subject to externally imposed capital requirements. To maintain or adjust capital structure, the Target Group may adjust dividend payment to shareholders or issue new shares. Adjustments will be made to the capital structure in light of changes in economic conditions affecting the Target Group, and the risk characteristics of the Target Group's underlying assets.

The capital structure of the Target Group consists of debts, which include amounts due to related companies and cash and cash equivalents; and equity attributable to the owner of the Target Group comprising issued share capital and various reserves.

The director of the Target Group review the capital structure on a continuous basis. As part of this review, the director consider the cost of capital and the risks associated the share capital. The Target Group will balance its overall capital structure through new share issues as well as the issue of new debts or the redemption of existing debts. The Target Group does not adopt any formal dividend policy.

Debt to equity ratio as at 31 December 2017, 2018 and 2019 and 30 April 2020 were as follows:

	As at 31 December			As at 30 April
	2017	**2018**	**2019**	**2020**
	HK$	*HK$*	*HK$*	*HK$*
Debt	17,984	22,783	16,707	17,566
Cash and cash equivalents	5,260	29,696	12,445	11,289
Net debt	12,724	—	4,262	6,277
(Capital deficiency)/total equity	(12,724)	10,776	23,311	22,685
Net debt to equity ratio	N/A	N/A	0.18	0.28

16. NOTES SUPPORTING THE COMBINED STATEMENTS OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

	Amounts due to related companies
	HK$
At 1 January 2017	11,301
Financing cash flows:	
Advance from related companies	6,683
Non-cash change:	
Exchange realignment	(90)
At 31 December 2017	17,894
At 1 January 2018	17,894
Financing cash flows:	
Advance from related companies	4,800
Non-cash change:	
Exchange realignment	89
At 31 December 2018	22,783

	Amounts due to related companies
	HK$
At 1 January 2019	22,783
Financing cash flows:	
Repayment to related companies	(5,821)
Non-cash change:	
Exchange realignment	(255)
At 31 December 2019	16,707
At 1 January 2020	16,707
Financing cash flows:	
Advance from related companies	938
Non-cash change	
Exchange realignment	(79)
At 30 April 2020	17,566
At 1 January 2019	22,783
Financing cash flows:	
Repayment to related companies	(5,546)
Non-cash change	
Exchange realignment	293
At 30 April 2019 (unaudited)	17,530

17. EVENTS AFTER THE REPORTING PERIOD

After the outbreak of Coronavirus Disease 2019 ("**COVID-19 outbreak**") in early 2020, a series of precautionary and control measures have been and continued to be implemented across China. The Target Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Target Group.

III SUBSEQUENT FINANCIAL STATEMENT

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 30 April 2020 and up to the date of this report.

The following is the text of a report set out on pages IIB-1 to IIB-32, received from the Company's reporting accountants, BDO Limited, 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 DIRECTORS OF BOILL HEALTHCARE HOLDINGS LIMITED

Introduction

We report on the historical financial information of Zhenjiang Baoyang Real Estate Co., Ltd (the "**Project Company**") set out on pages IIB-4 to IIB-32, which comprises the statements of financial position as at 31 December 2017, 2018, 2019 and 30 April 2020, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the period from 27 November 2017 (date of incorporation) to 31 December 2017, for each of the years ended 31 December 2018 and 2019 and the four months ended 30 April 2020 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information of the Project Company**"). The Historical Financial Information of the Project Company set out on pages IIB-4 to IIB-32 forms an integral part of this report, which has been prepared for inclusion in the circular of Boill Healthcare Holdings Limited (the "**Company**") dated 25 August 2020 (the "**Circular**") in connection with the proposed acquisition of the entire equity interest of Set Flourish Ventures Limited pursuant to the Agreement as defined in the Circular.

Directors' responsibility for the Historical Financial Information of the Project Company

The directors of the Company are responsible for the preparation of Historical Financial Information of the Project Company that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 2.1 to the Historical Financial Information of the Project Company, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information of the Project Company that is free from misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

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

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 of the Project Company gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Project Company as at 31 December 2017, 2018 and 2019 and 30 April 2020 and of the Project Company's financial performance and its cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Note 2.1 to the Historical Financial Information of the Project Company.

Review of stub period comparative historical financial information of the Project Company

We have reviewed the stub period comparative historical financial information of the Project Company which comprises the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the four months ended 30 April 2019 and other explanatory information (together the "**Stub Period Comparative Historical Financial Information of the Project Company**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information of the Project Company in accordance with the basis of presentation and preparation set out in Note 2.1 to the Historical Financial Information of the Project Company. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information of the Project Company based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information of the Project Company, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Note 2.1 to the Historical Financial Information of the Project Company.

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

Adjustments

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information of the Project Company as defined on page IIB-4, no adjustments to the Underlying Financial Statements of the Project Company have been made.

BDO Limited
Certified Public Accountants
Lam Tsz Ka
Practising Certificate no. P06838
Hong Kong, 25 August 2020

I. HISTORICAL FINANCIAL INFORMATION OF THE PROJECT COMPANY

Preparation of Historical Financial Information of the Project Company

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

The Underlying Financial Statements of the Project Company for the Track Record Period, on which the Historical Financial Information of the Project Company is based, were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

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

STATEMENTS OF COMPREHENSIVE INCOME

		For the period from 27 November 2017 (date of incorporation) to 31 December	Year ended 31 December		Four months ended 30 April	
		2017	**2018**	**2019**	**2019**	**2020**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	6	—	—	—	—	—
Other income	6	2	51	682	63	837
Selling expenses		—	(4,740)	(6,262)	(543)	(1,557)
Administrative and other expenses		(233)	(9,377)	(10,459)	(4,098)	(1,751)
Finance costs	7	—	—	—	—	—
Loss before income tax	8	(231)	(14,066)	(16,039)	(4,578)	(2,471)
Income tax expense	10	—	—	—	—	—
Loss and total comprehensive income for the year/period		(231)	(14,066)	(16,039)	(4,578)	(2,471)

STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 April
		2017	2018	2019	2020
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	12	—	8,372	7,562	7,290
Current assets					
Properties under development	13	—	646,951	939,059	980,127
Contract costs	14	—	877	2,338	2,495
Prepayments, deposits and other receivables	15	58,000	3,556	16,690	22,224
Amounts due from related companies	18	—	26,690	112,507	—
Tax recoverable		—	—	10,043	11,175
Restricted cash	16	—	42,026	85,912	25,785
Cash and cash equivalents	16	2	34,043	30,044	48,643
		58,002	754,143	1,196,593	1,090,449
Current liabilities					
Account and other payables	17	—	72,655	114,635	73,160
Contract liabilities	20	—	163,955	528,908	591,818
Amounts due to related companies	18	58,233	61,022	58,420	—
Amount due to a shareholder	18	—	220,580	220,580	153,620
Other borrowings	19	—	100,000	200,000	200,000
		58,233	618,212	1,122,543	1,018,598
Net current (liabilities)/assets		(231)	135,931	74,050	71,851
Total assets less current liabilities		(231)	144,303	81,612	79,141
Non-current liabilities					
Other borrowings	19	—	59,600	—	—
		—	59,600	—	—
Net (liabilities)/assets		(231)	84,703	81,612	79,141
EQUITY					
Share capital	21	—	99,000	99,000	99,000
Reserves	22	(231)	(14,297)	(17,388)	(19,859)
(Capital deficiency)/Total equity		(231)	84,703	81,612	79,141

STATEMENTS OF CHANGES IN EQUITY

		Reserves		
	Share capital	**Accumulated losses**	**Capital reserve**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 21)	*(Note 22)*	*(Note 22)*	
Loss and total comprehensive income for the period	—	(231)	—	(231)
At 31 December 2017 and 1 January 2018	—	(231)	—	(231)
Loss and total comprehensive income for the year	—	(14,066)	—	(14,066)
Capital injection	99,000	—	—	99,000
At 31 December 2018 and 1 January 2019	99,000	(14,297)	—	84,703
Capital contribution	—	—	12,948	12,948
Loss and total comprehensive loss for the year	—	(16,039)	—	(16,039)
At 31 December 2019 and 1 January 2020	99,000	(30,336)	12,948	81,612
Loss and total comprehensive income for the period	—	(2,471)	—	(2,471)
At 30 April 2020	99,000	(32,807)	12,948	79,141
For the four months ended 30 April 2019 (unaudited)				
At 1 January 2019	99,000	(14,297)	—	84,703
Loss and total comprehensive income for the period	—	(4,578)	—	(4,578)
At 30 April 2019	99,000	(18,875)	—	80,125

STATEMENTS OF CASH FLOWS

	Notes	For the period from 27 November 2017 (date of incorporation) to 31 December	Year ended 31 December		Four months ended 30 April	
		2017	2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash flows from operating activities						
Loss before income tax		(231)	(14,066)	(16,039)	(4,578)	(2,471)
Adjustments for:						
Depreciation of property, plant and equipment	8	—	353	819	272	272
Interest income	6	(2)	(51)	(593)	(63)	(81)
Operating loss before working capital changes		(233)	(13,764)	(15,813)	(4,369)	(2,280)
(Increase)/decrease in deposits, prepayments and other receivables		(58,000)	54,444	(13,133)	(16,495)	(5,534)
Increase/(decrease) in account and other payables		—	72,655	41,980	(69,245)	(41,476)
Increase in properties under development		—	(639,375)	(260,229)	(37,421)	(31,452)
Increase in contract costs		—	(877)	(1,461)	—	(157)
Increase in contract liabilities		—	163,955	364,952	134,927	62,910
(Increase)/decrease in restricted cash		—	(42,026)	(43,886)	(60,383)	60,127
Repayment to related companies		—	(26,690)	(85,816)	(60,535)	(12,872)
Cash (used in)/generated from operations		(58,233)	(431,678)	(13,406)	(113,521)	29,266
Land appreciation tax paid		—	—	(10,043)	(3,539)	(1,132)
Net cash (used in)/ generated from operating activities		(58,233)	(431,678)	(23,449)	(117,060)	28,134
Cash flows from investing activities						
Purchase of property, plant and equipment		—	(8,725)	(9)	—	—
Interest received		2	51	593	63	81
Net cash generated from/(used in) from investing activities		2	(8,674)	584	63	81

	Notes	For the period from 27 November 2017 (date of incorporation) to 31 December 2017 RMB'000	Year ended 31 December 2018 RMB'000	Year ended 31 December 2019 RMB'000	Four months ended 30 April 2019 RMB'000 (unaudited)	Four months ended 30 April 2020 RMB'000
Cash flows from financing activities						
Proceeds from other borrowings	24	—	159,600	140,400	140,400	—
Repayment to other borrowings	24	—	—	(100,000)	—	—
Capital contribution from a shareholder		—	—	12,948	—	—
Advance from a shareholder	24	—	220,580	—	—	—
Advance from/(repayment to) related companies	24	58,233	2,789	(2,602)	—	—
Proceeds from issue of shares		—	99,000	—	—	—
Interest paid	24	—	(7,576)	(31,880)	(18,051)	(9,616)
Net cash generated from/(used in) financing activities		58,233	474,393	18,866	122,349	(9,616)
Net increase/(decrease) in cash and cash equivalents		2	34,041	(3,999)	5,352	18,599
Cash and cash equivalents at beginning of the year/period	16	—	2	34,043	34,043	30,044
Cash and cash equivalents at end of the year/period	16	2	34,043	30,044	39,395	48,643

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Project Company was incorporated in the People's Republic of China (the "**PRC**") on 27 November 2017 with limited liability. The address of its registered office is 66 Xinzhong South Road, Xinzha Town, Yangzhong City, Zhenjiang City. The Project Company is engaged in properties development in the PRC (the "**Business**").

2.1 BASIS OF PREPARATION AND PRESENTATION

The Historical Financial Information and Stub Period Comparative Historical Financial Information of the Project Company have been prepared in accordance with applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), Hong Kong Accounting Standards ("**"HKAS**") and Interpretations (hereinafter collectively referred to as the "**HKFRSs**") issued by the HKICPA. The Historical Financial Information of the Project Company and Stub Period Comparative Historical Financial Information of the Project Company also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosures provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The preparation of Historical Financial Information of the Project Company in conformity with HKFRSs requires the use of significant accounting judgements and estimates. Although these judgements and estimates are based on the management's best knowledge, judgements and estimates of current events and actions, actual results may be ultimately differ from those judgements and estimates. The areas involving a high degree of judgement or complexity, or areas whose assumptions and estimates are significant to the Historical Financial Information of the Project Company are set out in Note 4.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information of the Project Company, the Project Company has adopted all of applicable new and revised HKFRSs to the Track Record Period as set out in the significant accounting policies in Note 3, except for any new standards or interpretations that are not yet effective for the accounting period beginning on or after 1 January 2020.

2.2 NEW/REVISED HKFRSS THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

The following new or revised HKFRSs that are potentially relevant to Historical Financial Information of the Project Company, have been issued but are not yet effective and has not been early adopted by the Project Company. The Project Company's current intention is to apply this change on the date it become effective.

Amendment to HKFRS 16	COVID-19 — Related Rent Concessions[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current[2]

1 Effective for annual periods beginning on or after 1 June 2020
2 Effective for annual periods beginning on or after 1 January 2022

The Project Company has already commenced on assessment of the potential impact of the new/revised standards but is not yet in a position to state whether these new/revised standards would have a significant impact on the Project Company's result of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Project Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are recognised as an expense in profit or loss during the reporting period in which they are incurred.

Property, plant and equipment are depreciated so as to write off costs over their estimated useful lives, using a straight-line basis, at the rates shown below per annum. The estimated useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of the reporting period. The useful lives are as follows:

Leasehold land and building	Over the lease term
Leasehold improvements	30%
Office equipment, furniture and fixtures	25% to 33%
Motor vehicles	25%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sales proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(b) Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

(c) Leasing

Under HKFRS16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases; and/or (ii) leases for which the underlying asset is of low-value. The Project Company has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Under the cost model, the Project Company measures the right-of-use asset at cost, less any accumulated depreciation and any impairment losses, and adjusted for any re-measurement of lease liability.

For leasehold land and buildings which is held for own use would continue to be accounted for under HKAS 16 as stated in note (3a). Right-of-use assets related to interests in leasehold land where the interest in the land is held as inventories are carried at lower of cost and net realisable value.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Project Company uses its incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Project Company measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) re-measuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

(d) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Project 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 market place.

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

Debt instruments

Subsequent measurement of debt instruments depends on the Project Company's business model for managing the asset and the cash flow characteristics of the asset. There is only one measurement category into which the Project Company classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(ii) Impairment loss on financial assets

The Project Company recognises loss allowances for expected credit losses ("**ECLs**") on financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Project Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Project Company in accordance with the contract and all the cash flows that the Project Company expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

For debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

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

The Project Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Project Company considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Project Company in full, without recourse by the Project Company to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non-credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the sole director of the Project Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(iii) Financial liabilities

The Project Company classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities measured at amortised cost

Financial liabilities at amortised cost including account and other payables and accruals, amounts due to related companies and a shareholder and other borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

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

(vi) Derecognition

The Project Company derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(e) Borrowing costs

Borrowings costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets.

Capitalisation of borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

(f) 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 Project Company's cash management.

(g) Income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of the reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

(h) Revenue recognition

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 Project Company expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or services may be transferred over time or at a point in time. Control of the goods or services is transferred over time if the Project Company's performance:

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

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

When the contract contains a financing component which provides the customer 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 amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Project Company and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Project Company, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment 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.

Sales of properties

For property development and sales contract for which the control of the property is transferred at a point in time and there is no enforceable right to payment from the customers for performance completed to date, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Project Company has present right to payment and the collection of the consideration is probable.

Financial components

For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price and the amount of revenue from the sales of completed properties is adjusted for the effects of a financing component, if significant.

Contract costs and liabilities and costs for obtaining contracts

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

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

(i) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service. Short-term employee benefits are recognised in the period when the employees render the related service.

(ii) Defined contribution retirement plan

The employees are required to participate in a central pension scheme operated by the local municipal government. It is required to contribute certain percentage of employees' salaries to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the period.

(j) Impairment of non-financial assets

At the end of each reporting period, the Project Company reviews the carrying amounts of its non-financial assets including property, plant and equipment and investment properties to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value-in-use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Value-in-use is based on the estimated future cash flows expected to be derived from the asset discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

(k) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Project Company has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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

(l) Related parties

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

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

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

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

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

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

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

(iii) both entities are joint ventures of the same third party;

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

(v) the entity is a post-employment benefit plan for the benefit of the employees of the Project Company or an entity related to the Project 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 Project Company or is a member of key management personnel of the Project Company (or of a parent of the Project Company); and

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

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

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following is the critical judgements, apart from those involving estimates (see below), that the directors of the Project Company have made in the process of applying the Project Company's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information of the Project Company.

Net realisable value of properties under development

Included in the statement of financial position at 30 April 2020, properties under development were with an aggregate carrying amount of approximately RMB980,127,000. Management assessed the recoverability of the amount based on an estimation of the net realisable value of the underlying properties which involves, inter-alia, considerable analysis of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on existing asset structure and a forecast of future sales based on zero growth rate of property price. If the actual net realisable values of the underlying inventories of properties are more or less than expected as a result of change in market condition and/or significant variation in the budgeted development costs, material reversal of or provision for impairment losses may result.

5. SEGMENT INFORMATION

The Project Company operates only one business segment that is engaged in the property development in the PRC during the Track Record Period. Accordingly, no further disclosures by reportable segment based on business segment are made.

All of the Project Company's assets are located in the PRC.

6. REVENUE AND OTHER INCOME

The Project Company did not generate any revenue during the Track Record Period.

An analysis of the Project Company's other income is as follows:

	For the period from 27 November 2017 (date of incorporation) to 31 December	Year ended 31 December		Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Bank interest income	2	51	593	63	81
Others	—	—	89	—	756
	2	51	682	63	837

7. FINANCE COSTS

	For the period from 27 November 2017 (date of incorporation) to 31 December	Year ended 31 December		Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest expenses on financial liabilities stated at amortised cost:					
Other borrowings	—	5,696	36,908	10,933	10,293
Less: Interest expenses capitalised in properties under development	—	(5,696)	(36,908)	(10,933)	(10,293)
	—	—	—	—	—

8. LOSS BEFORE INCOME TAX

The Project Company's loss before income tax is arrived at after charging:

	For the period from 27 November 2017 (date of incorporation) to 31 December	Year ended 31 December		Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Auditor's remuneration	—	—	12	—	—
Depreciation of property, plant and equipment	—	353	819	272	272
Employee costs (including director's emoluments) *(Note 9)*:					
— Salaries and other benefits	233	3,019	2,782	1,016	1,518
— Pension scheme contributions	—	420	525	142	163
— Less: employee costs being capitalised in properties under development	—	—	—	—	(307)
Total employee costs	233	3,439	3,307	1,158	1,374

9. DIRECTORS' EMOLUMENTS

During the Track Record Period, the directors of the Project Company did not receive any fee or other emoluments in respect of her services provided to the Project Company. In addition, no emoluments paid or payable by the Project Company were waived and no emoluments were paid by the Project Company to the directors as an inducement to join or upon joining the Project Company or as a compensation for loss of office during the Track Record Period.

10. INCOME TAX EXPENSE

The Project Company is subject to PRC Enterprise Income Tax ("**EIT**"), which is provided on the estimated assessable profits of the subsidiaries operating in the PRC at 25% during the Track Record Period. No provision for EIT have been made during the Track Record Period as the Project Company did not derive any assessable profits during the Track Record Period. The income tax expense can be reconciled to the loss before income tax per the statements of comprehensive income during the Track Record Period as follows:

	For the period from 27 November 2017 (date of incorporation) to 31 December	Year ended 31 December		Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Loss before income tax	(231)	(14,066)	(16,039)	(4,578)	(2,471)
Tax calculated at the applicable rate of 25%	(58)	(3,517)	(4,010)	(1,145)	(618)
Tax effect of non-deductible expenses	—	522	596	85	158
Tax effect of tax losses not recognised	58	2,995	3,414	1,060	460
Income tax expense	—	—	—	—	—

11. DIVIDEND

No dividend has been paid or declared by the Project Company during the Track Record Period.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land *RMB'000*	Building *RMB'000*	Leasehold improvements *RMB'000*	Office equipment, furniture and fixtures *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost:						
At 27 November 2017 (date of incorporation)	—	—	—	—	—	—
Additions	—	—	—	—	—	—
At 31 December 2017 and 1 January 2018	—	—	—	—	—	—
Additions	3,796	2,247	1,841	224	617	8,725
At 31 December 2018 and 1 January 2019	3,796	2,247	1,841	224	617	8,725
Additions	—	—	—	9	—	9
At 31 December 2019 and 1 January 2020	3,796	2,247	1,841	233	617	8,734
Additions	—	—	—	—	—	—
At 30 April 2020	3,796	2,247	1,841	233	617	8,734
Accumulated depreciation:						
At 27 November 2017 (date of incorporation)	—	—	—	—	—	—
Charged for the period	—	—	—	—	—	—
At 31 December 2017 and 1 January 2018	—	—	—	—	—	—
Charge for the year	27	16	263	21	26	353
At 31 December 2018 and 1 January 2019	27	16	263	21	26	353
Charged for the year	54	32	526	59	148	819
At 31 December 2019 and 1 January 2020	81	48	789	80	174	1,172
Charged for the period	18	11	175	20	48	272
At 30 April 2020	99	59	964	100	222	1,444
Net carrying amount:						
At 31 December 2017	—	—	—	—	—	—
At 31 December 2018	3,769	2,231	1,578	203	591	8,372
At 31 December 2019	3,715	2,199	1,052	153	443	7,562
At 30 April 2020	3,697	2,188	877	133	395	7,290

At 31 December 2018, 2019 and 30 April 2020, the Project Company's leasehold land and building with carrying amount of approximately RMB6,000,000, RMB5,914,000 and RMB5,885,000 respectively were pledged to secure the loan granted to the Project Company (note 19).

The Project Company has obtained the right to use a parcel of land for properties development in the PRC. The lease term is 70 years. Lump sum payments were made upfront to lease the land, and there are no ongoing payments to be made under the terms of land lease.

The analysis of carrying amount of right-of-use asset by class of underlying asset is as follows:

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Leasehold land held for own use, carried at the depreciated cost	—	3,769	3,715	3,697

13. PROPERTIES UNDER DEVELOPMENT

Properties under development comprise certain construction and development costs and leasehold interest in land located in the PRC with lease terms of 70 years.

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development	—	646,951	939,059	980,127

During the Track Record Period, borrowing costs of RMB52,897,000 arising from other borrowing recognised specifically for the properties under development were capitalised. Borrowing costs have been capitalised at rates ranging from 13% to 14.5% per annum.

As at 31 December 2018, 2019 and 30 April 2020, the Project Company's properties under development were pledged to secure the loan granted to the Project Company (note 19).

14. CONTRACT COSTS

The Project Company has recognised an asset in relation to costs to obtaining the property sales contracts.

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets recognised from costs incurred to obtaining a contract	—	877	2,338	2,495

Contract costs capitalised relate to the incremental sales commission paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Project Company's properties which are still under development as at the end of each reporting period.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits	—	1,596	2,000	2,000
Prepayments	58,000	16	2,656	18,789
Prepaid interest	—	1,880	—	—
Bill receivables	—	—	11,100	1,200
Other receivables	—	64	934	235
	58,000	3,556	16,690	22,224

The Project Company did not hold any collateral as security or other credit enhancement over the other receivables.

Further details on the Project Company's credit policy and credit risk from other receivables are set out in note 23(i).

16. RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	2	76,069	115,956	74,428
Less: Restricted cash *(note (a))*	—	(42,026)	(85,912)	(25,785)
Cash and cash equivalents	2	34,043	30,044	48,643

Note:

(a) Pursuant to relevant regulations in the PRC, the Project Company are required to place certain amounts of pre-sale proceeds received at designated bank accounts as guarantee deposits for the construction of the related properties.

17. ACCOUNT AND OTHER PAYABLES

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Account payables *(note)*	—	57,320	84,781	48,630
Accruals	—	3,512	5,128	3,413
Deposits received	—	1,734	2,299	2,905
Interest payables	—	—	3,148	3,825
Other payables	—	10,089	19,279	14,387
	—	72,655	114,635	73,160

Note: An aged analysis of the account payables as the end of each reporting period, based on the invoice date, is as follows:

	As at 31 December			As at 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current or less than 1 month	—	57,276	82,057	47,730
1 to 3 months	—	41	1,468	—
More than 3 months but less than 12 months	—	3	1,242	798
More than 12 months	—	—	14	102
	—	57,320	84,781	48,630

18. RELATED PARTIES DISCLOSURES

I. Balances with the related parties

	As at 31 December			As at 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related companies:				
保集控股集團有限公司	—	26,690	17,624	—
宜興保集置業有限公司	—	—	93,000	—
上海保集置業有限公司	—	—	744	—
上海金盛隆置地有限公司	—	—	1,139	—
	—	26,690	112,507	—
Amounts due to related companies:				
上海保集物業管理有限公司揚中分公司	—	215	—	—
上海保集房地產投資有限公司	58,233	60,807	58,420	—
	58,233	61,022	58,420	—
Amount due to a shareholder:				
上海垤都實業有限公司	—	220,580	220,580	153,620
Maximum amounts due from related parties:				
保集控股集團有限公司	—	26,690	56,515	17,624
宜興保集置業有限公司	—	—	93,000	93,000
上海保集置業有限公司	—	—	744	744
上海金盛隆置地有限公司	—	—	1,139	1,139
	—	26,690	151,398	112,507

The amounts are unsecured, interest-free and repayable on demand. The ultimate shareholder of both the Project Company and the related companies are Mr. Qiu Dongfang ("**Mr. Qiu**").

II. Compensation of key management personnel

The directors of the Project Company are the key management personnel of the Project Company, neither of whom has received emolument in respect of her service rendered to the Project Company during the Track Record Period.

III. Related parties transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Project Company had the following related party transactions with its related parties:

Relationship	Transactions	For the period from 27 November 2017 (date of incorporation) to 31 December	Year ended 31 December		Four months ended 30 April	
		2017	2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Companies with common ultimate shareholder	Management fee expenses	—	3,534	6,149	2,289	248

Note: The ultimate shareholder of the Project Company and the related companies are Mr. Qiu.

19. OTHER BORROWINGS

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Other borrowings -secured	—	100,000	200,000	200,000
Non-current				
Other borrowings -secured	—	59,600	—	—
Total	—	159,600	200,000	200,000

The Project Company's other borrowings are repayable as follows:

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	—	100,000	200,000	200,000
Within second to fifth year	—	59,600	—	—
	—	159,600	200,000	200,000

The Project Company's other borrowings are secured by the following:

(i) The leasehold land and building included in property, plant and equipment with a carrying amount of RMB5,885,000, RMB5,914,000 and RMB6,000,000 as at 30 April 2020, 31 December 2019 and 2018 respectively (note 12).

(ii) The properties under development with carrying amount of RMB980,127,000, RMB939,059,000 and RMB646,951,000 as at 30 April 2020, 31 December 2019 and 2018 respectively (note 13).

(iii) The other borrowings bear interest ranging from 13% to 14.5% and are repayable on 12 September 2020.

20. CONTRACT LIABILITIES

	As at 31 December			As at 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	—	163,955	528,908	591,818

The contract liabilities represent the proceeds received from pre-sale of properties. The amount of unsatisfied performance obligation is approximately the same as the balance of contract liabilities, which are expected to be recognised as revenue within 1 year as of 30 April 2020.

21. SHARE CAPITAL

	Share Capital
	RMB'000
As at 27 November 2017 (date of incorporation), 31 December 2017 and 1 January 2018	—
Capital injection *(note)*	99,000
As at 31 December 2018, 2019 and 30 April 2020	99,000

Note: On 10 May 2018, the shareholder of the Project Company injected RMB99,000,000 as the share capital.

22. RESERVES

The amounts of the Project Company's reserves and the movements therein for the Track Record Period are presented in the statements of changes in equity on pages IIB-6 of this report.

(a) Capital reserve

The capital reserve of the Project Company represents the capital contribution by the shareholder.

(b) Accumulated losses

Cumulative net losses recognised in profit and loss per the statements of comprehensive income.

23. FINANCIAL RISK MANAGEMENT

The main risks arising from the Project Company's financial instruments include interest rate risk, credit risk and liquidity risk. The Project Company has no significant exposures to other financial risks except as disclosed below. The directors of the Project Company review and agree policies for managing each of these risks and they are summarised below.

(i) Credit risk

The Project Company's maximum exposure to credit risk is the carrying amounts of cash and cash equivalents, deposits and other receivables. The Project Company has no concentration of credit risk from third party debtors.

As at 30 April 2020, substantially all of the Project Company's bank deposits were deposited with major financial institutions in the PRC, which management believes are of high-credit-quality without significant credit risk.

For other financial assets at amortised cost, the management of the Project Company takes into account the historical default experience and forward-looking information, as appropriate, for example the Project Company considers the consistently low historical default rates of counterparties, and concludes that credit risk inherent in the Project Company's outstanding deposits and other receivables is insignificant. The management of the Project Company has assessed that other financial assets at amortised cost do not have a significant increase in credit risk since initial recognition and risk of default is insignificant, therefore the ECLs for these other financial assets at amortised cost were immaterial under the 12 months expected losses method and no loss allowance provision was recognised during the Track Record Period.

(ii) Liquidity risk

The Project Company is exposed to liquidity risk in respect of settlement of its financial liabilities and its cash flow management. The Project Company's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at each reporting date of the Project Company's financial liabilities, based on undiscounted cash flows and the earliest date the Project Company can be required to pay.

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 2 years but less than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017				
Amount due to a related company	58,233	58,233	58,233	—

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 2 years but less than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018				
Account and other payables	72,655	72,655	72,655	—
Amounts due to related companies	61,022	61,022	61,022	—
Amount due to a shareholder	220,580	220,580	220,580	—
Other borrowings	159,600	180,958	114,759	66,199
	513,857	535,215	469,016	66,199

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 2 years but less than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019				
Account and other payables	114,635	114,635	114,635	—
Amount due to a related company	58,420	58,420	58,420	—
Amount due to a shareholder	220,580	220,580	220,580	—
Other borrowings	200,000	228,746	228,746	—
	593,635	622,381	622,381	—

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 2 years but less than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 30 April 2020				
Account and other payables	73,160	73,160	73,160	—
Amount due to a shareholder	153,620	153,620	153,620	—
Other borrowings	200,000	219,364	219,364	—
	426,780	446,144	446,144	—

(iii) Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of each reporting periods are as follows:

	As at 31 December			As at 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
At amortised cost:				
Other receivables	—	64	934	235
Deposits	—	1,596	2,000	2,000
Bill receivables	—	—	11,100	1,200
Amounts due from related companies	—	26,690	112,507	—
Restricted cash	—	42,026	85,912	25,785
Cash and cash equivalents	2	34,043	30,044	48,643
	2	104,419	242,497	77,863

	As at 31 December			As at 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
At amortised cost:				
Account and other payables	—	72,655	114,635	73,160
Amount due to a shareholder	—	220,580	220,580	153,620
Amounts due to related companies	58,233	61,022	58,420	—
Other borrowings	—	159,600	200,000	200,000
	58,233	513,857	593,635	426,780

(iv) Capital management

The Project Company's primary objective when managing capital is to safeguard the Project Company's ability to continue as a going concern and to maximise the return to stakeholders. The Project Company's capital structure is regularly reviewed and managed by the directors of the Project Company. The Project Company is not subject to externally imposed capital requirements. To maintain or adjust capital structure, the Project Company may adjust dividend payment to shareholders or issue new shares. Adjustments will be made to the capital structure in light of changes in economic conditions affecting the Project Company, and the risk characteristics of the Project Company's underlying assets.

The capital structure of the Project Company consists of debts, which include other payables and accruals, amounts due to related companies, amount due to a shareholder and other borrowings; restricted cash and cash and cash equivalents; and equity attributable to the owner of the Project Company comprising issued share capital and various reserves.

The directors review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associated the share capital. The Project Company will balance its overall capital structure through new share issues as well as the issue of new debts or the redemption of existing debts. The Project Company does not adopt any formal dividend policy.

The debt to equity ratios as at 30 April 2020, 31 December 2019, 2018 and 2017 were as follows:

	As at 31 December			As at 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Debt *(note)*	—	159,600	203,148	203,825
Cash and bank balance	2	76,069	115,956	74,428
Net debt	—	83,531	87,192	129,397
(Capital deficiency)/total equity	(231)	84,703	81,612	79,141
Net debt to equity ratio	N/A	0.99	1.07	1.64

Net debt is calculated as total other borrowings and interest payables as detailed in note 19 and note 17 respectively less cash and bank balance and restricted cash.

24. NOTES SUPPORTING THE STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	(Prepaid interest)/ Interest payables *RMB'000*	Other borrowings *RMB'000*	Amounts due to related companies *RMB'000*	Amount due to a shareholder *RMB'000*
At 27 November 2017 (date of incorporation)	—	—	—	—
Financing cash flows:				
Advance from related companies	—	—	58,233	—
At 31 December 2017 and 1 January 2018	—	—	58,233	—
Financing cash flows:				
Advance from related companies	—	—	2,789	—
Advance from a shareholder	—	—	—	220,580
Proceeds from other borrowings	—	159,600	—	—
Interest paid	(7,576)	—	—	—
Non-cash change:				
Interest expense	5,696	—	—	—
At 31 December 2018 and 1 January 2019	(1,880)	159,600	61,022	220,580
Financing cash flows:				
Proceeds from other borrowings	—	140,400	—	—
Repayment of other borrowings	—	(100,000)	—	—
Repayment to related companies	—	—	(2,602)	—
Interest paid	(31,880)	—	—	—
Non-cash change:				
Interest expense	36,908	—	—	—
At 31 December 2019 and 1 January 2020	3,148	200,000	58,420	220,580
Financing cash flows:				
Interest paid	(9,616)	—	—	—
Non-cash change:				
Transfer between accounts	—	—	(58,420)	(66,960)
Interest expense	10,293	—	—	—
At 30 April 2020	3,825	200,000	—	153,620
At 1 January 2019	(1,880)	159,600	61,022	220,580
Financing cash flows:				
Proceeds from other borrowings	—	140,400	—	—
Interest paid	(18,051)	—	—	—
Non-cash change:				
Interest expense	10,933	—	—	—
At 30 April 2019 (unaudited)	(8,998)	300,000	61,022	220,580

25. EVENTS AFTER THE REPORTING PERIOD

After the outbreak of Coronavirus Disease 2019 ("**COVID-19 outbreak**") in early 2020, a series of precautionary and control measures have been and continued to be implemented across China. The Project Company will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Project Company.

III SUBSEQUENT FINANCIAL STATEMENT

No audited financial statements have been prepared by the Project Company in respect of any period subsequent to 30 April 2020 and up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

The following is the management discussion and analysis of the Target Group for the three years ended 31 December 2019 and the four months ended 30 April 2019 and 2020. The following financial information is based on the accountants' report on the Target Group as set out in Appendix IIA to this circular.

Financial and business review

The Target Group is principally engaged in investment holding.

Revenue of the Target Group primarily generated from the sale of chemical materials which commenced in July 2018. The revenue of the Target Group amounted to nil, approximately HK$35,000, HK$18,000, HK$18,000 and nil for the three years ended 31 December 2019 and the four months ended 30 April 2019 and 2020, respectively. Such decrease was mainly due to the termination of trading of chemicals business in March 2019 as a result of the business restructuring by the group companies of Boill Holding Group.

Selling and distribution expenses of the Target Group amounted to nil, approximately HK$2,000, HK$1,000, HK$1,000 and nil for the three years ended 31 December 2019 and the four months ended 30 April 2019 and 2020, respectively, which mainly represented transportation expenses.

Administrative expenses of the Target Group amounted to approximately HK$3,000, HK$3,000, HK$3,000, HK$1,000 and HK$1,000 for the three years ended 31 December 2019 and the four months ended 30 April 2019 and 2020, respectively, which mainly represented bank charges and other taxes.

Based on the forgoing, the Target Group recorded a net loss of approximately HK$3,000 for the year ended 31 December 2017, which mainly comprised administrative expenses of approximately HK$3,000. Net profit of the Target Group decreased from approximately HK$24,000 for the year ended 31 December 2018 to approximately HK$13,000 for the year ended 31 December 2019, which was in line with the decrease in revenue of the Target Group.

The Target Group recorded a net loss of approximately HK$1,000 for the four months ended 30 April 2020 as compared to a net profit of approximately HK$15,000 for the four months ended 30 April 2019, which was mainly due to the termination of trading of chemicals business in March 2019.

Segmental information

The Target Group operated only one business segment of trading of chemical materials in the PRC during the three years ended 31 December 2019 and the four months ended 30 April 2020, which was terminated in March 2019.

Liquidity, financial position and capital structure

As at 31 December 2017, 2018 and 2019 and 30 April 2020, the total assets of the Target Group amounted to approximately HK$5,000, HK$34,000, HK$42,000 and HK$40,000, respectively. The primary assets of the Target Group were cash and cash equivalents and amount due from a related company. As at 31 December 2017, 2018 and 2019 and 30 April 2020, the cash and cash equivalents of the Target Group amounted to approximately HK$5,000, HK$30,000, HK$12,000 and HK$11,000, respectively, whereas the amount due from a related company of the Target Group amounted to nil, nil, approximately HK$28,000 and HK$27,000, respectively.

As at 31 December 2017, 2018 and 2019 and 30 April 2020, the total liabilities of the Target Group amounted to approximately HK$18,000, HK$23,000, HK$19,000 and HK$18,000, respectively. Majority of the liabilities of the Target Group was amounts due to related companies, which were unsecured, interest-free and repayable on demand. The amounts due to related companies of the Target Group amounted to approximately HK$18,000, HK$23,000, HK$17,000 and HK$18,000 as at 31 December 2017, 2018 and 2019 and 30 April 2020, respectively.

Current ratio of the Target Group, represented by current assets as a percentage of current liabilities, amounted to approximately 0.3 times, 1.5 times, 2.3 times, and 2.3 times as at 31 December 2017, 2018 and 2019 and 30 April 2020, respectively.

Gearing ratio of the Target Group was calculated based on total borrowings divided by total equity. As at 31 December 2017, 2018 and 2019 and 30 April 2020, the gearing ratio of the Target Group was not applicable as the Target Group did not have any borrowing.

Currency and interest rate exposure

For the three years ended 31 December 2019 and the four months ended 30 April 2019 and 2020, the Target Group conducted its business activities in the PRC and was not exposed to any material foreign currency risk as most of its transactions, assets and liabilities were denominated in RMB. For the three years ended 31 December 2019 and the four months ended 30 April 2019 and 2020, the Target Group did not have any formal hedging policies and no financial instrument was used for hedging purpose.

Employment and remuneration policy

As at 31 December 2017, 2018 and 2019 and 30 April 2020, the Target Group did not have any employee save for the directors of the Target Group.

Significant investments, material acquisitions and disposals of subsidiaries and associated companies

The Target Group did not have any material acquisitions and disposals of subsidiaries and associated companies during the years/period under review. As at 31 December 2017, 2018 and 2019 and 30 April 2020, the Target Group did not have any significant investments.

Charges on assets and contingent liabilities

The Target Group did not have any charges on assets and any material contingent liabilities as at 31 December 2017, 2018 and 2019 and 30 April 2020.

Future plans for material investments and acquisition of material capital assets

The Target Group did not have any future plans for material investments or acquisition of material capital assets as at 31 December 2017, 2018 and 2019 and 30 April 2020. The Target Group will carry out the Pre-Acquisition Reorganisation to acquire 99% equity interests in the Project Company.

Indebtedness

As at 30 June 2020, the Target Group had no indebtedness.

Material change

The Directors confirm that there was no material change in the financial and trading position or outlook of the Target Group since 30 April 2020 (being the date to which the latest audited consolidated financial statements of the Target Group were made up), and up to and including the Latest Practicable Date.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE PROJECT COMPANY

The following is the management discussion and analysis of the Project Company for the three years ended 31 December 2019 and the four months ended 30 April 2019 and 2020. The following financial information is based on the accountants' report on the Project Company as set out in Appendix IIB to this circular.

Financial and business review

The Project Company is principally engaged in properties development in the PRC. The Project is situated at No. 1 Yihe Road, located at the east of Xinyang Road, south of Yihe Road, Sanmao Street, the central business district of Yangzhong City, Zhenjiang City, Jiangsu Province, the PRC. The land use rights of the Project have been granted for terms commencing from 20 April 2018 and expiring on 19 April 2088 and 19 April 2058 for residential and commercial use, respectively. Since the Project is under construction, it is estimated that the construction of the Project will be completed in 2021. Therefore, the Project Company did not generate any revenue for the three years ended 31 December 2019 and the four months ended 30 April 2019 and 2020.

As at 31 December 2017, 2018 and 2019 and 30 April 2020, the Project Company had pre-sold units of nil, 203, 321 and 58 with total gross floor area of nil, approximately 25,377, 39,677 and 6,952 sq.m., respectively. Such sale proceeds were recognised as contract liabilities, details of which please refer to the paragraph headed "Liquidity, financial position and capital structure" below.

Selling expenses of the Project Company amounted to nil, approximately RMB4.7 million, RMB6.3 million, RMB0.5 million and RMB1.6 million for the three years ended 31 December 2019 and the four months ended 30 April 2019 and 2020, respectively, which mainly represented the marketing expenses and staff costs incurred for the pre-sale of properties. Such increasing trend was in line with the growth of the pre-sold units.

Administrative and other expenses of the Project Company amounted to approximately RMB0.2 million, RMB9.4 million, RMB10.5 million, RMB4.1 million and RMB1.8 million for the three years ended 31 December 2019 and the four months ended 30 April 2019 and 2020, respectively, which mainly represented staff costs, other taxes and management fees. Such decrease in four months ended 30 April 2020 as compared to the four months ended 30 April 2019 was primarily attributable to the decrease in other taxes and the termination of a management fee from a related company since January 2020.

Based on the foregoing, the Project Company recorded net losses of approximately RMB0.2 million, RMB14.1 million, RMB16.0 million, RMB4.6 million and RMB2.5 million for the three years ended 31 December 2019 and the four months ended 30 April 2019 and 2020, respectively.

Segmental information

The Project Company only operated in one business segment of property development during the three years ended 31 December 2019 and the four months ended 30 April 2020.

Liquidity, financial position and capital structure

As at 31 December 2017, 2018 and 2019 and 30 April 2020, the total assets of the Project Company amounted to approximately RMB58.0 million, RMB762.5 million, RMB1,204.2 million and RMB1,097.7 million, respectively. The primary assets of the Project Company were properties under development and deposits, prepayments and other receivables. Properties under development of the Project Company comprise certain construction and development costs and leasehold interest in the Project, as at 31 December 2017, 2018 and 2019 and 30 April 2020, the carrying amount of the properties under development were nil, approximately RMB647.0 million, RMB939.1 million and RMB980.1 million, respectively. As at 31 December 2017, 2018 and 2019 and 30 April 2020, prepayments, deposits and other receivables of the Project Company amounted to approximately RMB58.0 million, RMB3.6 million, RMB16.7 million and RMB22.2 million, respectively.

As at 31 December 2017, 2018 and 2019 and 30 April 2020, the total liabilities of the Project Company amounted to approximately RMB58.2 million, RMB677.8 million, RMB1,122.5 million and RMB1,018.6 million, respectively. Majority of the liabilities of the Project Company were amounts due to related companies, amount due to a shareholder and contract liabilities. As at 31 December 2017, 2018 and 2019 and 30 April 2020, amounts due to related companies of the Project Company amounted to approximately RMB58.2 million, RMB61.0 million, RMB58.4 million and nil, respectively, which were unsecured, interest-free and repayable on demand. As at 31 December 2017, 2018, 2019 and 30 April 2020, amount due to a shareholder amounted to nil, approximately RMB220.6 million, RMB220.6 million and RMB153.6 million, respectively, which were unsecured, interest-free and repayable on demand. Contract liabilities of the Project Company represent the proceeds received from pre-sale of properties, which amounted to nil, approximately RMB164.0 million, RMB528.9 million and RMB591.8 million as at 31 December 2017, 2018 and 2019 and 30 April 2020, respectively.

Current ratio of the Project Company, represented by current assets as a percentage of current liabilities, amounted to approximately 1.0 times, 1.2 times, 1.1 times, and 1.1 times as at 31 December 2017, 2018 and 2019 and 30 April 2020, respectively.

Gearing ratio was calculated based on total borrowings divided by total equity. As at 31 December 2017, the gearing ratio of the Project Company was not applicable as the Project Company did not have any borrowing. As at 31 December 2018 and 2019 and 30 April 2020, the gearing ratio were approximately 1.9 times, 2.5 times and 2.5 times, respectively.

Currency and interest rate exposure

For the three years ended 31 December 2019 and the four months ended 30 April 2019 and 2020, the Project Company conducted its business activities in the PRC and was not exposed to any material foreign currency risk as most of its transactions, assets and liabilities were denominated in RMB. For the three years ended 31 December 2019 and the four months ended 30 April 2019 and 2020, the Project Company did not have any formal hedging policies and no financial instrument was used for hedging purpose.

Employment and remuneration policy

As at 31 December 2017, 2018 and 2019 and 30 April 2020, the Project Company had nil, 19, 28 and 27 employees, respectively. The total amount of remuneration for the Project Company for the three years ended 31 December 2019 and the four months ended 30 April 2020 were approximately RMB0.2 million, RMB3.4 million, RMB3.3 million and RMB1.7 million, respectively.

Significant investments, material acquisitions and disposals of subsidiaries and associated companies

The Project Company did not have any material acquisitions and disposals of subsidiaries and associated companies during the years/periods under review. As at 31 December 2017, 2018 and 2019 and 30 April 2020, the Project Company did not have any significant investments.

Charges on assets and contingent liabilities

Save for the parcel of land in the PRC pledged for the interest bearing borrowings recorded as at 30 April 2020, the Project Company did not have any charges on assets as at 31 December 2017, 2018 and 2019 and 30 April 2020. The Project Company did not have any material contingent liabilities as at 31 December 2017, 2018 and 2019 and 30 April 2020.

Future plans for material investments and acquisition of material capital assets

The Project Company did not have any future plans for material investment or acquisition of material capital assets as at 31 December 2017, 2018 and 2019 and 30 April 2020.

Indebtedness

As at 30 June 2020, the Project Company had outstanding secured other borrowings of approximately RMB200.0 million, and amounts due to a shareholder and a related company of approximately RMB183.2 million. For further details, please refer to the paragraph headed "2. Indebtedness Statement" in Appendix I to this circular.

Material change

The Directors confirm that there was no material change in the financial and trading position or outlook of the Project Company since 30 April 2020 (being the date to which the latest audited financial statements of the Project Company were made up), and up to and including the Latest Practicable Date.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. INTRODUCTION

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 4.29 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for illustrative purposes only, to illustrate the effects of the proposed acquisition of the entire issued share capital of the Target Company and its subsidiaries (the "**Target Group**") after taking into account the completion of the acquisition of the Project Company pursuant to the Pre-Acquisition Reorganisation (the "**Acquisition**") have been completed on 30 April 2020.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 30 April 2020 has been prepared based on: (i) the audited consolidated statement of financial position of the Group as at 31 March 2020, which was extracted from the published annual report of the Company for the year ended 31 March 2020; (ii) the audited combined statement of financial position of the Target Group as at 30 April 2020; and (iii) the audited statement of financial position of the Project Company as at 30 April 2020, which were extracted from the accountants' reports thereon set out in Appendices IIA and IIB to this circular (the "**Circular**"), and adjusted on a pro forma basis to reflect the effect of the Acquisition, as if the Acquisition had completed on 30 April 2020.

The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group is prepared by the directors of the Company based on a number of assumptions, estimates, uncertainties and currently available information and are prepared for illustrative purpose only. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 30 April 2020 or any other date.

These pro forma adjustments are directly attributable to the Acquisition and are not related to other future events or decisions and are factually supportable.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the historical financial information of the Group as set out in the audited annual report of the Company for the year ended 31 March 2020, the accountants' reports of the Target Group and the Project Company as set out in Appendices IIA and IIB to the Circular and other financial information included elsewhere in this circular.

2. UNAUDITED PRO FORMA CONSOLIDATED ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group as at 31 March 2020	The Target Group as at 30 April 2020	The Project Company as at 30 April 2020		Pro forma adjustments		Pro forma Enlarged Group
	HK$'000	*HK$'000*	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Notes 3 and 4*		*Note 5*	*Note 7*	
NON-CURRENT ASSETS							
Property, plant and equipment	488,810	—	7,290	7,999	16		496,825
Investment properties	1,465,424	—	—	—			1,465,424
Investment in an associate	17,270	—	—	—			17,270
Total non-current assets	1,971,504	—	7,290	7,999			1,979,519
CURRENT ASSETS							
Completed properties held for sale	27,154	—	—	—			27,154
Properties under development	—	—	980,127	1,075,395	97,622		1,173,017
Contract costs	—	—	2,495	2,737			2,737
Trade receivables	176	—	—	—			176
Contract assets	2,049	—	—	—			2,049
Prepayments, deposits and other receivables	83,680	2	22,224	24,384			108,066
Equity instruments at fair value through profit or loss	3,252	—	—	—			3,252
Amounts due from related companies	206	27	—	—			233
Tax recoverable	—	—	11,175	12,261			12,261
Restricted cash	730	—	25,785	28,291			29,021
Cash and cash equivalents	94,926	11	48,643	53,371			148,308
Total current assets	212,173	40	1,090,449	1,196,439			1,506,274

	The Group as at 31 March 2020	The Target Group as at 30 April 2020	The Project Company as at 30 April 2020		Pro forma adjustments		Pro forma Enlarged Group
	HK$'000	*HK$'000*	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Notes 3 and 4*		*Note 5*	*Note 7*	
CURRENT LIABILITIES							
Contract liabilities	26,392	—	591,818	649,343			675,735
Trade, account and other payables and accruals	67,720	—	73,160	80,271		3,114	151,105
Amounts due to related companies	252,606	17	153,620	168,552			421,175
Amount due to a director	253	—	—	—			253
Interest-bearing bank and other borrowings	725,855	—	200,000	219,440			945,295
Tax payables	1,024	—	—	—			1,024
Total current liabilities	1,073,850	17	1,018,598	1,117,606			2,194,587
NET CURRENT (LIABILITIES)/ ASSETS	(861,677)	23	71,851	78,833			(688,313)
TOTAL ASSETS LESS CURRENT LIABILITIES	1,109,827	23	79,141	86,832			1,291,206
NON-CURRENT LIABILITIES							
Interest-bearing other borrowings	212,083	—	—	—			212,083
Deferred tax liabilities	3,935	—	—	—	24,405		28,340
Total non-current liabilities	216,018	—	—	—			240,423
NET ASSETS	893,809	23	79,141	86,832			1,050,783

Notes to the Unaudited Pro Forma Financial Information:

1. The amounts are extracted from the audited consolidated financial statements of the Group set out in the published annual report of the Company for the year ended 31 March 2020.

2. The amounts are extracted from the combined statement of financial position of the Target Group as at 30 April 2020 set out in Appendixes IIA to this Circular.

3. The amounts are extracted from the statement of financial position of the Project Company as at 30 April 2020 set out in Appendixes IIB to this Circular.

4. The functional currency of the Project Company is Renminbi ("**RMB**"), which are converted into HK$ at an exchange rate of RMB1:00 to HK$1.0972.

5. On 24 July 2020, the Company entered into the sale and purchase agreement (the "**Agreement**") with the Vendor and pursuant to which the Company has conditionally agreed to acquire the entire share capital of the Target Company at a consideration of HK$157,700,000, which is fully satisfied by the issue of 450,600,000 ordinary shares of the Company ("**Consideration Shares**") at the issue price of HK$0.35 per Consideration Shares to the Vendor.

   The Group will recognise the acquisition of the Target Group including the Project Company as a business combination in accordance with HKFRS 3 (Revised) "Business Combination". Gain on bargain purchase of HK$787,000 arising from the proposed acquisition is calculated as follows:

	Notes	*HK$'000*
Consideration at fair value	(d)	157,700
Carrying amount of identifiable assets and liabilities of the Target Group		23
Carrying amount of identifiable assets and liabilities of the Project Company		86,832
Fair value adjustment on property, plant and equipment		16
Fair value adjustment on properties under development	(a)	97,622
Deferred tax liabilities	(b)	(24,405)
Fair value of identifiable assets acquired and liabilities assumed		160,088
Less: non-controlling interests		(1,601)
Net asset acquired		158,487
Gain on bargain purchase	(c)	787

   Notes:

   a) The fair values of the properties under development and the property, plant and equipment are RMB1,069,100,000 (equivalent to approximately HK$1,173,017,000) and RMB7,305,000 (equivalent to approximately HK$8,015,000). In valuing the property, plant and equipment (i.e. sale office), the management adopted the direct comparison approach by referring to sales comparable of similar property that available in the relevant market. In valuing the property under development, the management adopted the direct comparison approach, with reference to the comparable land transactions, expected construction cost and other sale evidences that available in the relevant market.

The fair value of the properties under development and property, plant and equipment are based on the directors' estimation with reference to a valuation carried out by Grant Sherman Appraisal Limited, an independent qualified professional valuer.

b) The deferred tax liability relating to the fair value of properties under development amounted to approximately HK$24,405,000, calculated at the PRC Enterprise tax rate of 25%.

c) The gain on bargain purchase arising from the proposed acquisition is credited to profit or loss. Actual goodwill or gain on bargain purchase arising from the proposed acquisition depend on fair value of net identifiable assets of the Target Group including the Project Company at the completion date and shall be different to the amount calculated in the above table.

d) HK$157,700,000 of the consideration has been satisfied by allotting and issuing 450,600,000 Consideration Shares by the Company on the completion date at the issue price of HK$0.35 per Consideration Share.

The fair value of the Consideration Shares is approximately HK$157,700,000 in respect of the Company's market share price of HK$0.035 per share on 30 April 2020 and the share consolidation on the basis that every ten exiting shares consolidated into one consolidated share.

As the fair value of the Consideration Shares at the date of completion may be substantially different from the Company's market share price on 30 April 2020, the actual fair value of the consideration of the acquisition may be different from those presented in the Unaudited Pro Forma Financial Information.

6. On 3 August 2020, Shanghai Huixuan Asset Management Company Limited ("**PRC Co 2**"), an indirectly wholly-owned subsidiary of the Target Company signed the memorandum with Shanghai Diedu Industrial Company Limited (the "**Project Holding Company**"), to acquire the 99% equity interests in the Project Company for a consideration of RMB99,000,000. Meanwhile, pursuant to the memorandum, Boill International Co., Limited, the Vendor, agreed the Target Company shall apply for an increase in its registered capital from US$100 (equivalent to approximately RMB1,000) to US$14,000,000 (equivalent to approximately RMB99,000,000). As the Vendor and the Project Holding Company are under controlled by Mr. Qiu Dongfang ("**Mr. Qiu**"), they agreed to net off the consideration paid of RMB99,000,000 for the acquisition of the Project Company and unpaid share capital of the Target Company (RMB99,000,000).

7. The adjustment represents the estimated legal and professional fees and other direct expenses in relation to the Proposed Acquisition of approximately HK$3,114,000. This adjustment is not expected to have a continuing financial effect on the Enlarged Group. We have obtained the breakdown of the legal and professional fee, of which are fees paid to lawyer, financial adviser, reporting accountants and printer.

8. Apart from the above, no other adjustments have been made to the Pro Forma Financial Information of the Enlarged Group to reflect any trading result or other transactions of the Enlarged Group entered into subsequent to 30 April 2020, where applicable.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.

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

BDO

To the directors of Boill Healthcare Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Boill Healthcare Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 April 2020 and related notes as set out in Part A of Appendix IV to the circular dated 25 August 2020 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**") in connection with the proposed acquisition (the "**Acquisition**") of the entire issued share capital of Set Flourish Ventures Limited (the "**Target Company**") and its subsidiaries (collectively the "**Target Group**") by the Group after taking into account the completion of the acquisition of the Project Company pursuant to the Pre-Acquisition Reorganisation. The applicable criteria on the basis of which the directors of the Company have compiled the Unaudited Pro Forma Financial Information are described on pages IV-1 to IV-5 of Appendix IV to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Company to illustrate the impact of the Acquisition on the Group's consolidated assets and liabilities as at 31 March 2020 as if the Acquisition had taken place at 30 April 2020. As part of this process, information about the Group's assets and liabilities as at 31 March 2020 has been extracted by the directors of the Company from the audited consolidated financial statement of the Group for the year ended 31 March 2020.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

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

Reporting Accountants' Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company 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 a review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in a Circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the entity as if the event had occurred or 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 Acquisition at 30 April 2020 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the 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' judgement, 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 by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Company; 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.

BDO Limited
Certified Public Accountants

Hong Kong
25 August 2020

The following is the text of letter and valuation report prepared for the purpose of incorporation in this circular, received from Grant Sherman Appraisal Limited, an independent property valuer, in connection with its valuation as at 30 June 2020 of the property interests held by Boill Healthcare Holdings Limited respectively in the PRC.

Grant Sherman

Unit 1005, 10/F., Capital Centre,
151 Gloucester Road,
Wanchai,
Hong Kong

25 August 2020

The Directors
Boill Healthcare Holdings Limited
Unit 3704, 37/F,
Shun Tak Centre West Tower,
168–200 Connaught Road Central,
Sheung Wan, Hong Kong

Dear Sirs,

RE.: Valuation of various properties in the People's Republic of China (the "Properties")

BACKGROUND

In accordance with your instructions for us to value the property interests in the People's Republic of China (the "**PRC**") held by Boill Healthcare Holdings Limited (the "**Company**") and its subsidiaries (together referred to as the "**Group**"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of such property interests in existing state as at 30 June 2020 (the "**Valuation Date**") for inclusion in the circular issued by the Company dated 25 August 2020 (the "**Circular**").

Our valuation is our opinion of the market value of the property interests where we would define market value 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 a property estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

VALUATION METHODOLOGY(IES)

In valuing the completed portions of the Properties, we have adopted the direct comparison approach. The direct comparison approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.

In valuing the portions of the Properties undergoing construction, we have adopted the market approach. The market approach is based on the completed "gross development value" and the deduction of development costs and the developer's return to arrive at the residual value of the development property. We have valued the property interests on the basis that the Properties will be developed and completed in accordance with the Company's latest development proposals provided to us. We have assumed that all necessary approvals for the proposals have been obtained.

GENERAL ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the property interests on the open market in their existing states without the benefit of deferred terms contract, leaseback, joint venture, management agreements or any similar arrangement which would serve to increase the values of the property interests.

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

TITLE INVESTIGATION

We have been provided with copies of extracts of title documents relating to the Properties. However, we have not conducted land searches on the Properties and we have not inspected the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us. No responsibility is assumed for legal matters in nature and no investigation has been made to the title of or any liabilities against the Properties appraised.

SOURCE OF INFORMATION

We have relied to a considerable extent on the information provided by the Company and have accepted the advice given to us by the Company on matters such as statutory notices, easements, tenure, occupancy, floor areas, identification of the Properties, and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the Company. We have relied on the Company's confirmation that no material fact has been omitted from the information so supplied. All documents have been used as reference only. All dimensions, measurements, and areas are approximations. No on-site measurement has been taken.

In undertaking our valuation for the Properties, we have relied on the legal opinions (the "PRC legal opinion") provided by the Group's PRC legal adviser, Jingtian & Gongcheng Attorneys-At-Law Shanghai Office.

SITE INVESTIGATION

We have inspected the exteriors of the Properties and where possible, the interiors of the Properties in respect of which we have been provided with such information as we have required for the purpose of our valuations. In the course of our inspections, we did not note any serious defects. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the Properties are free from defect though in the course of our inspections we did not note any serious defects. No tests were carried out on any of the services.

We have not carried out investigations on site to determine the suitability of ground conditions and services etc. for any future development, nor have we undertaken any ecological or environmental surveys. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction period.

VALUATION STANDARDS

In valuing the Properties, we have fully complied with the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 of and Practice Note 12 to the Rule Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and Rule 11 of the Code on Takeovers and Mergers issued by Securities and Futures Commission.

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by the Company, the potential tax liabilities which may arise from the sale of the Properties in the PRC include: (i) PRC business tax (equivalent to 5% of sales revenue); (ii) PRC land appreciation tax (equivalent to 30%–60% of the net appreciation amount); and (iii) PRC corporate income tax (25%). It is unlikely that such tax liability will be crystallised in the recent future as the Company has no intention to dispose of or transfer the relevant property interests. According to our established practice, in the course of our valuation, we have neither verified nor taken into account such tax liability.

GENERAL TERMS

Unless otherwise stated, all values are denominated in Renminbi (RMB). The exchange rates used in valuing the Property are the rates as at the Valuation Date, which was HK$1: RMB0.9114. There has been no significant fluctuation in the exchange rate for RMB against Hong Kong Dollars between that date and the date of this letter.

The English transliteration of the Chinese name(s) in this valuation report, where indicated by an asterisk (*), is included for information purposes only, and should not be regarded as the official English name(s) of such Chinese name(s).

We enclose herewith the summary of valuation together with the valuation report.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED

Lawrence Chan Ka Wah
MRICS MHKIS RPS(GP) MCIREA MHIREA
RICS Registered Valuer
Director
Real Estate Group

Note:

Mr. Lawrence Chan Ka Wah is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, Registered Professional Surveyors in the General Practice Section, an RICS Registered Valuer and a member of the China Institute of Real Estate Appraisers and Agents, who has over 17 years' experience in the valuation of properties in Hong Kong, Macau, the PRC and the Asian Rim.

SUMMARY OF VALUATIONS

Property		Market value in existing state as at 30 June 2020	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 30 June 2020
Group I — Property interests held by the Company for development purpose in the PRC				
1.	Boill Fu Chun Sheshan, No. 1 Sheyuan Road, Songjiang District, Shanghai City, the PRC	RMB1,815,000,000 (equivalent to approximately HK$1,991,400,000)	68%	RMB1,234,200,000 (equivalent to approximately HK$1,354,152,000)
2.	The unsold units of Lot No. 7 and construction sites of Lot Nos. 1 to 6, 8, 9–1 to 9–4 and 10 to 15 of Tengchong Phoenix International Volcano Resort, Xinglong Village, Mazhan Xiang, Tengchong City, Yunnan Province, the PRC	RMB533,000,000 (equivalent to approximately HK$584,800,000)	44%	RMB234,520,000 (equivalent to approximately HK$257,312,000)
	Sub-total	RMB2,348,000,000 (equivalent to approximately HK$2,576,200,000)		RMB1,468,720,000 (equivalent to approximately HK$1,611,464,000)
Group II — Property interests held by the Company for sales purpose in the PRC				
3.	The unsold units of Tang Xi Ren Jia located at Nanhu Scenic Zone, Yueyanglou District, Yueyang City, Hunan Province, the PRC	RMB27,600,000 (equivalent to approximately HK$30,300,000)	100%	RMB27,600,000 (equivalent to approximately HK$30,300,000)
	Grand total	**RMB2,375,600,000 (equivalent to approximately HK$2,606,500,000)**		**RMB1,496,320,000 (equivalent to approximately HK$1,641,764,000)**

VALUATION REPORT

Group I — Property interests held by the Group for development purpose in the PRC

	Property	Description and Tenure	Particular of occupancy	Market Value in existing state as at 30 June 2020
1.	Boill Fu Chun Sheshan, No. 1 Sheyuan Road, Songjiang District, Shanghai City, the PRC	The Property has a total site area of approximately 150,601.6 sq.m. and is developed in three phases. Phase 1 of the Property comprises three single to 2-storey commercial and ancillary buildings with a total gross floor area of approximately 3,975.01 sq.m. (exclusive of a single-storey basement with a total gross floor area of approximately 150.1 sq.m.) completed in 2018. Phase 2 of the Property comprises eighteen single-storey villas and twelve 3-stroey apartment buildings with a total gross floor area of approximately 34,560.07 sq.m. (inclusive of a single-storey basement car park with a total gross floor area of approximately 3,770.02 sq.m.) completed in 2019. Phase 3 of the Property will be developed into twenty-eight 3-storey apartment buildings with a total gross floor area of approximately 38,527.37 sq.m.. The land use rights of the Property were granted for a term of 40 years commencing on 14 March 2008 and expiring on 13 March 2048 for lodging and catering uses.	Phases 1 and 2 of the Property were partially vacant and partially occupied for residential use as at the Valuation Date. Phase 3 of the Property was under construction as at the Valuation Date.	RMB1,815,000,000 (equivalent to approximately HK$1,991,400,000) **Interest attributable to the Group** 68% **Market Value in existing state attributable to the Group as at 30 June 2020** RMB1,234,200,000 (equivalent to approximately HK$1,354,152,000)

Notes:

(i) Pursuant to a Shanghai City State Owned Land Use Rights Grant Contract (Contract No. Hu Song Fang Di (2008) Chu Rang He Tong No.7) dated 14 March 2008, the land use rights of the Property with a total site area of approximately 150,601.6 sq.m. were granted to Anway Real Estate Limited (英威房地產有限公司) for a term of 40 years commencing on the date of contract for lodging and catering uses. The salient development condition(s) stated are as below:

Plot Ratio	:	Not more than 5,000 sq.m. per hectare
Total Gross Floor Area	:	Not more than 75,300.8 sq.m.
Site Coverage	:	Not more than 35%
Greenery Ratio	:	Not less than 45%

Pursuant to a Supplementary Agreement to the Shanghai City State Owned Land Use Rights Grant Contract, the land use rights of the Property were transferred to Shanghai Jinshenglong Land Company Limited* (上海金盛隆置地有限公司) (Shanghai Jinshenglong).

(ii) Pursuant to 2 Real Estate Ownership Certificates, the land use rights of the Property with a total site area of approximately 150,601.6 sq.m. were granted to Shanghai Jinshenglong for a term commencing on 14 March 2008 and expiring on 13 March 2048 for lodging and catering uses.

Moreover, as stipulated in the Real Estate Ownership Certificates, the ownership of the buildings of Phases 1 and 2 of the Property with a total gross floor area of approximately 38,535.08 sq.m. (inclusive of a single-storey basement car park with a total gross floor area of approximately 3,770.02 sq.m.) were vested in Shanghai Jinshenglong. The details are as follows:

Real Estate Ownership Certificates (Document Nos.)	**Approximate Gross Floor Area** *(sq.m.)*	**Date of Certificates**
Hu (2019) Song Zi Bu Dong Chan Quan No. 004636	3,975.01	28 January 2019
Hu (2019) Song Zi Bu Dong Chan Quan No. 044394	34,560.07	7 November 2019
Total:	**38,535.08**	

(iii) According to information provided by the Company, the incurred construction cost and estimated total construction cost (exclusive of land cost) for Phase 3 of the Property are RMB16,202,665 and RMB257,297,514 respectively. Phase 3 of the Property is estimated to be completed in June 2022.

(iv) For indicative purpose, the market value of Phase 3 of the Property after completion is RMB1,252,000,000 (equivalent to approximately HK$1,373,700,000) by assuming the development of the Property has been completed in accordance with the development proposal as at the Valuation Date.

(v) Our Mr. Lawrence Chan (MRICS MHKIS RPS(GP) MCIREA MHIREA RICS Registered Valuer) inspected the Property on 16 May 2019, the external and internal conditions of the Property were reasonable.

(vi) The Property is situated along Sheyuan Road in Sheshan Town of Shanghai City, buildings in the locality are low to high-rise residential/commercial buildings. Shanghai Metro Dongjing Station is about 10-minute driving distance from the Property. Taxis and buses are accessible to the Property.

(vii) The unit rate of commercial properties in the locality as at the Valuation Date is in the range of RMB20,000 per sq.m. to RMB60,000 per sq.m..

(viii) Shanghai Jinshenglong is a company incorporated in the PRC and an indirect 68% owned subsidiary of the Company which owns the entire interest of the Property.

(ix) We have been provided with a legal opinion on the Property prepared by the Company's PRC legal adviser, Jingtian & Gongcheng Attorneys-At-Law Shanghai Office, which contains, *inter alia*, the following information:

(a) Shanghai Jinshenglong is the owner of the Property and is entitled to transfer (subject to a minimum of 25% of the total development cost incurred), use, lease and mortgage the Property;

(b) pursuant to an Agreement for Transferal and Buy Back of the Leasing and Rental Rights of the Property (Document No. AJXT-SSFCY-ZRHG) entered into between Shanghai Jinshenglong Property Limited (Party A) and Shanghai Aijian Trust Company Limited* (上海愛建信託有限責任公司) (Party B), the leasing and rental rights of the Property (the Yielding Rights) is transferred from Party A to Party B for a maximum amount of RMB600,000,000. Party A has to buy back the Yielding Rights within 24 months after commencement of the agreement;

(c) the Property is free from any mortgages, charges and legal encumbrances which may cause adverse effects on the ownership of the Property, save and except the mortgage stated in Notes 10(b) and 10(c); and

(d) the following legal documents were obtained:

Legal Documents	**Phase 1**	**Phase 2**	**Phase 3**
Construction Land Planning Permit	Yes	Yes	Yes
Construction Work Planning Permit	Yes	Yes	Yes
Construction Work Commencement Permit	Yes	Yes	No
Construction Work Completion Certificate	Yes	Yes	No

VALUATION REPORT

Property	Description and Tenure	Particular of occupancy	Market Value in existing state as at 30 June 2020
2. The unsold units of Lot No. 7 and the construction sites of Lot Nos. 1 to 6, 8, 9–1 to 9–4 and 10 to 15 of Tengchong Phoenix International Volcano Resort Xinglong Village, Mazhan Xiang, Tengchong City, Yunnan Province, the PRC	Tengchong Phoenix International Volcano Resort (the Development) comprises 18 parcels of land with a total site area of approximately 528,705 sq.m.. Lot No. 7 of the Development comprises 245 single to 2-storey Heyuan type villas with a total gross floor area of approximately 19,537 sq.m. completed in 2019. Lot No. 6 of the Development will comprise 195 single to 2-storey Heyuan type villas with a total gross floor area of approximately 19,107 sq.m., seven 6-storey apartment blocks with a total gross floor area of approximately 19,439.2 sq.m. and a 4-storey commercial block with a total gross floor area of approximately 3,433.01 sq.m., estimated to be completed in October 2020. Lot No. 9–4 of the Development will comprise 139 single to 2-storey Heyuan type villas with a total gross floor area of approximately 14,151.66 sq.m. and fifteen 5 to 8-storey apartment blocks with a total gross floor area of approximately 51,424.42 sq.m. estimated to be completed in June 2021. The remaining 15 land parcels of the Development is proposed to be developed into villas, apartments, shops and hotels with a total gross floor area of approximately 373,090 sq.m., estimated to be completed between 2022 to 2027. The Property comprises the unsold units of Lot No. 7 and the construction sites of Lot Nos. 1 to 6, 8, 9–1 to 9–4 and 10 to 15 of the Development. The land use rights of the Property were granted for various terms with the latest expiry date on 1 July 2089 for residential and commercial uses. For details, please refer to Notes (i) to (ii).	The unsold units of Lot No. 7 were vacant, Lot Nos. 6 and 9–4 of the Property was under construction and the remaining land parcels are clear sites as at the Valuation Date.	RMB533,000,000 (equivalent to approximately HK$584,800,000) **Interest attributable to the Group** 44% **Market Value in existing state attributable to the Group as at 30 June 2020** RMB234,520,000 (equivalent to approximately HK$257,312,000)

Notes:

(i) Pursuant to 12 State Owned Construction Land Use Rights Grant Contracts (Contract Nos. CR53 Teng Chong Shi 2017124 to 2017135) all dated 10 October 2017, the land use rights of 12 land parcels of the Property with a total site area of approximately 456,116 sq.m. were granted to Tengchong Zongheng Volcanic Tourism Development Company Limited* (騰沖縱橫火山旅游發展有限公司) (Zongheng Volcanic) for a term expiring on 9 October 2087 for residential use for a total consideration of RMB218,980,000.

Pursuant to 2 Amendment Agreement to State Owned Construction Land Use Rights Grant Contracts (Contract Nos. CR53 Teng Chong Shi 2017127 and 2017130) both dated 11 December 2018, the land use rights of 2 of the above land parcels with a total site area of approximately 66,302 sq.m. were re-granted for a term of 40 years for commercial use.

Pursuant to a State Owned Construction Land Use Rights Grant Contract (Contract No. CR53 Teng Chong Shi 2017138) dated 19 October 2017, the land use rights of a land parcel of the Property with a site area of approximately 7,815 sq.m. were granted to Zongheng Volcanic for a term expiring on 19 October 2057 for commercial use for a consideration of RMB3,870,000.

(ii) Pursuant to 13 Real Estate Ownership Certificates (Document No. Yun (2018) Teng Chong Shi Bu Dong Chan Quan Nos. 0000906, 0001329 to 0001338) dated 10 December 2015 and 2 Real Estate Ownership Certificates (Document No. Yun (2019) Teng Chong Shi Bu Dong Chan Quan Nos. 0003999 and 0004000) dated 9 May 2019, the land use rights of 13 land parcels of the Property with a total site area of approximately 463,931 sq.m. were granted to Zongheng Volcanic for terms expiring on 9 October 2087 and 19 October 2057 for residential and commercial uses respectively.

(iii) Pursuant to 5 State Owned Construction Land Use Rights Grant Contracts (Contract Nos. CR53 Teng Chong Shi 20190128 and 20190132 to 2017135), the land use rights of 5 land parcels of the Property with a total site area of approximately 6,774 sq.m. were granted to Zongheng Volcanic for a terms of 40 and 70 years for commercial and residential uses for a total consideration of RMB39,150,000.

According to information provided by the Company, Real Estate Ownership Certificates for these 5 land parcels have not been granted. Hence, the Company is not entitled to transfer, lease and mortgage the land use rights of these 5 land parcels of the Property. In the course of our valuation, we have ascribed no commercial value to these 5 land parcels of the Property.

However, for indicative purpose, the market value of these 5 land parcels of the Property as at the Valuation Date is RMB26,100,000 by assuming that these land parcels have obtained the relevant certificates for terms of 70 years and 40 years commenced on 1 July 2019 for residential and commercial uses respectively and is freely transferrable in the market.

(iv) According to information provided by the Company, 225 Heyuan type villas of Lot No. 7 were sold as at the Valuation Date. The unsold units of Lot No. 7 comprise 20 Heyuan type villas with a total gross floor area of approximately 1,895.62 sq.m..

(v) Pursuant to 3 Commodity House Presale Permits (Document Nos. Yu Xu Bao Zi Nos. (2018–35) and (2018–57) and Yu Xu Yun Zi 2020 No. 162), portions of the development on Lot Nos. 6 and 9–4 of the Property with a total gross floor area of approximately 100,859.52 sq.m. are permitted to pre-sale.

(vi) According to information provided by the Company, the incurred construction cost and estimated total construction cost (exclusive of land cost) for Lot Nos. 6 and 9–4 of the Development are RMB250,973,203 and RMB689,484,484 respectively.

(vii) For indicative purpose, the market values of Lot Nos. 6 and 9–4 of the Property after completion are RMB475,000,000 (equivalent to approximately HK$521,200,000) and RMB642,000,000 (equivalent to approximately HK$704,400,000) respectively, by assuming the development of the Property has been completed in accordance with the development proposal as at the Valuation Date.

(viii) Our Mr. Cris Chan (BSc.) inspected the Property on 17 April 2019, the external and internal conditions of the Property were reasonable.

(ix) The Property is situated in Mazhan Xiang of Tengchong City, buildings in the locality are low to medium-rise residential/commercial buildings. Tengchong Tuofeng Airport is about 1-hour driving distance from the Property. Taxis and buses are accessible to the Property.

(x) The unit rate of residential properties in the locality as at the Valuation Date is in the range of RMB7,000 per sq.m. to RMB20,000 per sq.m..

(xi) Zongheng Volcanic is a company incorporated in the PRC and an indirect 44% owned subsidiary of the Company which owns the entire interest of the Property.

(xii) We have been provided with a legal opinion on the Property prepared by the Company's PRC legal adviser, Jingtian & Gongcheng Attorneys-At-Law Shanghai Office, which contains, *inter alia*, the following information:

(a) Zongheng Volcanic is the owner of the Property and is entitled to transfer (subject to a minimum of 25% of the total development cost incurred), use, lease and mortgage the Property, save and except the land parcels stated in Note (iii);

(b) the land parcels stated in Note (iii) are not entitled to be transferred and mortgage due to the lack of Real Estate Ownership Certificates;

(c) the land use rights of Lot No. 9–3 of the Property is subject to a mortgage in favour of Li Mei (李梅) for a term from 16 January 2020 to 16 July 2020 for a loan amount of RMB21,000,000;

(d) the land use rights of Lot Nos. 1, 2, 4, 5, 8, 9–2 and 10 of the Property are subject to 2 mortgages in favour of Ningbo Branch of China Everbright Bank Corporation Limited for various terms with the latest expiry date of 26 March 2022 for a total loan amount of RMB134,613,000;

(e) the Property is free from any mortgages, charges and legal encumbrances which may cause adverse effects on the ownership of the Property, save and except the mortgage stated in Note 10(b); and

(f) the construction works of Lot Nos. 1 to 5, 8, 9–1 to 9–4 and 10 did not commence before September 2019 in accordance with the State Owned Land Use Rights Grant Contract, hence the Zongheng Volcanic is subject to penalty payments; and

(g) the following legal documents were obtained:

Legal Documents	**Lot 6**	**Lot 7**	**Lot 9–4**
Real Estate Ownership Certificate	Yes	Yes	Yes
Construction Land Planning Permit	Not required	Not required	Not required
Construction Work Planning Permit	Yes	Yes	Yes
Construction Work Commencement Permit	Yes	Yes	Yes
Construction Work Completion Certificate	No	Yes	No

VALUATION REPORT

Group II — Property interests held by the Group for sales purpose in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2020
3. The unsold units of Tang Xi Ren Jia located at Nanhu Scenic Zone, Yueyanglou District, Yueyang City, Hunan Province, the PRC	Tang Xi Ren Jia (the "**Development**") comprises a composite development with detached/semi-detached villas, a shop/ apartment block and a clubhouse completed in between 2015 and 2017. The Property comprises the unsold portion of the Development, which comprises 4 shop units, 2 apartment units and 4 units in the clubhouse. The total gross floor area of the Property is approximately 2,799.14 sq.m. (exclusive of a 2-storey basement with a total gross floor area of approximately 1,942.66 sq.m.). The land use rights of the Development (including the Property) were granted for a term expiring on 26 August 2044 for tourism use.	The basement of the clubhouse of the Property was tenant-occupied as a gymnasium (the "**Leased Unit**") and the other units of the Property were vacant (the "**Vacant Units**") as at the Valuation Date.	RMB27,600,000 (equivalent to approximately HK$30,300,000) **Interest attributable to the Group** 100% **Market Value in existing state attributable to the Group as at 30 June 2020** RMB27,600,000 (equivalent to approximately HK$30,300,000)

Notes:

(i) Pursuant to a State Owned Land Use Rights Certificate (Document No. Yue Shi Guo Yong (2015) No. 00031), the land use rights of the Development with a total site area of approximately 156,403 sq.m. were granted to Yueyang Nanhu Meishu Properties Limited* (岳陽南湖美墅置業有限公司) (Nanhu Meishu) for a terms expiring on 20 April 2049 and 20 April 2079 for commercial and residential uses respectively.

(ii) Pursuant to 2 Real Estate Ownership Certificates (Document Nos. Xiang 2018 Yue Yang Shi Bu Dong Chan Quan Nos. 0007147 and 0019618), 2 semi-detached villas, 6 shop units, 2 apartment units and 9 units in the clubhouse of the Development with a total gross floor area of approximately 5,167.65 sq.m. is vested in Nanhu Meishu.

(iii) According to information provided by the Company, the Property comprises a duplex commercial unit on Basement Levels 1 and 2 of the clubhouse of the Development with a total gross floor area of approximately 1,942.66 sq.m. without Real Estate Ownership Certificates. In the course of our valuation, we have ascribed no commercial value to this commercial unit due to the absence of Real Estate Ownership Certificate, hence this portion of the Property is not entitled to be transferred and mortgaged.

However, for indicative purpose, the market value of this portion of the Property as at the Valuation Date is RMB16,400,000 by assuming this portion has obtained the relevant title documents and is legally transferrable in the market.

(iv) As advised by the Company, the Property comprises 4 shop units, 2 apartment units and 4 units in the clubhouse with a total gross floor area of approximately 2,799.14 sq.m. (exclusive of a 2-storey basement with a total gross floor area of approximately 1,942.66 sq.m.) which is unsold as at the Valuation Date.

(v) According to a tenancy agreement (the "**Tenancy Agreement**") entered into between Yueyang City Fenglan Property Management Company Limited* (岳陽市楓藍物業管理有限公司) (the "**Lessor**") and Xinzhou (Shanghai) Sports Company Limited (星洲(上海)體育有限公司) (the "**Lessee**") dated 18 June 2020, the duplex commercial unit on Basement Levels 1 and 2 of the clubhouse of the Property is leased from the Lessor to the Lessee for operation of gymnasium use, for a term of 10 years commenced on 1 June 2020 and expiring on 31 May 2030 for a total rental of RMB4,220,000, exclusive of service charges, water, electricity and air-conditioning fees.

According to information provided by the Company, the Lessor is a wholly-owned subsidiary of Nanhu Meishu and is authorized to enter into the Tenancy Agreement.

(vi) Our Mr. Jimmy Lee (MRICS) inspected the Property on 6 May 2019, the external and internal conditions of the Property were reasonable.

(vii) The Property is situated along Hubin Avenue in Yueyang City, buildings in the locality are low to medium-rise residential/commercial buildings. Hubin Railway Station and Yueyang Railway Station are about 5-minute and 20-minute driving distance from the Property. Taxis and buses are accessible to the Property.

(viii) The unit rate of residential and commercial properties in the locality as at the Valuation Date is in the range of RMB4,000 per sq.m. to RMB6,000 per sq.m. and RMB9,000 per sq.m. to RMB20,000 per sq.m. respectively.

(ix) Nanhu Meishu is a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company which owns the entire interest of the Property.

(x) We have been provided with a legal opinion on the Property prepared by the Company's PRC legal adviser, Jingtian & Gongcheng Attorneys-At-Law Shanghai Office, which contains, *inter alia*, the following information:

(a) Nanhu Meishu is the owner of the Property and is entitled to transfer, use, lease and mortgage the Property, save and except the basement unit stated in Note (iii);

(b) the basement unit stated in Note (iii) is not entitled to be transferred and mortgage due to the lack of Real Estate Ownership Certificates; and

(c) the tenancy agreement stated in Note (v) is legally binding.

The following is the text of letter and valuation report prepared for the purpose of incorporation in this circular, received from Grant Sherman Appraisal Limited, an independent property valuer, in connection with its valuation as at 30 June 2020 of the property interests to be held by Boill Healthcare Holdings Limited respectively in the PRC.

Grant Sherman

Unit 1005, 10/F., Capital Centre,
151 Gloucester Road,
Wanchai,
Hong Kong

25 August 2020

Boill Healthcare Holdings Limited
Unit 3704, 37/F,
Shun Tak Centre West Tower,
168–200 Connaught Road Central,
Sheung Wan, Hong Kong

Dear Sirs,

Re: Valuation of the construction site of Boill Wu Tong Shu at No. 1 Yihe Road (located at the east of Xinyang Road and south of Yihe Road, Sanmao Street), Yangzhong City, Zhenjiang City, Jiangsu Province, the People's Republic of China, (the "Property")

Background

In accordance with your instructions to value the property interests currently held by Zhenjiang Baoyang Real Estate Company Limited* (鎮江保揚置業有限公司) (the "**Project Company**") and to be held by Boill Healthcare Holdings Limited located in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, 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 such property interests as at 30 June 2020 (the "**Valuation Date**") for inclusion in the circular issued by Boill Healthcare Holdings Limited (the "**Company**") dated 25 August 2020 (the "**Circular**").

Our valuation is our opinion of 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 a property estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

Valuation Methodology(ies)

In valuing the completed portion of the development, we have adopted the direct comparison approach by referring to sales comparable of similar property that available in the relevant market.

In valuing the portion of Property under development, we have adopted the direct comparison approach. This approach calculates the market value of the Property by referring to comparable land transactions and other sales evidences that available in the relevant market. We have also taken into account the expended construction costs.

Additionally, we have further adopted the market approach on the basis that the Property will be developed and completed in accordance with the latest development proposals provided to us by the Company as a cross-check method. We have assumed that all necessary approvals for the proposals have been obtained. The market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. We have also taken into account the expended construction costs and the construction costs that will be expended to complete the developments to reflect the quality of the completed development. The "gross development value" represents our opinion of the aggregate selling prices of the saleable units of the development erected on the Property assuming that it had been completed and all sold out to independent third parties at their highest selling prices obtained as at the Valuation Date.

General Assumptions

Our valuation has been made on the assumption that the owner sells the property interests in the market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement, or any similar arrangement which would serve to increase the values of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation.

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

In valuing the property interests, we have assumed that the owner has free and uninterrupted rights to use the Property for the whole of the unexpired term as granted and is entitled to transfer the property with the residual term without payment of any further premium to the government authorities or any third parties.

We have assumed that all consents, approvals, and licenses from relevant government authorities for the Property have been granted without any onerous conditions or undue time delay which might affect their values. It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation report. Moreover, we have assumed that the utilization of the Property and improvements is within the boundaries of the Property described and that no encroachment or trespass exists, unless noted in the valuation report.

Title investigation

We have been provided with copies of extracts of title documents relating to the Property. However, we have not conducted land searches on the Property and we have not inspected the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us.

Source of information

We have relied to a considerable extent on the information provided by the Company and have accepted the advice given to us by the Company on matters such as statutory notices, easements, tenure, occupancy, floor areas, identification of the Property, and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the Company. We have relied on the Company's confirmation that no material fact has been omitted from the information so supplied. All documents have been used as reference only. All dimensions, measurements, and areas are approximations. No on-site measurement has been taken.

In undertaking our valuation for the Property, we have relied on the legal opinions (the "**PRC legal opinion**") provided by the Group's PRC legal adviser, Jingtian & Gongcheng Attorneys-At-Law Shanghai Office.

Site investigation

We have inspected the Property in respect of which we have been provided with such information as we have required for the purpose of our valuation. However, no structural survey has been carried out and it was not possible to inspect the woodwork and other parts of the structures which were covered, unexposed or inaccessible. We are, therefore, unable to report that the Property are free of rot, infestation or any structural defect. No tests have been carried out on any of the building services.

We have not carried out investigations on-site to determine the suitability of ground conditions and services etc. for any future development, nor have we undertaken any ecological or environmental surveys. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction period.

Valuation Standards

In valuing the Property, we have fully complied with the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 of and Practice Note 12 to the Rule Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and Rule 11 of the Code on Takeovers and Mergers issued by Securities and Futures Commission.

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by the Company, the potential tax liabilities which may arise from the sale of the Property in the PRC include: (i) PRC business tax (equivalent to 5% of sales revenue); (ii) PRC land appreciation tax (equivalent to 30%–60% of the net appreciation amount); and (iii) PRC corporate income tax (25%). It is unlikely that such tax liability will be crystallised in the recent future as the Company has no intention to dispose of or transfer the relevant property interests. According to our established practice, in the course of our valuation, we have neither verified nor taken into account such tax liability.

General terms

Unless otherwise stated, all values are denominated in Renminbi (RMB). The exchange rates used in valuing the Property are the rates as at the Valuation Date, which was HK$1: RMB0.9114. There has been no significant fluctuation in the exchange rate for RMB against Hong Kong Dollars between that date and the date of this letter.

The English transliteration of the Chinese name(s) in this valuation report, where indicated by an asterisk (*), is included for information purposes only, and should not be regarded as the official English name(s) of such Chinese name(s).

We enclose herewith the summary of valuation together with the valuation report.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED

Lawrence Chan Ka Wah
MRICS MHKIS RPS(GP) MCIREA MHIREA
RICS Registered Valuer
Director
Real Estate Group

Note:

Mr. Lawrence Chan Ka Wah is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, Registered Professional Surveyors in the General Practice Section, an RICS Registered Valuer and a member of the China Institute of Real Estate Appraisers and Agents, who has over 17 years' experience in the valuation of properties in Hong Kong, Macau, the PRC and the Asian Rim.

VALUATION REPORT

Group I — Property interests to be held by the Company for development purposes in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020
The construction site of Boill Wu Tong Shu at No. 1 Yihe Road, located at the east of Xinyang Road and south of Yihe Road, Sanmao Street, Yangzhong City, Zhenjiang City, Jiangsu Province, the PRC	The Property comprises two parcels of adjoining land with a completed sales office and various constructions in progress erected thereon. The total site area of the Property is approximately 53,339.83 sq.m. The sales office of the Property that comprises a 2-storey commercial and ancillary building with a total gross floor area of approximately 551.72 sq.m. has completed in 2019. As advised by the Company, the remaining portion of the Property will be developed into a comprehensive residential and commercial development named Boill Wu Tong Shu (the "**Development**") with a total estimated gross floor area of approximately 173,457 sq.m. (exclusive of basements of approximately 31,065 sq.m.). The Development is expected to be completed in December 2021. The land-use rights of the Property were granted for terms expiring on 19 April 2088 and 19 April 2058 for residential and commercial uses respectively.	The Property was under construction as at the Valuation Date.	RMB1,086,000,000 (equivalent to approximately HK$1,191,600,000) **Interests to be attributable to the Company** 99% **Market Value in existing state attributable to the Company** RMB1,075,100,000 (equivalent to approximately HK$1,179,600,000)

Notes:

1. Pursuant to two Real Estate Ownership Certificates dated 25 April 2018, the land use rights of the Property with a site area of approximately 53,339.83 sq.m. were granted to the Project Company for various terms commencing on 19 April 2088 and 19 April 2058 for residential and commercial uses respectively. The details are as follows:

Real Estate Ownership Certificates (Document Nos.)	Approximate site area (sq.m.)	Permitted Uses	Tenure expiry date
Su (2018) Yang Zhong Shi Bu Dong Chan Quan No. 0003992	45,475.15	Residential Commercial	19 April 2088 19 April 2058
Su (2018) Yang Zhong Shi Bu Dong Chan Quan No. 0003993	7,864.68	Residential Commercial	19 April 2088 19 April 2058
Total	**53,339.83**		

2. Pursuant to a State-Owned Land Use Rights Grant Contract entered into between Yangzhong City State-Owned Land Resource Bureau (Party A) and the Project Company (Party B) dated 5 January 2018, the land use rights of 2 land parcels of the Property with a total site area of 53,339.83 sq.m. were granted from Party A to Party B for terms of 70 years and 40 years for residential and commercial uses. The salient terms related to the development conditions of the Property are as below:

Permitted uses	:	Residential and commercial uses
Total Gross Floor Area permitted	:	Less than or equal to 174,955 sq.m.
Plot Ratio	:	Not less than 1.1 and not more than 3.28
Site Coverage	:	Less than or equal to 28%
Building Height	:	Not higher than 100 metres
Greenery Ratio	:	Not less than 30%

3. Our Mr. Tony Wong Yik Hin (M.Sc.) has inspected the Property on 20 November 2019, the condition of the Property was reasonable.

4. According to the development proposal provided by the Company (the "**Development Proposal**"), the proposed development (the "**Proposed Development**") will comprise a comprehensive medium to high-rise residential and commercial development with a total estimated gross floor area of approximately 173,457 sq.m. (exclusive of the basement with a total gross floor area of approximately 31,065 sq.m.). The detailed breakdowns are as follows:

Designed Use(s)	**Approximate Total Gross Floor Area** *(sq.m.)*
High-rise Apartments	155,156
Medium-rise Apartments	9,279
Kindergarten	4,800
Retail	1,505
Ancillary facilities	2,717
Basement carparks	31,065
Total	**173,457 (excluding of the basement)**

5. According to information provided by the Company, the incurred construction cost and estimated total construction cost of the Property (excluding the land cost) as at 30 April 2020 are approximately RMB616,917,864 and RMB935,936,665 respectively. The additional incurred construction cost of the Property between 30 April 2020 and the Valuation Date is RMB13,192,769. The Proposed Development is estimated to be completed in December 2021.

6. For the indicative purpose, the market value of the Property after completion is approximately RMB1,428,100,000 (equivalent to approximately HK$1,566,900,000) by assuming the development of the Property has been completed in accordance with the Development Proposal as at the Valuation Date.

7. The Property is situated at the junction of Yihe Road and Xinyang North Road in Yangzhong City, buildings in the locality are various residential/commercial buildings. Zhenjiang Railway Station and Changzhou Benniu International Airport are both about 1-hour driving distance from the Property. Taxis and buses are accessible to the Property.

8. The accommodation value of the residential land parcel in the locality as at the Valuation Date is in the range of RMB2,000 per sq.m. to RMB3,000 per sq.m.

9. the Project Company is a company incorporated in the PRC non-wholly owned by Shanghai Diedu Industrial Company Limited* 上海垤都實業有限公司 (the "**Project Holding Company**") and will be an indirect non-wholly owned subsidiary of the Company which owns the entire interest of the Property.

10. We have been provided with a legal opinion on the Property prepared by the Company's PRC legal adviser, Jingtian & Gongcheng Attorneys-At-Law Shanghai Office, which contains, *inter alia*, the following information:

(a) the Project Company is the current registered owner of the Property and is entitled to transfer, use, lease, and mortgage the Property;

(b) According to a Maximum Amount Mortgage Agreement (Document No. AJXT-BJYZ-DY) dated 4 September 2018 entered into between the Project Company (the Mortgagor) and Shanghai A J Trust Co., Ltd. (the "**Mortgagee**"), the Property is pledged to the Mortgagor for a maximum loan amount of RMB300,000,000. As advised by the company, the outstanding amount as at the Valuation Date is RMB200,000,000;

(c) According to a Mortgage Modification Agreement, the Mortgagor and the Mortgagee agreed to convert the guaranty of Maximum Amount Mortgage Agreement in note 10(b) from the land use right of the Property mentioned in note 1 as 193 constructing residential units and 3 constructing retail shops of the Property erected on the subject land parcels;

(d) The Property is free from any mortgages, charges and legal encumbrances which may cause adverse effects on the ownership of the Property, save and except the mortgage stated in Noted 10(b); and

(e) The following legal documents were obtained:

i.	Real Estate Ownership Certificates	Yes
ii.	Construction Land Planning Permit	Yes
iii.	Construction Works Planning Permit	Yes
iv.	Construction Works Commencement Permit	Yes
v.	Commodity House Pre-sale Permit	Yes, available for a portion of the Property with a total gross floor area of approximately 108,960 sq.m. only

11. The market value of the Property as at 30 April 2020 is RMB1,075,000,000 (equivalent to approximately HK$1,179,800,000). The market value of 99% interests of the Property to be attributable to the Company as at 30 April 2020 is RMB1,064,300,000 (equivalent to approximately HK$1,168,000,000).

1. RESPONSIBILITY STATEMENT

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

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to Mr. Qiu and Liyao) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by Mr. Qiu) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement herein misleading.

The sole director of the Vendor and Liyao, namely Mr. Qiu accepts full responsibility for the accuracy of the information contained in this circular (other than those relating to the Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this circular (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Completion and taking into account the Share Consolidation (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the Completion Date) as follows:

(i) As at the Latest Practicable Date:

Authorised share capital:		**HK$**
16,000,000,000	Shares of HK$0.025 each	400,000,000
Issued and fully paid:		
9,074,000,000	Shares of HK$0.025 each	226,850,000

(ii) Immediately upon Completion and taking into account the Share Consolidation (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the Completion Date):

Authorised share capital:		**HK$**
As at the Completion Date 1,600,000,000	Shares of HK$0.25 each	400,000,000
Issued and fully paid:		
Immediately before the Completion Date 907,400,000	Shares of HK$0.25 each	226,850,000
Consideration Shares to be issued pursuant to the Specific Mandate 450,600,000	Shares of HK$0.25 each	112,650,000
Shares in issue upon Completion 1,358,000,000	Shares of HK$0.25 each	339,500,000

All the issued Shares rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital.

Since 31 March 2020 (being the end of the last financial year of the Company) and up to the Latest Practicable Date, no Shares had been issued.

The Consideration Shares to be allotted and issued will, when issued and fully paid, rank *pari passu* in all respects with the then existing Shares in issue on the respective date of allotment of the Consideration Shares. The issued Shares are listed on the Stock Exchange. The Company will apply to the Stock Exchange for the listing of and permission to deal in the Consideration Shares. No part of the securities of the Company is listed or dealt in, nor is listing or permission to deal in the securities of the Company being or proposed to be sought, on any other stock exchange.

As at the Latest Practicable Date, the Company had no convertible securities, options, derivatives or warrants outstanding and had not entered into any agreement for the issue of any convertible securities, options, warrants or derivatives of the Company.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

3. MARKET PRICES

The table below shows the closing price per Share as quoted by the Stock Exchange (i) on the last trading day of each of the calendar months during the Relevant Period; (ii) on the Last Trading Day; and (iii) as at the Latest Practicable Date:

Date	**Closing price per Share** *HK$*
31 January 2020	0.063
28 February 2020	0.047
31 March 2020	0.036
29 April 2020	0.035
29 May 2020	0.031
30 June 2020	0.041
23 July 2020 (being the Last Trading Day)	0.039
31 July 2020	0.034
21 August 2020 (being the Latest Practicable Date)	0.030

The highest and lowest closing prices per Share recorded on the Stock Exchange during Relevant Period were HK$0.063 recorded on 31 January 2020 and HK$0.030 recorded on 6 May 2020, 25 May 2020 to 27 May 2020, 10 June 2020 to 19 June 2020, 3 August 2020, 4 August 2020 and 21 August 2020, respectively.

4. DISCLOSURE OF INTERESTS

Directors' interests and short positions in shares and underlying shares of the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors and the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or which are required pursuant to section 352 of the SFO to be entered in the register referred to; or are otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules; or are required to be disclosed under the Takeovers Code.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which has an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Substantial Shareholders' interests and short positions in shares and underlying shares of the Company and its associated corporations

As at the Latest Practicable Date, so far as any Directors were aware of, substantial shareholders' interests or short positions in the Shares, underlying shares or debentures of the Company, other than the Directors, which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Long positions in Shares and underlying shares of the Company

Name of shareholder	Capacity/ Nature of interest	Long/short position	No. of Shares held	Approximate percentage of shareholding in the Company
Liyao Investment Limited	Beneficial owner *(Note)*	Long position	2,600,000,000	28.65%
Mr. Qiu Dongfang	Interest in controlled corporation *(Note)*	Long position	2,600,000,000	28.65%
Mr. Cai Weijie	Beneficial owner	Long position	615,380,000	6.77%

Note: Liyao Investment Limited is a company incorporated in the British Virgin Islands and is 100% owned by Mr. Qiu Dongfang.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the Shares, underlying shares or debentures of the Company which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no Director had entered into any service contract or letter of appointment with any member of the Enlarged Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) nor had any of the Directors entered into any service contract or letter of appointment with any member of the Enlarged Group or associated companies which are in force and are fixed term contracts and which have more than 12 months to run irrespective of the notice period or which are continuous contracts with a notice period of 12 months or more, or which have been entered into or amended within the six months prior to the date of the Announcement.

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

As at the Latest Practicable Date, save as disclosed in this circular:

(i) none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2020 (being the date to which the latest published audited financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or are proposed to be acquired, disposed of by, or leased to any member of the Enlarged Group; and

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

7. COMPETING INTERESTS OF DIRECTORS AND CLOSE ASSOCIATES

As at the Latest Practicable Date, so far as the Directors were aware of, none of the Directors nor their respective associates had any interest in any business which competes or is likely to compete, or is in conflict or is likely to be in conflict, either directly or indirectly, with the businesses of Enlarged Group.

8. ADDITIONAL DISCLOSURE PURSUANT TO THE TAKEOVERS CODE

As at the Latest Practicable Date:

(i) there is no agreement, arrangement or understanding for any transfer, charge or pledge of the Shares acquired pursuant to the Acquisition to any other person;

(ii) save as disclosed in the paragraph headed "Shareholding structure of the Company" in the Letter from the Board of this circular, none of the Vendor, its directors and the parties acting in concert with it held, owned or controlled any other Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;

(iii) save for the Agreement, none of the Vendor, its directors and the parties acting in concert with it had dealt for value in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;

(iv) no person had irrevocably committed themselves to vote for or against the resolution(s) to be proposed at the EGM to approve the Acquisition and the transactions contemplated thereunder and the Whitewash Waiver;

(v) the Vendor and the parties acting in concert with it did not have any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any other persons;

(vi) the Vendor and the parties acting in concert with it had not borrowed or lent any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into Shares;

(vii) there was no arrangement or agreement to which the Vendor and the parties acting in concert with it is a party which relates to the circumstances in which the Vendor may or may not invoke or seek to invoke a pre-condition or a condition to the Acquisition or the Whitewash Waiver (including any such agreements or arrangements that would result in any break fees being payable);

(viii) none of the Company and its Directors held any shares, convertible securities, warrants, options or derivatives of the Vendor or the parties acting in concert with it or similar rights which are convertible or exchangeable into shares of the Vendor or the parties acting in concert with it. In addition, none of them had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Vendor and parties acting concert with it during the Relevant Period;

(ix) save as disclosed in the paragraph headed "4. Disclosure of interests" in this appendix, none of the Directors was interested in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into any Shares. In addition, none of the Directors had dealt for value in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;

(x) none of (i) the subsidiaries of the Company, (ii) the pension fund of the Company or of any of its subsidiaries, nor (iii) any advisers to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code (other than persons enjoying exempt principal trader status under the Takeovers Code), had any interest in the Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company and none of them had dealt for value in any securities of the Company during the period from the Last Trading Day to the Latest Practicable Date;

(xi) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of "acting in concert" or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of "associate" under the Takeovers Code;

(xii) no Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company and none of them had dealt for value in any securities of the Company during the period from the Last Trading Day to the Latest Practicable Date;

(xiii) neither the Company nor any Directors had borrowed or lent any Shares, convertible preference shares, convertible securities, warrants, options or derivatives in the Company or similar rights which are convertible or exchangeable into Shares;

(xiv) None of the Directors were interested in any Shares, and hence no Director would be entitled to vote for or against any of the resolutions to be proposed at the EGM. The Vendor and its associates and parties acting in concert with it, together with those who are interested in, or involved in, the Acquisition and/or the Whitewash Waiver are required to abstain from voting on the relevant resolutions relating to the Agreement and the transactions contemplated thereunder (including the proposed grant of the Specific Mandate) and the Whitewash Waiver at the EGM;

(xv) save for the Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) between (i) the Vendor or any parties acting in concert with it on one hand and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or was dependent upon the Acquisition or the Whitewash Waiver, and (ii) any Directors and any other persons having any connection with or dependence upon the Acquisition or the Whitewash Waiver; and

(xvi) no benefit will be given to any Director as compensation for loss of office in any member of the Group or otherwise in connection with the Agreement and the transactions contemplated thereunder (including the proposed grant of the Specific Mandate) and the Whitewash Waiver.

9. MATERIAL LITIGATION

As at the Latest Practicable Date, none of the members of the Enlarged Group were engaged in any litigation or claims of material importance and no litigation or claims of material importance were known to the Directors to be pending or threatened against any member of the Enlarged Group.

10. MATERIAL CONTRACTS

Save as the Agreement, as at the Latest Practicable Date, no material contracts (not being contracts entered into in the ordinary course of business) had been entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular and which are, or may be, material to the Enlarged Group.

11. MATERIAL ADVERSE CHANGE

Save as disclosed in the paragraph headed "5. Material Change" in Appendix I to this circular, as at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, there is no material adverse change in the financial or trading position of the Group since 31 March 2020, being the date to which the latest published audited accounts of the Company were made up.

12. QUALIFICATION AND CONSENT OF EXPERTS

The following are the qualifications of the experts who have given an opinion or advice to the contents of this circular:

Name	Qualification
Optima Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
BDO Limited	certified public accountants
Grant Sherman Appraisal Limited	independent property valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter/report (as the case may be) and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the experts had any direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, none of the experts had any direct or indirect interests in any assets which have been, since 31 March 2020 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or which are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

13. MISCELLANEOUS

(a) The registered office of the Company is located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

(b) The head office and principal place of business of the Company in Hong Kong is at Unit 3704, 37/F, Shun Tak Centre West Tower, 168–200 Connaught Road Central, Sheung Wan, Hong Kong.

(c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The company secretary of the Company is Mr. Ng Kam Ming ("**Mr. Ng**"). Mr. Ng is a member of The Hong Kong Institute of Certified Public Accountants and has complied with all the required qualifications, experience and training requirements of the Listing Rules.

(e) The registered office of the Vendor is located at Room 3703–04, Shun Tak Centre, West Tower, No. 200 Connaught Road Central, Hong Kong.

(f) The registered office of Liyao is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

(g) The registered office of Boill Holding Group is located at Building 1, No. 99 Fulian 2nd Road, Baoshan District, Shanghai, the PRC.

(h) The correspondence address of Mr. Qiu and Ms. Huang is located at 10th Floor, Boill Building, Building 4, No. 99 Fulian 2nd Road, Baoshan District, Shanghai, the PRC.

(i) The registered office of Optima Capital Limited is Suite 1501, 15th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong.

(j) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours (i.e. from 9:30 a.m. to 5:00 p.m. on Monday to Friday except public holidays) on any Business Day at the principal place of business in Hong Kong of the Company at Unit 3704, 37/F, Shun Tak Centre West Tower, 168–200 Connaught Road Central, Sheung Wan, Hong Kong; (ii) on the website of the SFC (http://www.sfc.hk); and (iii) on the website of the Company (https://www.boillhealthcare.com.hk/) from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for each of the three years ended 31 March 2020;

(c) the letter from the Board, the text of which is set out on pages 10 to 33 of this circular;

(d) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 34 of this circular;

(e) the letter of recommendation from the Takeovers Code Independent Board Committee, the text of which is set out on pages 35 to 36 of this circular;

(f) the letter of advice issued by the Independent Financial Adviser to the Independent Board Committee, the Takeovers Code Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 37 to 83 of this circular;

(g) the accountants' report prepared by BDO Limited in respect of the Target Group as set out in Appendix IIA to this circular;

(h) the accountants' report prepared by BDO Limited in respect of the Project Company as set out in Appendix IIB to this circular;

(i) the report from BDO Limited on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular;

(j) the property valuation report issued by Grant Sherman Appraisal Limited in respect of the properties held by the Group as set out in Appendix VA to this circular;

(k) the property valuation report issued by Grant Sherman Appraisal Limited in respect of the property held by the Project Company as set out in Appendix VB to this circular;

(l) the written consents of the experts referred to in the paragraph headed "12. Qualification and Consent of Experts" in this appendix;

(m) the Agreement; and

(n) this circular.

Boill Healthcare Holdings Limited
保集健康控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1246)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Boill Healthcare Holdings Limited (保集健康控股有限公司) (the "**Company**") will be held at Room 1703–1704, WorldWide House, 19 Des Voeux Road Central, Central, Hong Kong at 10:00 a.m. on 14 September 2020 to consider and, if thought fit, to pass the following resolutions. Unless otherwise indicated, capitalised terms used herein shall have the same meaning as those defined in the circular of the Company dated 25 August 2020 (the "**Circular**"):

ORDINARY RESOLUTIONS

1. "**THAT** subject to the fulfilment of all the conditions set out in the section headed "Conditions of the Share Consolidation" (the "**Conditions**") in the Circular (a copy of which is tabled at the meeting and marked "A" and signed by the chairman of the meeting for identification purpose), with effect immediately following the date on which this resolution is passed or the Conditions are fulfilled (whichever is the later):

   (a) Every ten (10) issued and unissued shares of HK$0.025 each in the share capital of the Company be consolidated into one (1) share of HK$0.25 each (each a "**Consolidated Share**"), such Consolidated Share(s) shall rank *pari passu* in all respects which each other and have the rights and privileges and be subject to the restrictions in respect of the shares contained in the memorandum and articles of association of the Company (the "**Share Consolidation**"); and

   (b) any one Director be and is hereby authorised to, on behalf of the Company, do all such acts and sign, seal, execute and deliver all such documents and take all such actions as he/she may consider necessary or desirable for the purpose of or in connection with or to give effect to the implementation of the Share Consolidation and to aggregate all fractional Consolidated Shares and sell them for the benefits of the Company."

2. "**THAT**

   (a) the Agreement (a copy of which is tabled at the meeting and marked "B" and signed by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

   (b) any one Director be and is hereby authorised to, on behalf of the Company, do all such acts and sign, seal, execute and deliver all such documents and take all such actions as he/she may consider necessary or desirable for the purpose of or in connection with or to give effect to the Agreement and the transactions contemplated thereunder; and

   (c) the Whitewash Waiver, granted or to be granted by the Executive pursuant to the Note 1 on dispensations from Rule 26 of the Takeovers Code waiving any obligation on the part of the Vendor and parties acting in concert with it, to make a mandatory general offer for all the Shares that are not already owned or agreed to be acquired by the Vendor and parties acting in concert with it as a result of the Company allotting and issuing the Consideration Shares to the Vendor, be and is hereby approved."

3. "**THAT**

   the allotment and issue of the Consideration Shares in the principal amount of HK$157,700,000 at the issue price of HK$0.35 per Consideration Share to the Vendor (and/or its nominees as it may direct) be and are hereby approved."

4. "**THAT**

   subject to the Listing Committee having granted the listing of, and permission to deal in the Consideration Shares, the Directors be and are hereby granted the Specific Mandate which shall entitle the Directors to exercise all the powers of the Company to allot, issue and credited as fully paid, the Consideration Shares, on and subject to the terms and conditions of the Agreement, providing that the Specific Mandate shall be in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution."

By Order of the Board
Boill Healthcare Holdings Limited
Dai Dong Xing
Chairman

Hong Kong, 25 August 2020

Notes:

1. Any member entitled to attend and vote at the EGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member who is the holder of two or more shares of the Company may appoint one or more proxies to attend and vote instead of him/her.

2. A proxy form for use at the EGM is enclosed in the Circular of the same date of this notice. The proxy form must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be under its seal or the hand of an officer, attorney or the person duly authorised.

3. To be valid, this completed and signed proxy form and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, must be lodged at Tricor Investor Services Limited, the Company's branch share register and transfer office in Hong Kong, whose address is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time for holding of the EGM or any adjournment thereof (as the case may be).

4. Where there are joint holders of any Shares, any one of such persons may vote at the EGM either personally, or by proxy, in respect of such Shares as if he were solely entitled thereto, and if more than one of such joint holders are present at the EGM personally or by proxy, the joint holder whose name stands first at the register of members of the Company in respect of the relevant joint holding shall alone be entitled to vote.

5. Completion and return of the proxy form will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the proxy form shall be deemed to be revoked.

6. If Typhoon Signal No. 8 or above, or "extreme conditions" caused by super typhoons, or a "black" rainstorm warning is in effect any time and remains in force 2 hours before the time of the EGM, the EGM will be postponed. The Company will publish an announcement on the website of the Company (http://www.boillhealthcare.com.hk) and on the website of the Stock Exchange (www.hkexnews.hk) to notify Shareholders of the date, time and place of the rescheduled EGM.