THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult a stockbroker or their registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisor.

If you have sold or transferred all your shares in Redsun Properties Group Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

Rsun 弘阳

Redsun Properties Group Limited
弘陽地產集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1996)

MAJOR AND CONNECTED TRANSACTION FURTHER ACQUISITION OF 39.75% EQUITY INTEREST IN MINGLIU PROPERTIES WUHAN COMPANY LIMITED

A letter from the Board is set out on pages 4 to 11 of this circular.

19 March 2019

CONTENTS

Pages

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

"Board"	the board of Directors
"Company"	Redsun Properties Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1996)
"December 2018 Notes"	the 13.5% senior notes due 2020 in the aggregate principal amount of US$180 million issued by the Company in December 2018
"Director(s)"	director(s) of the Company
"Enlarged Group"	the Group, as enlarged after completion of the Previous Acquisition and the Further Acquisition
"First Equity Transfer Agreement"	the equity transfer agreement dated 25 September 2018 and entered into amongst Nanjing Redsun, Xiamen Ying Tai Fu Real Estate Company Limited* (廈門市英泰富房地產有限公司) and the Target Company in respect of the Previous Acquisition
"Further Acquisition"	the acquisition of 39.75% equity interest in the Target Company by Nanjing Redsun as contemplated under the Second Equity Transfer Agreement
"Further Acquisition Announcement"	the announcement of the Company dated 26 February 2019 in relation to the entering into of the Second Equity Transfer Agreement and the Further Acquisition
"GFA"	gross floor area
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Seng"	Hong Seng Limited (弘昇有限公司), a company incorporated in the British Virgin Islands and wholly-owned by Hong Yang Group Company
"Hong Yang Group Company"	Hong Yang Group Company Limited (弘陽集團有限公司), a limited liability company incorporated in Hong Kong and a controlling Shareholder
"Hong Yang Group (Holdings)"	Hong Yang Group (Holdings) Limited (弘陽集團(控股)有限公司), a limited liability company incorporated under the laws of Cayman Islands and a controlling Shareholder

"Hong Yang International"	Hong Yang International Limited (弘陽國際有限公司), a limited liability company incorporated in the British Virgin Islands and a controlling Shareholder
"Hong Yang Properties Investment"	Hong Yang Properties Investment Limited (弘陽地產投資有限公司), a limited liability company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Company
"Jiangsu Mao Hong Corporate Management"	Jiangsu Mao Hong Corporate Management Company Limited* (江蘇茂弘企業管理有限公司), a limited liability company established in the PRC, and a wholly-owned subsidiary of the Company
"Latest Practicable Date"	14 March 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"May 2018 Notes"	US$250 million guaranteed senior notes issued by Hong Seng in May 2018
"Nanjing Redsun"	Nanjing Redsun Real Estate Development Company Limited* (南京紅太陽房地產開發有限公司), a company established under the laws of the PRC with limited liability and a wholly -owned subsidiary of the Company
"Nanjing Tai Ya"	Nanjing Tai Ya Department Store Management Company Limited* (南京台亞百貨市場管理有限公司), a company established under the laws of the PRC with limited liability
"PRC"	the People's Republic of China
"Previous Acquisition"	the acquisition of 55.25% equity interest in the Target Company by Nanjing Redsun under the First Equity Transfer Agreement, the details of which are disclosed in the announcements of the Company dated 25 September 2018 and 26 September 2018
"Prospectus"	the prospectus of the Company dated 29 June 2018
"Redsun Materials City"	Jiangsu Redsun Materials City Company Limited* (江蘇紅太陽工業原料城有限公司), a limited liability company established in the PRC, and a wholly-owned subsidiary of Hong Yang Group Company

"Redsun Properties Group (Holdings)"	Redsun Properties Group (Holdings) Limited (弘陽地產集團(控股)有限公司), a limited liability company incorporated under the laws of the British Virgin Islands and a controlling Shareholder
"Redsun Properties Investment (Holdings)"	Redsun Properties Investment (Holdings) Limited* (弘陽地產投資(控股)有限公司), a limited liability company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Second Equity Transfer Agreement"	the equity transfer agreement dated 26 February 2019 entered into amongst Nanjing Redsun, Nanjing Tai Ya and the Target Company in respect of the Further Acquisition
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) in the capital of the Company with a nominal value of HK$0.01 each
"Shareholder(s)"	shareholder(s) of the Company
"Shareholder's Loan"	the shareholder's loan of RMB357,750,000 to be granted by Nanjing Redsun to the Target Company under the Second Equity Transfer Agreement
"sq.m."	square meter(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Mingliu Properties Wuhan Company Limited* (名流置業武漢有限公司), a company established under the laws of the PRC with limited liability and a non-wholly owned subsidiary of the Company as at the Latest Practicable Date
"Wuhan Mingliu"	Wuhan Mingliu Real Estate Company Limited* (武漢名流地產有限公司), a company established under the laws of the PRC with limited liability
"Wuhan Project"	a property development project located in Wuhan City, Hubei Province, the PRC, as further described in the paragraph headed "Information on the Target Company — The Wuhan Project" in this circular, being the sole project held by the Target Company
"%"	per cent

* *For identification purpose only*

Redsun Properties Group Limited
弘陽地產集團有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1996)

Executive Directors:
Mr. Zeng Huansha
Mr. He Jie

Non-executive Directors:
Mr. Jiang Daqiang
Mr. Zhang Liang
Mr. Zhang Hongwu

Independent Non-executive Directors:
Mr. Lee Kwok Tung Louis
Mr. Leung Yau Wan John
Mr. Au Yeung Po Fung

Registered office:
Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1-9008
Cayman Islands

Principal place of business in Hong Kong:
Unit 3712–13, 37/F
The Center
No. 99 Queen's Road Central
Hong Kong

19 March 2019

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION FURTHER ACQUISITION OF 39.75% EQUITY INTEREST IN MINGLIU PROPERTIES WUHAN COMPANY LIMITED

INTRODUCTION

Reference is made to (i) the announcements of the Company dated 25 September 2018 and 26 September 2018 in relation to the Previous Acquisition; and (ii) the Further Acquisition Announcement.

The purpose of this circular is to provide you with, among other things, (i) further details of the Further Acquisition; (ii) the financial information of the Group; (iii) the financial information of the Target Company; (iv) the unaudited financial information of the Enlarged Group; and (v) the valuation report on the property interest held by the Target Company.

THE SECOND EQUITY TRANSFER AGREEMENT

The following sets forth a summary of the principal terms of the Second Equity Transfer Agreement:

Date

26 February 2019

Parties

(a) Nanjing Redsun, as the purchaser;

(b) Nanjing Tai Ya, as the vendor; and

(c) the Target Company.

Subject Matter

Nanjing Redsun has agreed to acquire, and Nanjing Tai Ya has agreed to dispose of, 39.75% equity interest in the Target Company at a total consideration of RMB1,177,817,343.75.

Consideration and Payment Terms

The total consideration under the Second Equity Transfer Agreement shall be RMB1,177,817,343.75, comprising (i) RMB820,067,343.75 for the transfer of the 39.75% equity interest in the Target Company; and (ii) the Shareholder's Loan of RMB357,750,000 to be granted by Nanjing Redsun to the Target Company.

The total consideration of RMB1,177,817,343.75 was arrived at based on normal commercial terms and after arm's length negotiations between Nanjing Tai Ya and Nanjing Redsun, with reference to the consideration paid in the Previous Acquisition, the development prospect of the Wuhan Project and the average market price of similar land parcels in the proximity. The considerations under the Previous Acquisition and the Further Acquisition were both based on the pricing basis of RMB7,500 per square metre of GFA, which the Company believes is favourable to the Group having taken into account the recent auction prices of similar and comparable land parcels developed by other independent third party property developers such as land lots e4 and e5 of Guobo Binjiang (國博濱江) located in Sixin area (四新片區) of Hanyang District of Wuhan City (i.e. RMB15,606 per square meter of GFA). The parties to the Second Equity Transfer Agreement considered that the consideration for the Previous Acquisition would be an appropriate reference for determining the consideration for the Further Acquisition due to the proximity in time between the Previous Acquisition and the signing of the Second Equity Transfer Agreement. Further, in determining the consideration under the Further Acquisition, the Company considered the good development prospect of the Wuhan Project, taking into account the recent sales performance of the Yin Yue Fu project (印月府項目) developed by the

Target Company as further described in the section headed "Reasons for and Benefits of the Further Acquisition" of the "Letter from the Board" of this circular. The Shareholder's Loan will be used by the Target Company to settle the debts owed by the Target Company to Nanjing Tai Ya.

The total consideration for the Further Acquisition will be financed by the internal resources of the Group and external financing.

Pursuant to the Second Equity Transfer Agreement, the total consideration shall be payable by Nanjing Redsun in the following manner:

(i) RMB820,067,343.75 shall be paid by Nanjing Redsun in cash to Nanjing Tai Ya within five business days after the entering into of the Second Equity Transfer Agreement; and

(ii) RMB357,750,000 shall be contributed by Nanjing Redsun to the Target Company as shareholder's loan within 30 business days after the obtaining of the new business license by the Target Company with Nanjing Tai Ya as the shareholder of 95% equity interest of the Target Company.

As at the Latest Practicable Date, the first instalment of the consideration of RMB820,067,343.75 had been paid.

Completion

Pursuant to the terms of the Second Equity Transfer Agreement, each of Nanjing Tai Ya and Nanjing Redsun has agreed that upon the settlement of RMB820,067,343.75 by Nanjing Redsun in the manner set out in the sub-section headed "The Second Equity Transfer Agreement-Consideration and Payment Terms" above, Nanjing Redsun shall be entitled to the rights and obligations as a shareholder of 95% equity interest of the Target Company in accordance with PRC Company Law and the articles of association of the Target Company.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established under the laws of the PRC with limited liability. It is principally engaged in property development and holds the Wuhan Project, being the sole project of the Target Company. As at the Latest Practicable Date, the Target Company was an indirect non-wholly owned subsidiary of the Company and was held by Nanjing Redsun as to 55.25%, Nanjing Tai Ya as to 39.75% and Wuhan Mingliu as to 5% respectively.

The Wuhan Project

The Wuhan Project is a residential property development project located at Deng Jia Village* (鄧甲村), Hanyang District (漢陽區) in Wuhan City, Hubei Province, the PRC. It comprises seven land lots (NK1 — NK7). The following sets forth a summary of the particulars of the seven land lots, further details of which are contained in the valuation report on the property interests of the Target Company as set out in Appendix V to this circular:

(i) NK1

NK1 is a vacant land with an aggregate GFA of approximately 21,885.53 sq.m. As at the Latest Practicable Date, the Target Company had acquired the relevant land use right certificates but had not obtained the requisite construction work commencement permits.

(ii) NK2

NK2 has an aggregate GFA of approximately 29,368 sq.m. and saleable GFA of approximately 27,120 sq.m. Construction thereon has been completed and the certificate of completion was obtained on 16 December 2015. As at the Latest Practicable Date, there was no unsold saleable GFA.

(iii) NK3

NK3 has an aggregate GFA of approximately 65,951 sq.m. and saleable GFA of approximately 63,360 sq.m. Construction thereon has been completed and the certificate of completion was obtained on 18 May 2015. As at the Latest Practicable Date, the total saleable GFA unsold was 923.63 sq.m.

(iv) NK4

NK4 has an aggregate GFA of approximately 97,124 sq.m. and saleable GFA of approximately 87,157 sq.m. Construction thereon has been completed and the certificate of completion was obtained on 16 December 2015. As at the Latest Practicable Date, there was no unsold saleable GFA.

(v) NK5

NK5 has an aggregate GFA of approximately 38,135 sq.m. and saleable GFA of approximately 36,541 sq.m. Construction thereon has been completed and the certificate of completion was obtained on 18 December 2014. As at the Latest Practicable Date, there was no unsold saleable GFA.

(vi) NK6

NK6 has an aggregate GFA of approximately 72,626 sq.m. and saleable GFA of approximately 53,454.86 sq.m. Construction thereon has been completed and the certificate of completion was obtained on 2 February 2018. As at the Latest Practicable Date, the total saleable GFA unsold was 18,493.52 sq.m.

(vii) NK7

NK7 is currently under development and has an aggregate GFA of approximately 688,352 sq.m. and expected saleable GFA of approximately 519,176 sq.m. Construction is expected to be completed in June 2021.

Financial information of the Target Company

According to the accountant's report of the Target Company prepared in accordance with IFRS, the audited net assets of the Target Company as at 31 December 2018 was RMB1,024,917,000, and the following sets forth the audited net loss (before and after taxation) of the Target Company for the two financial years ended 31 December 2017 and 2018:

	For the year ended 31 December 2017	For the year ended 31 December 2018
	RMB'000	*RMB'000*
Net loss before taxation	(16,168)	(52,654)
Net loss after taxation	(22,918)	(46,252)

INFORMATION ON THE PARTIES INVOLVED IN THE FURTHER ACQUISITION

The Group

The Group is a leading comprehensive property developer in Jiangsu Province, the PRC, focusing on the development of residential properties and the development, operation and management of commercial and comprehensive properties.

Nanjing Redsun

Nanjing Redsun is a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in property development.

Nanjing Tai Ya

Nanjing Tai Ya is a company established under the laws of the PRC with limited liability and is principally engaged in commercial services.

REASONS FOR AND BENEFITS OF THE FURTHER ACQUISITION

The Group is a comprehensive property developer in Jiangsu Province, the PRC, focusing on the development of residential properties and the development, operation and management of commercial and comprehensive properties.

As part of the Group's development strategies, the Group intends to continue to proactively explore markets in the Yangtze River Delta region, the largest economic circle in the PRC, featuring highly developed property markets. Meanwhile, the Group has prioritized the expansion into central China, southern China and southwestern China as target regions and placed emphasis on hub cities, such as Zhengzhou, Wuhan, Changsha and Chengdu. Accordingly, the Group believes that the further acquisition of equity interest in the Target Company is in line with the Group's development strategies, can consolidate the Group's control over the Target Company, and increase the Group's market share in central China, which will in turn accelerate the Group's expansion in the whole country and optimize its national business layout.

Since the completion of the Previous Acquisition in September 2018, intensified measures have been implemented by the PRC local government to regulate the property market and the overall development of the property market in Wuhan has slowed down with a slight decline in the transaction volume from September 2018 to December 2018. However, the Wuhan Project is located in the centre of Wuhan City, which is a popular area amongst the major target customers of Hanyang District and the land value of which is relatively higher. In addition, the Wuhan Project is located in an area with desirable natural environment and adequate educational, entertainment, transportation and other facilities. Accordingly, having taken into account its locational advantage, the Company believes that the Wuhan Project has good development prospect and risk resistance capacity. It can be demonstrated by the recent sales performance of Yin Yue Fu project (印月府項目) developed by the Target Company, which did not follow the deteriorating market trend and achieved sales of approximately RMB2.6 billion during the period from 2 November 2018 to 31 December 2018. Therefore, the Company believes the increase of the Group's interest in the Wuhan Project by conducting the Further Acquisition would provide the Company with increased economic benefits from the Wuhan Project.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Second Equity Transfer Agreement and the Further Acquisition were arrived at after arm's length negotiations among the parties, and are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE FURTHER ACQUISITION

As at the Latest Practicable Date, the Target Company was an indirect non-wholly owned subsidiary of the Company, the accounts of which were consolidated into those of the Company. Upon completion of the Further Acquisition, the Target Company will remain to be a non-wholly owned subsidiary of the Company.

As such, the financial information of the Target Company has been and will continue to be consolidated into the financial statements of the Group. Other than the reduction of cash and bank balance, as well as the change in net assets equivalent to the consideration for the Further Acquisition, the Further Acquisition will not have significant impact on the earnings, assets and liabilities of the Group.

Details of the financial effects of the Previous Acquisition and the Further Acquisition assuming that the Previous Acquisition and the Further Acquisition had been completed on 30 June 2018, and the bases in preparing the unaudited pro forma financial information, are set out in Appendix III to this circular.

IMPLICATIONS UNDER THE LISTING RULES

The Previous Acquisition and the Further Acquisition constitute a series of transactions conducted within a 12-month period and shall be aggregated pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Second Equity Transfer Agreement, when aggregated with the First Equity Transfer Agreement, exceed 25% and are all below 100%, the entering into of the Second Equity Transfer Agreement constitutes a major transaction of the Company and is subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, the Target Company was an indirect non-wholly owned subsidiary of the Company and was held by Nanjing Tai Ya as to 39.75%. Accordingly, Nanjing Tai Ya is a substantial shareholder (as defined under the Listing Rules) of the Target Company and therefore a connected person of the Company at the subsidiary level. The entering into of the Second Equity Transfer Agreement constitutes a connected transaction of the Company and is subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules but exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules on the following grounds:

(1) the terms of the Second Equity Transfer Agreement are on normal commercial terms;

(2) the Board has approved the entering into of the Second Equity Transfer Agreement and the transactions contemplated thereunder; and

(3) the independent non-executive Directors have confirmed that the terms of the Second Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole.

WRITTEN SHAREHOLDER'S APPROVAL

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, no Shareholder has a material interest in the Second Equity Transfer Agreement and the transactions contemplated thereunder and accordingly, no Shareholder is required to abstain from voting on the Second Equity Transfer Agreements and the transactions contemplated thereunder if a Shareholders' meeting were to be convened.

Redsun Properties Group (Holdings), being the direct controlling Shareholder holding approximately 72.29% of the issued share capital of the Company as at the Latest Practicable Date, has given its written approval to the entering into of the Second Equity Transfer Agreement and the transactions contemplated thereunder. Accordingly, the Company is exempted from the requirement to hold a general meeting to approve the Second Equity Transfer Agreement and the transactions contemplated thereby pursuant to Rule 14.44 of the Listing Rules.

If the Company were to convene a general meeting for the approval of the entering into of the Second Equity Transfer Agreement and the transactions contemplated thereunder, the Directors (including the independent non-executive Directors) would have recommended the Shareholders to vote in favour the relevant resolutions.

OTHER INFORMATION

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

On behalf of the Board
Redsun Properties Group Limited
Zeng Huansha
Chairman

FINANCIAL INFORMATION OF THE GROUP

The financial information the Group for the three years ended 31 December 2017 and the six months ended 30 June 2018 are disclosed on pages I-1 to I-109 of the Prospectus and pages 58 to 134 of 2018 interim report of the Company, respectively, all of which are published on the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.rsunproperty.hk). Please also see below the quick links to the Prospectus and the Company's 2018 interim report published on 21 September 2018:

The Prospectus:

http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0629/LTN20180629035.pdf

The Company's 2018 interim report:

http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0921/LTN20180921344.pdf

INDEBTEDNESS OF THE GROUP

(1) Bank Borrowings

As at the close of business on 31 January 2019, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had total bank and other borrowings of approximately RMB19,326,501,000 and senior notes of approximately RMB2,589,153,000 comprising secured and unsecured bank and other borrowings of approximately RMB22,957,604,000 and approximately RMB394,410,000 respectively. The secured bank and other borrowings were secured by the Group's cash deposits maintained with the bank in the amount of approximately RMB3,753,207,000.

(2) Guarantees

As at 31 January 2019, the Group had guarantees given in favour of the banks in respect of mortgage facilities granted to certain purchasers of the Group's property units in the amount of approximately RMB5,937,696,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have any debt securities issued and outstanding, or authorized or otherwise created but unissued, or term loans, or other borrowings or indebtedness in the nature of borrowing of the Group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, or mortgages and charges, and there were no other material contingent liabilities nor guarantees at the close of business on 31 January 2019.

SUFFICIENCY OF WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the financial resources available to the Group, including internally generated funds and the available banking facilities, the Group has sufficient working capital for its present requirements for at least the next 12 months.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As disclosed in the Company's 2018 interim report, the Group will keep exploring markets in the Yangtze River Delta region, with a focus on Shanghai, Nanjing, Hangzhou and Hefei metropolis circles, expanding into surrounding cities, and selectively entering certain third/fourth-tier cities with development potentials in the Yangtze River Delta region. Meanwhile, the Group will prioritize central China, south China and southwest China as target regions and place emphasis on hub cities, such as Zhengzhou, Wuhan, Changsha and Chengdu, to officially establish our "1+3+X" strategy. The Directors believes that the further acquisition of equity interest in the Target Company is in line with the Group's development strategies, can consolidate the Group's control over the Target Company and increase the Group's market share in central China, which will in turn accelerate the Group's expansion in the whole country and optimize its national business layout.

As a property developer which explores the Yangtze River Delta region and carries out national expansion, the Group's fast-paced turnover ability has brought it to the stage of rapid development. With the sound growth in contracted sales, the Company will continuously strengthen the business model of the Group, and seek optimal investment returns and the most balanced cash flows through appropriate turnover modes for different projects in various cities to stabilise debts, inventory management and product releases, thus achieving the balanced growth in profits and business scale.

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

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Redsun Properties Group Limited
Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1-9008
Cayman Islands

Dear Sirs,

We report on the historical financial information of Mingliu Properties Wuhan Company Limited (名流置業武漢有限公司, the "Target Company") set out on pages II-4 to II-53, which comprises the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Company for each of the years ended 31 December 2016, 2017 and 2018 (the "Relevant Periods"), and the statements of financial position of the Target Company as at 31 December 2016, 2017 and 2018 and a summary of significant accounting policies and other explanatory information (the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-53 forms an integral part of this report, which has been prepared for inclusion in the circular of Redsun Properties Group Limited (the "Company") dated 19 March 2019 (the "Circular") in connection with the acquisition by Nanjing Redsun Real Estate Development Company Limited (南京紅太陽房地產開發有限公司), a subsidiary of the Company, of 55.25% and 39.75% of the entire equity interests in the Target Company from Xiamen Ying Tai Fu Real Estate Company Limited (廈門市英泰富房地產有限公司) and Nanjing Tai Ya Department Store Management Company Limited (南京台亞百貨市場管理有限公司), respectively.

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

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

REPORTING ACCOUNTANTS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Company as at 31 December 2016, 2017 and 2018 and of the financial performance and cash flows of the Target Company for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE MAIN BOARD OF THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

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

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the Target Company in respect of the Relevant Periods.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

19 March 2019

I HISTORICAL FINANCIAL INFORMATION

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

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

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2016	2017	2018
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE	5	878,413	255,371	337,480
Cost of sales		(819,476)	(211,606)	(305,688)
GROSS PROFIT		58,937	43,765	31,792
Other income and gains	5	866	1,259	1,054
Selling and distribution expenses		(21,542)	(12,589)	(22,970)
Administrative expenses		(58,787)	(23,611)	(12,576)
Other expenses		(1,770)	(1,641)	(54)
Finance costs	7	(1,158)	(23,351)	(49,900)
LOSS BEFORE TAX	6	(23,454)	(16,168)	(52,654)
Income tax expense	10	(8,530)	(6,750)	6,402
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(31,984)	(22,918)	(46,252)

STATEMENTS OF FINANCIAL POSITION

		31 December		
		2016	2017	2018
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	12	6,787	791	353
Deferred tax assets	13	39,331	46,808	62,116
Total non-current assets		46,118	47,599	62,469
CURRENT ASSETS				
Properties under development	14	2,425,350	2,541,435	2,333,157
Completed properties held for sale	15	265,584	53,978	191,537
Due from related parties	28	555,910	892,536	3,013
Prepayments, deposits and other receivables	16	11,694	8,766	12,096
Tax recoverable		9,406	10,904	7,146
Restricted cash	17	44,217	53,590	395,117
Cash and cash equivalents	17	501,707	125,413	649,173
Total current assets		3,813,868	3,686,622	3,591,239
CURRENT LIABILITIES				
Trade and bills payables	18	1,143,812	674,010	227,726
Other payables, deposits received and accruals	19	37,949	13,450	51,419
Contract liabilities	20	150,663	250,585	1,428,187
Due to related parties	28	533,475	610,007	371,459
Interest-bearing bank loans and other borrowings	21	180,000	604,500	—
Total current liabilities		2,045,899	2,152,552	2,078,791
NET CURRENT ASSETS		1,767,969	1,534,070	1,512,448
TOTAL ASSETS LESS CURRENT LIABILITIES		1,814,087	1,581,669	1,574,917

		31 December		
		2016	2017	2018
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES				
Interest-bearing bank loans and other borrowings	21	720,000	510,500	550,000
Total non-current liabilities		720,000	510,500	550,000
NET ASSETS		1,094,087	1,071,169	1,024,917
EQUITY				
Issued capital	22	1,205,000	1,205,000	1,205,000
Reserves	23	(110,913)	(133,831)	(180,083)
		1,094,087	1,071,169	1,024,917
TOTAL EQUITY		1,094,087	1,071,169	1,024,917

STATEMENTS OF CHANGES IN EQUITY

	Issued capital	Accumulated losses	Total equity
	RMB'000	*RMB'000*	*RMB'000*
		Note 23	
As at 1 January 2016	1,205,000	(78,929)	1,126,071
Loss and other comprehensive loss for the year	—	(31,984)	(31,984)
As at 31 December 2016 and 1 January 2017	1,205,000	(110,913)	1,094,087
Loss and other comprehensive loss for the year	—	(22,918)	(22,918)
As at 31 December 2017 and 1 January 2018	1,205,000	(133,831)	1,071,169
Profit and other comprehensive loss for the year	—	(46,252)	(46,252)
As at 31 December 2018	1,205,000	(180,083)	1,024,917

STATEMENTS OF CASH FLOWS

		Year ended 31 December		
		2016	2017	2018
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax		(23,454)	(16,168)	(52,654)
Adjustments for:				
Depreciation of items of property, plant and equipment	12	1,799	1,556	453
Finance costs	7	1,158	23,351	49,900
Loss on disposal of items of property, plant and equipment	6	—	156	—
Interest income	5	(731)	(901)	(695)
Decrease in properties for development and for sale		268,029	148,783	142,524
Increase in restricted cash		(14,697)	(9,373)	(341,527)
Decrease in trade receivables		1,130	—	—
(Increase)/decrease in prepayments, deposits and other receivables		(2,355)	5,236	(3,330)
Increase/(decrease) in trade and bills payables		164,736	(469,802)	(446,284)
Increase/(decrease) in other payables, deposits received and accruals		28,735	(12,016)	39,028
(Decrease)/Increase in contract liabilities		(58,456)	99,922	1,177,622
(Decrease)/increase in amounts due to related parties		—	(3,032)	67
Cash generated from/(used in) operations		365,894	(232,288)	565,084
Interest received	5	731	901	695
Interest paid		(161,215)	(75,832)	(122,764)
Tax paid		(25,160)	(31,297)	(3,581)
Net cash flows generated from/(used in) operating activities		180,250	(338,516)	439,434

		Year ended 31 December		
		2016	2017	2018
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of items of property, plant and equipment		—	143	4,297
Purchases of items of property, plant and equipment	12	(147)	(150)	(22)
Advance to related companies		(4,617,439)	(947,622)	(3,013)
Repayment of advances to related companies		5,030,402	615,287	435,420
Net cash flows generated/(used in) from investing activities		412,816	(332,342)	436,682
CASH FLOWS FROM FINANCING ACTIVITIES				
Advance from related companies		500,000	579,564	2,015,379
Repayment of advance from related companies		(300,000)	(500,000)	(1,802,735)
Proceeds from interest-bearing bank borrowings		900,000	215,000	550,000
Repayment of interest-bearing bank borrowings and other borrowings		(1,205,000)	—	(1,115,000)
Net cash flows (used in)/generated from financing activities		(105,000)	294,564	(352,356)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		488,066	(376,294)	523,760
Cash and cash equivalents at beginning of year		13,641	501,707	125,413
CASH AND CASH EQUIVALENTS AT END OF YEAR		501,707	125,413	649,173

		Year ended 31 December		
		2016	**2017**	**2018**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances		545,924	179,003	1,044,290
Less: Restricted cash		44,217	53,590	395,117
CASH AND CASH EQUIVALENTS AS STATED IN THE COMBINED STATEMENTS OF FINANCIAL POSITION AND STATEMENTS OF CASH FLOWS		501,707	125,413	649,173

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Mingliu Properties Wuhan Company Limited 名流置業武漢有限公司 (the "Target Company") was established in the People's Republic of China (the "PRC") with limited liability. The registered office of the Target Company is located at No. 1, Maying Road, Han Yang District, Wuhan City, Hubei Province.

As at 31 December 2018, the Target Company's major shareholders include Nanjing Redsun Real Estate Development Company Limited (南京紅太陽房地產開發有限公司), which holds 55.25% interests of the Target Company and Nanjing Tai Ya Store Market Management Company Limited (南京台亞百貨市場管理有限公司), which holds 39.75% interests of the Target Company.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). Except for IFRS 9, Financial Instruments, all IFRSs effective for the accounting period commencing from 1 January 2018, together with the relevant transitional provisions, have been adopted by the Target Company in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention. These financial statements are represented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

The Target Company has applied IFRS 9, which is effective for annual periods beginning on or after 1 January 2018. The Target Company has not restated the financial information from 1 January 2016 to 31 December 2017 for financial instruments in the scope of IFRS 9. The financial information from 1 January 2016 to 31 December 2017 is reported under International Accounting Standard 39 ("IAS 39") and is not comparable to the information presented for 2018. Based on evaluation, the management of the Target Company are of the opinion that the differences arising from the adoption of IFRS 9 is considered immaterial.

Besides, IFRS 15 Revenue from Contracts with Customers and amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers, which are effective for annual periods beginning on or after 1 January 2018, have been early adopted by the Target Company in the preparation of the Historical Financial Information throughout the Relevant Periods. IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. Early adoption of IFRS 15 and its amendments is permitted.

A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is as follows:

In RMB'000	IAS 39 measurement		Re-	Remeasurement	IFRS 9 measurement	
	Category	Amount	classification	ECL	Amount	Category
Financial assets						
Financial assets included in Prepayments,deposits and other receivables	L&R*	5,082	—	—	5,082	AC**
Due from related companies	L&R	892,536	—	—	892,536	AC
Restricted cash	L&R	53,590	—	—	53,590	AC
Cash and cash equivalents	L&R	125,413	—	—	125,413	AC
		1,076,621	—	—	1,076,621	
Financial liabilities						
Trade and bills payables	AC	674,010	—	—	674,010	AC
Financial liabilities included in other payables, deposits received and accruals	AC	5,082	—	—	5,082	AC
Due to related companies	AC	610,007	—	—	610,007	AC
Interest-bearing bank and other borrowings	AC	1,115,000	—	—	1,115,000	AC
		2,404,099	—	—	2,404,099	

*L&R: Loans and receivables

**AC: Financial assets or financial liabilities at amortised cost

There was no significant impact from replacing the aggregate opening loan loss provision allowances under IAS 39 with ECL allowances under IFRS 9 on financial instruments as at 1 January 2018.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSS

The Target Company has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in this Historical Financial Information. The Target Company intends to adopt them, if applicable, when they become effective.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 3	*Definition of a business*[3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[5]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[4]
Amendments to IAS 1	*Presentation of Financial Statement*[2]
Amendments to IAS 8	*Accounting Policies, Change of Accounting Estimates and Errors*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements to IFRSs 2015–2017 Cycle	Amendments to the following standards: — IFRS 3 *Business Combinations*[1] — IFRS 11 *Joint Arrangements*[1] — IAS 12 *Income Taxes*[1] — IAS 23 *Borrowing Costs*[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020

[3] Business combinations for which the acquisition date is on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period
[4] Effective for annual periods beginning on or after 1 January 2021
[5] No mandatory effective date yet determined but available for adoption

The management of the Target Company anticipates that the application of the new and revised IFRSs will have no material impact on the Target Company's financial position and financial performance in the foreseeable future.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Target Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Target Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each year of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, properties under development, completed properties held for sale and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

An assessment is made at the end of each year of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises (only if there are revalued assets in the financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Motor vehicles	12%
Office equipment and electronic devices	19%

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

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

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 comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless those will not be realised in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated in the statements of financial position at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

Allocation of property development cost

Land costs are allocated to each unit according to their respective saleable gross floor areas ("GFA") to the total saleable GFA. Construction costs relating to units are identified and allocated specifically. Common construction costs have been allocated according to the saleable GFA similar to land costs.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Target Company, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Company is the lessor, assets leased by the Target Company under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Target Company is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Financial assets (under IAS 39)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale ("AFS") financial assets. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Target Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:

— Loans and receivables

— AFS financial assets

Loans and receivables

This category is the most relevant to the Target Company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate ("EIR") method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statements of profit or loss and other comprehensive income. The losses arising from impairment are recognised in the statements of profit or loss and other comprehensive income in finance costs for loans and in cost of sales or other expenses for receivables.

AFS financial assets

AFS financial assets include debt securities. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income ("OCI') and credited to the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statements of profit or loss and other comprehensive income in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

The Target Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Target Company is unable to trade these financial assets due to inactive markets, the Target Company may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statements of profit or loss and other comprehensive income.

Derecognition of financial assets (under IAS 39 and IFRS 9)

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

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

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

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

Impairment of financial assets (under IAS 39)

The Target Company assesses at the end of each of the Relevant Periods whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the Target Company of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the loss is recognised in the statements of profit or loss and other comprehensive income. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statements of profit or loss and other comprehensive income.

Available-for-sale financial investments

For available-for-sale financial investments, the Target Company assesses at the end of each of the Relevant Periods whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statements of profit or loss and other comprehensive income, is removed from OCI and recognised in the statements of profit or loss and other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Target Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statements of profit or loss and other comprehensive income. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statements of profit or loss and other comprehensive income if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statements of profit or loss and other comprehensive income.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Financial liabilities (under IAS 39 and IFRS 9)

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Target Company becomes a party to the contractual provisions of the financial instruments. The Target Company determines the classification of its financial liabilities at initial recognition. Financial liabilities are classified, at initial recognition, as loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and in the case of financial liabilities not at fair value through profit or loss, net of directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Loans and borrowings

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

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

Financial guarantee contracts(policies under IFRS 9 applicable from 1 January 2018)

Financial guarantee contracts issued by the Target Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Target Company measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018)"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Financial guarantee contracts (policies under IAS 39 applicable before 1 January 2018)

A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Target Company measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities (under IAS 39 and IFRS 9)

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

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

Financial assets (under IFRS 9)

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Target Company has applied the practical expedient, the Target Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Target Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Target Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:

— Financial assets at amortised cost (debt instruments)

— Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Target Company. The Target Company measures financial assets at amortised cost if both of the following conditions are met:

a) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Target Company's financial assets at amortised cost includes trade receivables, financial assets included in prepayments, deposits and other receivables, and amounts due from related companies.

All recognized financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition as at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statements of profit or loss and other comprehensive income.

Impairment

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

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

For trade receivables and contract assets, the Target Company applies a simplified approach in calculating ECLs. Therefore, the Target Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Target Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Offsetting of financial instruments

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

Treasury shares

Own equity instruments which are held by the Company or the Target Company (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Target Company's own equity instruments.

Cash and cash equivalents

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

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

Provisions

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

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

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

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

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

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Company has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of properties and services provided in the ordinary course of the Target Company's activities. Revenue is shown, net of taxes.

Sales of properties

Revenue is recognised when or as the control of the asset is transferred to the purchaser. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Target Company's performance:

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

If control of the asset 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 purchaser obtains control of the asset.

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

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

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

Rental income

Rental income is recognised on a time proportion basis over the lease terms.

Interest income

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

Contract asset

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Target Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Target Company has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Target Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Target Company performs under the contract.

Contract costs

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

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

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

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the construction of production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Other Employee benefits

Social pension plans

The Target Company has the social pension plans for its employees arranged by local management labour and security authorities. The Target Company makes contributions on a monthly basis to the social pension plans. The contributions are charged to profit or loss as they become payable in accordance with the rules of the social pension plans. Under the plans, the Target Company has no further obligations beyond the contributions made.

Housing fund and other social insurances

The Target Company has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Target Company makes monthly contribution to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Target Company has no further obligation beyond the contributions made.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

PRC land appreciation tax ("LAT")

The Target Company is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Target Company has not finalised its LAT calculation and payments with the tax authorities for certain of its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 20 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

Management reviews profit or loss of the Target Company as a whole to make decision about performance assessment and resource allocation. The operation of the Target Company constitutes one single operating segment under IFRS8 "Operating Segments" and accordingly, no separate segment information is prepared. No segment assets and liabilities are presented as management does not regularly review segment assets and liabilities.

Geographical information

All of the Target Company's revenue is generated in the PRC and all of its assets are located in the PRC. Accordingly, no geographical information is presented.

Information about major customers

No revenue amounted to 10% or more of the Target Company' revenue was derived from sales to a single customer or a group of customers under common control in the Relevant Periods.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue and other income and gains is as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
Sale of properties	878,413	255,371	337,480

Represented by:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from sale of properties:			
Recognised at a point in time	878,413	255,371	337,480

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Other income and gains			
Interest income	731	901	695
Others	135	358	359
	866	1,259	1,054

6. LOSS BEFORE TAX

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

		Year ended 31 December		
		2016	2017	2018
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Cost of inventories sold	15	819,476	211,606	305,688
Depreciation of property, plant and equipment	12	1,799	1,556	453
Loss on disposal of items of property plant and equipment		—	156	—
Rental expenses		1,083	2,030	1,037
Auditors' remuneration		30	—	—
Employee benefit expense (including directors' and chief executives' remuneration (note 8):				
Wages and salaries (including bonus)		43,552	10,777	13,372
Pension scheme contributions and social welfare		5,065	4,549	4,513

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank and other borrowings	159,732	74,931	120,650
Interest on pre-sale deposits	1,158	1,682	1,055
Less: Interest capitalised	(159,732)	(53,262)	(71,805)
	1,158	23,351	49,900

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remuneration of each of the Target Company's directors is set out below:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	796	796	2,378
Performance-related bonuses	40	40	139
Pension scheme contributions and social welfare	64	64	105
Total	900	900	2,622

Year ended 31 December 2016

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
— Mr. Tang Guoqiang	516	30	38	584
— Mrs. Feng Xian	280	10	26	316
	796	40	64	900

Year ended 31 December 2017

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
— Mr. Tang Guoqiang	516	30	38	584
— Mrs. Feng Xian	280	10	26	316
	796	40	64	900

Year ended 31 December 2018

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
— Mr. Yang Qun	1,190	79	35	1,304
— Mr. Wang Yurong	728	38	38	804
— Mrs. Li Chunyan	460	22	32	514
	2,378	139	105	2,622

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the years ended 31 December 2016 and 2017 and 2018 included two directors, two directors and three directors respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the years ended 31 December 2016 and 2017 and 2018 of the remaining three, three, and two highest paid employees who are neither a director nor chief executive of the Target Company, respectively, are as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	904	904	990
Performance related bonuses	28	28	50
Pension scheme contributions and social welfare	89	89	98
Total	1,021	1,021	1,138

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Nil to HK$500,000	3	3	—
HK$500,001 to HK$1,000,000	—	—	2
Total	3	3	2

10. INCOME TAX

Provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the Target Company has determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008 (the "New Corporate Income Tax Law").

According to the requirements of the Provision Regulations of the PRC on Land Appreciation Tax ("LAT") effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sales or transfer of state-owned leasehold interests on land, buildings and their attached facilities in Mainland China is subject to LAT at progressive rate ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation value do not exceed 20% of the sum of the total deductible items.

The Target Company has estimated and made tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Current tax:			
PRC corporate income tax	—	—	—
PRC LAT	18,952	14,227	8,906
Deferred tax *(note 13)*	(10,422)	(7,477)	(15,308)
Total tax charge for the year	8,530	6,750	(6,402)

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Target Company is domiciled to the income tax expense at the effective income tax rate for each of the Relevant Periods is as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Loss before tax	(23,454)	(16,168)	(52,654)
At the statutory income tax rate	(5,863)	(4,042)	(13,164)
Expenses not deductible for tax	179	121	83
Provision for LAT	18,952	14,227	8,906
Tax effect on LAT	(4,738)	(3,556)	(2,227)
Tax charge (benefit) at the Target Company's effective rate	8,530	6,750	(6,402)

11. DIVIDENDS

No dividends have been paid or declared by the Target Company since its date of incorporation.

12. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles *RMB'000*	Office equipment and electronic devices *RMB'000*	Total *RMB'000*
31 December 2016			
At 1 January 2016:			
Cost	10,212	3,079	13,291
Accumulated depreciation	(3,638)	(1,214)	(4,852)
Net carrying amount	6,574	1,865	8,439
At 1 January 2016, net of accumulated depreciation	6,574	1,865	8,439
Additions	—	147	147
Depreciation provided during the year	(1,213)	(586)	(1,799)
At 31 December 2016, net of accumulated depreciation	5,361	1,426	6,787
At 31 December 2016:			
Cost	10,212	3,226	13,438
Accumulated depreciation	(4,851)	(1,800)	(6,651)
Net carrying amount	5,361	1,426	6,787
31 December 2017			
At 1 January 2017:			
Cost	10,212	3,226	13,438
Accumulated depreciation	(4,851)	(1,800)	(6,651)
Net carrying amount	5,361	1,426	6,787
At 1 January 2017, net of accumulated depreciation	5,361	1,426	6,787
Additions	—	150	150
Disposals	(4,353)	(237)	(4,590)
Depreciation provided during the year	(1,008)	(548)	(1,556)
At 31 December 2017, net of accumulated depreciation	—	791	791
At 31 December 2017:			
Cost	—	2,786	2,786
Accumulated depreciation	—	(1,995)	(1,995)
Net carrying amount	—	791	791

	Motor vehicles	Office equipment and electronic devices	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2018			
At 1 January 2018:			
Cost	—	2,786	2,786
Accumulated depreciation	—	(1,995)	(1,995)
Net carrying amount	—	791	791
At 1 January 2018, net of accumulated depreciation	—	791	791
Additions	—	21	21
Disposals	—	(6)	(6)
Depreciation provided during the year	—	(453)	(453)
At 31 December 2018, net of accumulated depreciation	—	353	353
At 31 December 2018:			
Cost	—	2,708	2,708
Accumulated depreciation	—	(2,355)	(2,355)
Net carrying amount	—	353	353

There were no property, plant and equipment being pledged as at 31 December 2016, 2017 and 2018.

13. DEFERRED TAX ASSETS

The movements in deferred tax assets during the Relevant Periods are as follows:

	Unrealised revenue received in advance	Impairment losses	Tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2016	14,510	146	14,253	28,909
Deferred tax (charged)/credited to loss during the year	(912)	54	11,280	10,422
As at 31 December 2016 and 1 January 2017	13,598	200	25,533	39,331
Deferred tax credited to loss during the year	2,423	60	4,994	7,477
As at 31 December 2017 and 1 January 2018	16,021	260	30,527	46,808
Deferred tax credited/(charged) to loss during the year	29,677	(132)	(14,237)	15,308
As at 31 December 2018	45,698	128	16,290	62,116

14. PROPERTIES UNDER DEVELOPMENT

	31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	2,491,414	2,425,350	2,541,435
Additions	711,179	116,085	234,969
Transferred to completed properties held for sale *(note 15)*	(777,243)	—	(443,247)
At the end of the year	2,425,350	2,541,435	2,333,157

The Target Company's properties under development are situated on leasehold lands in Mainland China.

Certain of the Target company's properties under development with aggregate carrying amounts of approximately RMB160,078,000, RMB160,078,000 and RMB1,327,418,000 as at 31 December 2016 and 2017 and 2018, respectively, have been pledged to only secure bank and other borrowings granted to the Target company (note 21).

The value of properties under development is assessed at the end of each Relevant Periods. An impairment exists when the carrying value exceeds its realisable value.

15. COMPLETED PROPERTIES HELD FOR SALE

	31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at the beginning of the year	307,817	265,584	53,978
Transferred from properties under development *(note 14)*	777,243	—	443,247
Transferred to cost of sales *(note 6)*	(819,476)	(211,606)	(305,688)
Carrying amount at the end of the year	265,584	53,978	191,537

The value of completed properties held for sale is assessed at the end of each year of the Relevant Periods. An impairment exists when the carrying value exceeds its recoverable amount, which is the higher of its fair value less costs of disposal. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Other tax recoverable	4,814	2,505	6,139
Other deposit	314	1,179	1,572
Other receivables *(note 29)*	6,566	5,082	4,385
	11,694	8,766	12,096

17. CASH AND CASH EQUIVALENTS, RESTRICTED CASH

	31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	545,924	179,003	1,044,290
Less: Restricted cash	44,217	53,590	395,117
Cash and cash equivalents	501,707	125,413	649,173

Pursuant to relevant regulations in the PRC, the Target Company are required to place certain amounts of cash in designated bank accounts for specified use. As at 31 December 2016, 2017 and 2018, such restricted cash amounted to RMB44,217,000, RMB53,590,000 and RMB395,117,000.

At 31 December 2016, 2017 and 2018, all the cash and bank balances of the Target Company were denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

18. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end year of each of the Relevant Periods, based on the invoice date, is as follows:

	31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Less than 1 year	1,125,814	247,522	45,036
Over 1 year	17,998	426,488	182,690
	1,143,812	674,010	227,726

Trade payables are unsecured and interest-free and are normally settled based on the progress of construction.

19. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Retention deposits related to construction	3,098	4,057	9,533
Sales commission *(note 29)*	—	—	8,714
Maintenance fund *(note 29)*	1,703	2,426	20,555
Other tax and surcharges	13,525	261	4,296
Interest payable *(note 29)*	1,875	2,656	1,597
Payroll and welfare payable	17,728	4,045	6,719
Others	20	5	5
	37,949	13,450	51,419

Other payable are unsecured, non-interest-bearing and repayable on demand. The fair values of other payables at the end of each of the Relevant Periods approximated to their corresponding carrying amounts.

20. CONTRACT LIABILITIES

Contract liabilities represented the sales proceeds received from buyers in connection with the Target Company's pre-sale of properties at the end of each of the Relevant Periods.

The expected timing of recognition of revenue at the end of each year of Relevant Period is as follows:

	31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Less than 1 year	150,663	250,585	26,994
Over 1 year	—	—	1,401,193
	150,663	250,585	1,428,187

21. INTEREST-BEARING BANK AND OTHER BORROWINGS

		31 December 2016			31 December 2017			31 December 2018		
	Notes	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current										
Current portion of long term bank loans — secured	(i)	7.65	2017	180,000	7.65	2018	540,000	—	—	—
Current portion of long term other loans — secured	(ii)	—	—	—	9.00	2018	64,500	—	—	—
				180,000			604,500			—
Non-current										
Bank loans — secured	(iii)	7.65	2018–19	720,000	7.65	2019	360,000	9.50	2021	550,000
Other loans — secured	(ii)	—	—	—	9.00	2019	150,500	—	—	—
				720,000			510,500			550,000
				900,000			1,115,000			550,000

(i) The bank loans were from Shenyang Yuhong Yongan Country Bank Company Limited (瀋陽於洪永安村鎮銀行股份有限公司), secured by certain properties under development of the Target Company with carrying amounts of approximately RMB160,078,000 as at 31 December 2016 and 2017. In addition, the bank loans were guaranteed by Mr. Liu Daoming (劉道明) and Myhome Real Estate Development Group Co., Ltd. (美好置業集團股份有限公司, "Myhome Real Estate"), both of which were then related parties of the Target Company.

(ii) The borrowing was from China Huarong Asset Management Company Limited Hubei Branch (中國華融資產管理股份有限公司湖北省分公司), guaranteed by i) Boluo Mingliu Industrial Co., Ltd. (博羅名流實業有限公司), ii) Wuhan Mingliu Real Estate Co., Ltd. (武漢名流地產有限公司), iii) Mr. Liu Daoming (劉道明), iv) Mrs. Wang Ping (王萍), and v) Myhome Real Estate, all of which were then related parties of the Target Company.

(iii) The bank loans were from China Minsheng Banking Company Limited Wuhan Branch (中國民生銀行股份有限公司武漢分行), secured by certain properties under development of the Company with carrying amounts of approximately RMB1,327,418,000 as at 31 December 2018. The bank loans were also guaranteed by Nanjing Red Sun Real Estate Development Co., Ltd. (南京紅太陽房地產開發有限公司, "Nanjing Red Sun Real Estate").

	31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Analysed into:			
Repayable within one year	180,000	604,500	—
Repayable in the second year	360,000	510,500	330,000
Repayable within three to five years	360,000	—	220,000
Subtotal	900,000	1,115,000	550,000

The Target Company's borrowings are all denominated in RMB.

Certain of the Target Company's bank and other borrowings are secured by the pledges of the following assets with carrying values at the end of each of the Relevant Periods:

		31 December		
		2016	2017	2018
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development	14	160,078	160,078	1,327,418

22. ISSUED CAPITAL

	RMB'000
Issued and fully paid:	
As at 31 December 2016, 2017, and 2018	1,205,000

23. RESERVES

The amounts of the Target Company's reserves and the movements therein for the years ended 31 December 2016, 2017 and 2018 are presented in the statements of changes in equity.

Statutory surplus reserves

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Target Company is required to appropriate 10% of its net profits after tax, as determined under the Chinese accounting standards, to statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Target Company, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Target Company. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends. The Target Company is in the loss position and no statutory surplus reserve is appropriated during the Relevant Period.

24. NOTE TO THE STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings	**Due to related companies**	**Total liabilities from financing activities**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2016	1,205,000	302,584	1,507,584
Cash flows from financing activities	(305,000)	200,000	(105,000)
Interest expense	160,890	—	160,890
Interest paid classified as operating cash flows	(161,215)	—	(161,215)
Increase in interest payable	325	30,891	31,216
At 31 December 2016	900,000	533,475	1,433,475
Cash flows from financing activities	215,000	79,564	294,564
Interest expense	76,613	—	76,613
Interest paid classified as operating cash flows	(75,832)	(75,832)	
Decrease in Interest payable	(781)	—	(781)
Decrease in non-financing activities	—	(3,032)	(3,032)
At 31 December 2017	1,115,000	610,007	1,725,007
Cash flows from financing activities	(565,000)	212,644	(352,356)
Interest expense	60,011	61,694	121,705
Interest paid classified as operating cash flows	(61,070)	(61,694)	(122,764)
Increase in interest payable	1,059	—	1,059
Decrease in non-financing activities	—	(451,192)	(451,192)
At 31 December 2018	550,000	371,459	921,459

25. CONTINGENT LIABILITIES

At the end of each year of the Relevant Periods, contingent liabilities not provided for in the financial statements were as follows:

		31 December	
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Guarantees given to banks in connection with facilities granted to purchasers of the Target Company's properties	1,325,924	717,152	407,400

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

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

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

The Target Company did not incur any material losses during the Relevant Periods in respect of the guarantees provided for mortgage facilities granted to purchasers of the Target Company's completed properties held for sale. The management of the Target Company considered that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

26. OPERATING LEASE ARRANGEMENTS

As lessee

The Target Company leases certain of its office properties under operating lease arrangements, negotiated for terms of 1 years with an option for renewal after the end of lease terms, at which time all terms will be renegotiated.

At the end of each of the Relevant Periods, the Target Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

		31 December	
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	974	1,041	—

27. COMMITMENTS

In addition to the operating lease commitments detailed in note 26 above, the Target Company had the following capital commitments at the end of each year of the Relevant Periods:

		31 December	
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Property development activities	887,909	651,374	376,476

28. RELATED PARTY TRANSACTIONS

(1) Name and relationship

Name of related parties	Relationship with the Target Company
On or after 28 September 2018:	
曾煥沙	the controlling shareholder
Nanjing Red Sun Real Estate	the parent company
武漢弘陽漢都房地產開發有限公司 (Wuhan Hong Yang Han Du Real Estate Development Co., Ltd)	Company controlled by the parent company
上海弘陽電子商務有限公司 (Shanghai Rsun Electronic Commerce Co., Ltd)	Company controlled by the parent company
From 1 January 2016 to 16 April 2018:	
劉道明 (Mr. Liu Daoming)	The controlling shareholder
王萍 (Mrs. Wang Ping)	The Spouse of the controlling shareholder
Myhome Real Estate	the parent company
蕪湖名流置業有限公司 (Wuhu Mingliu Properties Co., Ltd.)	Company controlled by the parent company
武漢美好生活投資有限公司 (Wuhan Myhome Life Investment Co., Ltd.)	Company controlled by the parent company
名流置業武漢江北有限公司 (Mingliu Properties Wuhan Jiangbei Co., Ltd.)	Company controlled by the parent company
武漢南部新城投資有限公司 (Wuhan Southern Xincheng Investment Co., Ltd.)	Company controlled by the parent company
武漢名流地產有限公司 (Wuhan Mingliu Real Estate Co., Ltd.)	Company controlled by the parent company
重慶名流置業有限公司 (Chongqing Mingliu Properties Co., Ltd.)	Company controlled by the parent company
美好建築裝配科技有限公司 (Myhome Building Assembly Technology Co., Ltd.)	Company controlled by the parent company

Name of related parties	Relationship with the Target Company
東莞名流置業有限公司 (Dongguan Mingliu Properties Co., Ltd.)	Company controlled by the parent company
武漢園博園置業有限公司 (Wuhan Yuanboyuan Properties Co., Ltd.)	Company controlled by the parent company
武漢名流公館置業有限公司 (Wuhan Mingliu Mansion Properties Co., Ltd.)	Company controlled by the parent company
武漢正華利信息系統工程有限公司 (Wuhan Zhenghuali Information System Engineering Co., Ltd.)	Company controlled by the parent company
美好置業武漢江南有限公司 (Myhome Real Estate Wuhan Jiangnan Co., Ltd.)	Company controlled by the parent company
瀋陽印象名流置業有限公司 (Shenyang Yinxiang Mingliu Properties Co., Ltd.)	Company controlled by the parent company
安徽東磁投資有限公司 (Anhui Dongci Investment Co., Ltd.)	Company controlled by the parent company
武漢名流幸福物業服務有限公司 (Wuhan Mingliu Xingfu Property Services Co., Ltd.)	Company controlled by the parent company
武漢市泰宇商貿有限公司 (Wuhan Taiyu Business Trade Co., Ltd.)	Company controlled by the parent company
武漢美好錦程置業有限公司 (Wuhan Myhome Jincheng Properties Co., Ltd.)	Company controlled by the controlling shareholder
中工建設有限公司 (Zhonggong Construction Co., Ltd)	Company controlled by the controlling shareholder
武漢奥楠園林綠化工程有限公司 (Wuhan Aonan Landscaping Engineering Co., Ltd.)	A close family member of the controlling shareholder is the director of the Company

(2) Significant related party transactions

In addition to the transactions detailed disclosed elsewhere in the Historical Financial Information, the Target Company had the following material transactions with its related parties during the Relevant Period:

	31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Advances from related parties:			
Nanjing Red Sun Real Estate	—	—	2,015,379
Wuhan Southern Xincheng Investment Co., Ltd.	—	579,564	—
Mingliu Properties Wuhan Jiangbei Co., Ltd.	500,000	—	—
Repayments of advances from related parties:			
Nanjing Red Sun Real Estate	—	—	1,802,735
Mingliu Properties Wuhan Jiangbei Co., Ltd.	—	500,000	—
Zhonggong Construction Co., Ltd	300,000	—	—
Advances to related parties:			
Myhome Real Estate	4,553,174	710,122	—
Mingliu Properties Wuhan Jiangbei Co., Ltd.	—	215,000	—
Wuhan Myhome Jincheng Properties Co., Ltd.	—	22,500	—
Chongqing Mingliu Properties Co., Ltd.	64,265	—	—
Wuhan Hong Yang Han Du Real Estate Development Co., Ltd.	—	—	3,013

	31 December 2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Repayments of advances to related parties:			
Myhome Real Estate	4,032,859	551,022	197,920
Mingliu Properties Wuhan Jiangbei Co., Ltd.	356,100	—	215,000
Wuhan Myhome Jincheng Properties Co., Ltd.	—	—	22,500
Chongqing Mingliu Properties Co., Ltd.	—	64,265	—
Wuhu Mingliu Properties Co., Ltd.	187,339	—	—
Anhui Dongci Investment Co., Ltd.	1,000	—	—
Shenyang Yinxiang Mingliu Properties Co., Ltd.	95,000	—	—
Dongguan Mingliu Properties Co., Ltd.	15,000	—	—
Myhome Real Estate Wuhan Jiangnan Co., Ltd.	100	—	—
Wuhan Taiyu Business Trade Co., Ltd.	21,100	—	—
Wuhan Zhenghuali Information System Engineering Co., Ltd.	48,400	—	—
Wuhan Myhome Jincheng Properties Co., Ltd.	3,060	—	—
Wuhan Yuanboyuan Properties Co., Ltd.	7,000	—	—
Wuhan Mingliu Mansion Properties Co., Ltd.	135,600	—	—
Wuhan Southern Xincheng Investment Co., Ltd.	127,844	—	—

(3) Other transactions with related parties

	31 December 2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Properties management fee	5,680	3,995	1,105
Interest expense	49,909	—	61,694
Disposal of Property, plant and equipment	—	4,291	—
Consulting service	—	—	671

Note: These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(4) Outstanding balances with related parties

	31 December 2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Due from related parties:			
Myhome Real Estate	491,645	650,745	—
Wuhan Hong Yang Han Du Real Estate Development Co., Ltd.	—	—	3,013
Wuhan Myhome Life Investment Co., Ltd.	—	268	—
Mingliu Properties Wuhan Jiangbei Co., Ltd.	—	215,000	—
Wuhan Myhome Jincheng Properties Co., Ltd.	—	22,500	—
Myhome Building Assembly Technology Co., Ltd.	—	4,023	—
Chongqing Mingliu Properties Co., Ltd.	64,265	—	—
	555,910	892,536	3,013
Due to related parties:			
Nanjing Red Sun Real Estate	—	—	371,392
Wuhan Myhome Life Investment Co., Ltd.	1,697	1,697	—
Wuhan Aonan Landscaping Engineering Co., Ltd.	1,018	1,408	—
Wuhan Southern Xincheng Investment Co., Ltd.	—	579,564	—
Wuhu Mingliu Properties Co., Ltd.	27,338	27,338	—
Wuhan Mingliu Xingfu Property Services Co., Ltd.	3,422	—	—
Shanghai Rsun Electronic Commerce Co., Ltd	—	—	67
Mingliu Properties Wuhan Jiangbei Co., Ltd.	500,000	—	—
	533,475	610,007	371,459

(5) Compensation of key management personnel of the Target Company:

	31 December 2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	904	904	990
Performance related bonuses	28	28	50
Pension scheme contributions and social welfare	89	89	98
Total compensation paid to key management personnel	1,021	1,021	1,138

Further details of directors' emoluments are included in note 9 to the Historical Financial Information.

29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each year of the Relevant Periods are as follows:

31 December 2018

Financial assets

	Financial assets at amortised cost
	RMB'000
Financial assets included in prepayments, deposits and other receivables *(note 16)*	4,385
Due from related companies	3,013
Restricted cash	395,117
Cash and cash equivalents	649,173
	1,051,688

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	227,726
Financial liabilities included in other payables, deposits received and accruals *(note 19)*	30,866
Interest-bearing bank and other borrowings *(note 21)*	550,000
Due to related companies	371,459
	1,180,051

31 December 2017

Financial assets

	Loans and receivables
	RMB'000
Financial assets included in prepayments, deposits and other receivables *(note 16)*	5,082
Due from related companies	892,536
Restricted cash	53,590
Cash and cash equivalents	125,413
	1,076,621

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	674,010
Financial liabilities included in other payables, deposits received and accruals *(note 19)*	5,082
Interest-bearing bank and other borrowings *(note 21)*	1,115,000
Due to related companies	610,007
	2,404,099

31 December 2016

Financial assets

	Loans and receivables
	RMB'000
Financial assets included in prepayments, deposits and other receivables *(note 16)*	6,566
Due from related companies	555,910
Restricted cash	44,217
Cash and cash equivalents	501,707
	1,108,400

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	1,143,812
Financial liabilities included in other payables, deposits received and accruals *(note 19)*	3,578
Interest-bearing bank and other borrowings *(note 21)*	900,000
Due to related companies	533,475
	2,580,865

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Target Company's financial instruments as at the end of each year of the Relevant Periods, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts			Fair values		
	2016	**2017**	**2018**	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities						
Interest-bearing bank and other borrowings *(note 21)*	900,000	1,115,000	550,000	900,982	1,120,012	550,660

Management has assessed that the fair values of cash and cash equivalents, restricted cash, amounts due from related companies, amounts due from a shareholder, trade receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables, financial liabilities included in other payables, deposits received and accruals, amounts due to a shareholders and amounts due to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of interest-bearing bank and other borrowings are based on discounted cash flow approach using the prevailing market rates of interest available to the Target Company for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates. The fair value measurement of interest-bearing bank and other borrowings is categorised within Level 3 of the fair value hierarchy.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's principal financial instruments mainly include cash and bank balances, restricted cash, trade and other receivables, trade and bills payables and other payables, which arise directly from its operations. The Target Company has other financial assets and liabilities such as interest-bearing bank and other borrowings, amounts due to a shareholder and amounts due to related companies. The main purpose of these financial instruments is to raise finance for the Target Company's operations.

The main risks arising from the Target Company's financial instruments are interest rate risk, credit risk and liquidity risk. Generally, the Target Company introduces conservative strategies on its risk management. To keep the Target Company's exposure to these risks to a minimum, the Target Company has not used any derivatives and other instruments for hedging purposes. The Target Company does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Credit risk

Under IAS 39

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations from 1 January 2016 to 31 December 2018.

The Target Company has no concentrations of credit risk in view of its large number of customers. The Target Company did not record any significant bad debt losses as at 31 December 2016 and 2017.

The credit risk of the Target Company's other financial assets, which mainly comprise restricted cash and pledged deposits, cash and cash equivalents, financial assets included in prepayments, deposits and other receivables, and amounts due from related companies, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments as at 31 December 2016 and 2017.

Under IFRS 9

The carrying amounts of restricted cash, pledged deposits, cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, and amounts due from related companies included in the statements of financial position represent the Target Company's maximum exposure to credit risk in relation to its financial assets as at 31 December 2018.

As at 31 December 2018, all restricted cash, pledged deposits and cash and cash equivalents were deposited in high-credit-quality financial institutions without significant credit risk.

The Target Company classifies financial instruments on the basis of shared credit risk characteristics, such as instrument type and credit risk ratings for the purpose of determining significant increases in credit risk and calculation of impairment. To manage risk arising from trade receivables, the Target Company has policies in place to ensure that credit terms are made only to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the Target Company's counterparties. The credit period granted to the customers is generally from one to six months and the credit quality of these customers is assessed, taking into account their financial position, past experience and other factors. The Target Company also has other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Target Company reviews regularly the recoverable amount of trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Target Company has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

The Target Company applies the simplified approach to provide for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The expected credit losses also incorporate forward looking information based on key economic variables such as the per capita disposable income of urban residents and central bank base rate.

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

- significant financial difficulty of the debtor;
- a breach of contract such as a default or past due event;
- it is probable that the debtor will enter bankruptcy or other financial reorganization.

The Target Company has established a policy to perform an assessment for the period beginning on 1 January 2018, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Target Company classifies its other receivables and amounts due from related companies into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1 When other receivables and amounts due from related companies are first recognised, the Target Company recognises an allowance based on 12 months' ECLs.

Stage 2 When other receivables and amounts due from related companies have shown a significant increase in credit risk since origination, the Target Company records an allowance for the lifetime ECLs.

Stage 3 When other receivables and amounts due from related companies are considered credit-impaired, the Target Company records an allowance for the lifetime ECLs.

Management makes periodic collective assessments for financial assets included in prepayments, deposits and other receivables and amounts due from related companies as well as individual assessment on the recoverability of other receivables and amounts due from related companies based on historical settlement records and past experience. The Target Company has classified financial assets included in prepayments, deposits and other receivables and amounts due from related companies in stage 1 and continuously monitors their credit risk. The directors of the Company believe that there is no material credit risk inherent in the Target Company's outstanding balance of financial assets included in prepayments, deposits and other receivables and amounts due from related companies and no provisions recognised.

(c) Liquidity risk

The Target Company's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Target Company's financial liabilities as at the end of each year of the Relevant Periods, based on contractual undiscounted payments, is as follows:

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2018					
Interest-bearing bank and other borrowings	—	12,884	39,366	651,494	703,744
Trade and bills payables	227,726	—	—	—	227,726
Other payables	30,866	—	—	—	30,866
Due to related parties	371,459	—	—	—	371,459
	603,051	12,884	39,366	651,494	1,333,795
31 December 2017					
Interest-bearing bank and other borrowings	—	201,744	490,938	588,693	1,281,375
Trade and bills payables	674,010	—	—	—	674,010
Other payables	5,082	—	—	—	5,082
Due to related parties	610,007	—	—	—	610,007
	1,289,099	201,744	490,938	588,693	2,570,474
31 December 2016					
Interest-bearing bank and other borrowings	—	16,972	231,860	848,046	1,096,878
Trade and bills payables	1,143,812	—	—	—	1,143,812
Other payables	3,578	—	—	—	3,578
Due to related companies	533,475	—	—	—	533,475
	1,680,865	16,972	231,860	848,046	2,777,743

(d) Capital management

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

The Target Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure the Target Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Target Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Target Company includes, within net debt, interest-bearing bank and other borrowings, trade and bills payables, other payables, deposits received and accruals, amounts due to shareholders and amounts due to related companies less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of each year of the Relevant Periods were as follows:

	31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	1,143,812	674,010	227,726
Other payables, deposits received and accruals	37,949	13,450	51,419
Interest-bearing bank and other borrowings	900,000	1,115,000	550,000
Due to related companies	533,475	610,007	371,459
Less: Cash and cash equivalents	(501,707)	(125,413)	(649,173)
Net debt	2,113,529	2,287,054	551,431
Equity	1,094,087	1,071,169	1,024,917
Capital and net debt	3,207,616	3,358,223	1,576,348
Gearing ratio	66%	68%	35%

32. SUBSEQUENT EVENT

Except as disclosed elsewhere in this report, there is no material subsequent event undertaken by the Target Company after 31 December 2018.

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

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Directors of Redsun Properties Group Limited,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Redsun Properties Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2018 and related notes as set out in Appendix III to the circular dated 19 March 2019 (the "Circular") issued by the Company (the "Unaudited Pro Forma Financial Information") in connection with the acquisitions of 55.25% and 39.75% of the entire equity interests in Mingliu Properties Wuhan Company Limited (名流置業武漢有限公司, the "Target Company") from Xiamen Ying Tai Fu Real Estate Company Limited (廈門市英泰富房地產有限公司) and Nanjing Tai Ya Department Store Management Company Limited (南京台亞百貨市場管理有限公司), respectively (the "Acquisitions"). Upon completion of the Acquisitions, the Company will hold 95% equity interests in the Target Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix III to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Acquisitions on the Group's assets and liabilities as at 30 June 2018 as if the Acquisitions had taken place on 30 June 2018. As part of this process, information about the Group's assets and liabilities has been extracted by the Directors from the Group's unaudited interim condensed financial information for the six month period ended 30 June 2018 as set out in the published interim report of the Company dated 21 September 2018.Information about assets and liabilities of the Target Company has been extracted by the Directors from financial information of the Target Company as at 31 December 2018, on an their accountants' report has been published in appendix II to the Circular.

DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

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

OUR INDEPENDENCE AND QUALITY CONTROL

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

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

REPORTING ACCOUNTANTS' RESPONSIBILITIES

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

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

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

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisitions on unadjusted financial information of the Group as if the Acquisitions 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 Acquisitions 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 Acquisitions, and to obtain sufficient appropriate evidence about whether:

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

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

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

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

OPINION

In our opinion:

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

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

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

Yours faithfully,

Certified Public Accountants
Hong Kong

19 March 2019

INTRODUCTION

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities of the Group, as enlarged after completion of the Acquisitions (the "Enlarged Group") (the "Unaudited Pro Forma Financial Information") which has been prepared on the basis of the notes set forth below for the purpose of illustrating the effects of the acquisitions of 55.25% and 39.75% of the entire equity interests in Mingliu Properties Wuhan Company Limited (名流置業武漢有限公司, the "Target Company" or "Mingliu Wuhan") from Xiamen Ying Tai Fu Real Estate Company Limited (廈門市英泰富房地產有限公司, "Xiamen Ying Tai Fu") and Nanjing Tai Ya Department Store Management Company Limited (南京台亞百貨市場管理有限公司, "Nanjing Tai Ya"), respectively (the "Acquisitions"), as if the Acquisitions had been completed on 30 June 2018.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisitions been completed on 30 June 2018 or any future date.

The Unaudited Pro Forma Financial Information has been prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2018 included in the published 2018 interim report of the Company and the statement of financial position of the Target Company as at 31 December 2018 as set out in the accountants' report of the Target Company in Appendix II to this Circular, after giving effect to the unaudited pro forma adjustments as described in the accompanying notes.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this Circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group as at 30 June 2018	The Target Company as at 31 December 2018	Pro forma adjustments		Unaudited pro forma total for the Enlarged Group as at 30 June 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
NON-CURRENT ASSETS					
Property, plant and equipment	970,547	353	—	—	970,900
Investment properties	9,228,800	—	—	—	9,228,800
Prepaid land lease payments	29,556	—	—	—	29,556
Other intangible assets	12,478	—	—	—	12,478
Investments in joint ventures	644,826	—	—	—	644,826
Investments in associates	1,413,479	—	—	—	1,413,479
Deferred tax assets	262,240	62,116	—	—	324,356
Other long-term assets	14,800	—	—	—	14,800
Total non-current assets	12,576,726	62,469	—	—	12,639,195
CURRENT ASSETS					
Properties under development	20,032,209	2,333,157	163,368	—	23,528,734
Completed properties held for sale	874,569	191,537	—	—	1,066,106
Trade receivables	13,579	—	—	—	13,579
Amounts due from related parties	4,643,337	3,013	—	—	4,646,350
Prepayments, deposits and other receivables	3,016,492	12,096	—	—	3,028,588
Tax recoverable	227,708	7,146	—	—	234,854
Financial assets at fair value through profit or loss	594,933	—	—	—	594,933
Inventories	1,408	—	—	—	1,408
Restricted cash	1,204,773	395,117	—	—	1,599,890
Pledged deposits	1,053,045	—	—	—	1,053,045
Cash and cash equivalents	2,252,439	649,173	(1,959,909)	—	941,703
Total current assets	33,914,492	3,591,239	(796,541)	—	36,709,190

	The Group as at 30 June 2018	The Target Company as at 31 December 2018	Pro forma adjustments		Unaudited pro forma total for the Enlarged Group as at 30 June 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
CURRENT LIABILITIES					
Trade and bills payables	2,039,758	227,726	—	—	2,267,484
Other payables, deposits received and accruals	2,785,146	51,419	—	5,025	2,841,590
Contract liabilities	11,845,275	1,428,187	—	—	13,273,462
Amounts due to related parties	3,560,330	371,459	—	3,931,789	
Interest-bearing bank loans and other borrowings	3,824,074	—	—	—	3,824,074
Tax payable	1,143,844	—	—	—	1,143,844
Total current liabilities	25,198,427	2,078,791	—	5,025	27,282,243
NET CURRENT ASSETS	8,716,065	1,512,448	(796,541)	(5,025)	9,426,947
TOTAL ASSETS LESS CURRENT LIABILITIES	21,292,791	1,574,917	(796,541)	(5,025)	22,066,142
NON-CURRENT LIABILITIES					
Interest-bearing bank loans and other borrowings	9,022,347	550,000	—	—	9,572,347
Deferred tax liabilities	1,959,074	—	290,842	—	2,249,916
Total non-current liabilities	10,981,421	550,000	290,842	—	11,822,263
NET ASSETS	10,311,370	1,024,917	(1,087,383)	(5,025)	10,243,879

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. The balances are extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2018 as set out in the published interim report of the Company for the six months ended 30 June 2018.

2. The balances are extracted from the statement of financial position of Mingliu Wuhan as at 31 December 2018 as set out in the accountants' report of Mingliu Wuhan in Appendix II to this Circular.

3. Pursuant to the First Equity Transfer Agreement entered into between Nanjing Redsun Real Estate Development Company Limited (南京紅太陽房地產開發有限公司, "Nanjing Redsun"), an indirect wholly-owned subsidiary of the Company, and Xiamen Ying Tai Fu dated 25 September 2018, the consideration for the acquisition of 55.25% of the entire equity interest in the Target Company from Xiamen Ying Tai Fu is RMB1,139,842,031.25 in cash. Pursuant to the Second Equity Transfer Agreement entered into between Nanjing Redsun and Nanjing Tai Ya dated 26 February 2019, the consideration for the acquisition of 39.75% of the entire equity interest in the Target Company from Nanjing Tai Ya is RMB820,067,343.75 in cash. The in aggregate cash consideration of the Acquisitions is RMB1,959,909,375.

   On 30 September 2018, the Company completed the acquisition of 55.25% of the entire equity interest in the Target Company from Xiamen Ying Tai Fu. Consequently, the identifiable assets and liabilities of the Target Company shall be accounted for in the consolidated financial statements of the Enlarged Group at their fair values under the acquisition method from 30 September 2018. The Directors have determined that the fair values of the identifiable assets and liabilities of the Target Company approximate to their carrying amounts as at 30 September 2018 other than Properties Under Development of the Target Company. For the purpose of the Unaudited Pro Forma Financial Information, RMB1,163,368,000 value increase of Properties Under Development has been determined by the Directors based on the preliminary valuation results as at 30 September 2018 and therefore no significant goodwill or gain on bargain purchase arises from the Acquisitions.

4. For the purpose of the Unaudited Pro Forma Financial Information, the transaction expenses, such as professional services fees, that are directly attributable to the Acquisitions are estimated to be RMB5,025,000.

5. No other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2018 and of Mingliu Wuhan entered into subsequent to 31 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET COMPANY

Set out below is the management discussion and analysis of the Target Company for the three years ended 31 December 2016, 2017 and 2018.

Business review

The Target Company is a company established under the laws of the PRC with limited liability on 18 March 2010. It is principally engaged in property development and holds the Wuhan Project, being the sole project of the Target Company. As at the Latest Practicable Date, the Target Company had a registered capital of RMB1,205,000,000 and was an indirect non-wholly owned subsidiary of the Company held by Nanjing Redsun as to 55.25%, Nanjing Tai Ya as to 39.75% and Wuhan Mingliu as to 5% respectively.

The following table sets forth a summary of the Target Company's statement of profit or loss and total comprehensive income for the years ended 31 December 2016, 2017 and 2018:

	Year ended 31 December		
	2016	**2017**	**2018**
	(audited)	(audited)	(audited)
	RMB'000	*RMB'000*	*RMB'000*
REVENUE	878,413	255,371	337,480
Cost of sales	(819,476)	(211,606)	(305,688)
Gross Profit	58,937	43,765	31,792
Other income and gains	866	1,259	1,054
Selling and distribution expenses	(21,542)	(12,589)	(22,970)
Administrative expenses	(58,787)	(23,611)	(12,576)
Other expenses	(1,770)	(1,641)	(54)
Finance costs	(1,158)	(23,351)	(49,900)
LOSS BEFORE TAX	(23,454)	(16,168)	(52,654)
Income tax expenses	(8,530)	(6,750)	6,402
LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(31,984)	(22,918)	(46,252)

Revenue

For the years ended 31 December 2016, 2017 and 2018, the revenue of the Target Company was approximately RMB878,413,000, RMB255,371,000 and RMB337,480,000, respectively.

The decrease of revenue of approximately 70.93% for the year ended 31 December 2017 compared to the year ended 31 December 2016 was primarily attributable to lower revenue recognized from sale of properties due to less properties being completed and delivered in 2017. The increase of revenue of approximately 32.15% for the year ended 31 December 2018 compared to the year ended 31 December 2017 was primarily attributable to the increase in revenue recognized from the sale of properties in 2018 compared to 2017.

Cost of sales

For the years ended 31 December 2016, 2017 and 2018, the cost of sales of the Target Company was approximately RMB819,476,000, RMB211,606,000 and RMB305,688,000, respectively.

The decrease of approximately 74.18% for the year ended 31 December 2017 compared to the year ended 31 December 2016 and the increase of approximately 44.46% for the year ended 31 December 2018 compared to the year ended 31 December 2017 were attributable to the decrease and increase in revenue for the respective periods as described above, the higher gross profit margins from the sale of properties for the year ended 31 December 2017 compared to the year ended 31 December 2016, and the lower gross profit margin from the sale of properties for the year ended 31 December 2018 compared to the year ended 31 December 2017.

Gross profit

As a result of the above factors, for the years ended 31 December 2016, 2017 and 2018, the gross profit of the Target Company was approximately RMB58,937,000, RMB43,765,000 and RMB31,792,000, respectively, representing a decrease of approximately 25.74% for the year ended 31 December 2017 compared to the year ended 31 December 2016, and a decrease of approximately 27.36% for the year ended 31 December 2018 compared to the year ended 31 December 2017.

Selling and distribution expenses

For the years ended 31 December 2016, 2017 and 2018, the selling and distribution expenses of the Target Company was approximately RMB21,542,000, RMB12,589,000 and RMB22,970,000, respectively.

The decrease of approximately 41.56% for the year ended 31 December 2017 compared to the year ended 31 December 2016 was primarily attributable to the significant decrease in sales commission payable in 2017 compared to 2016 as there were pre-sale of properties from NK6 land parcel in 2016 but no new projects were available for sale in 2017. The increase of approximately 82.46% for the year ended 31 December 2018 compared to the year ended 31 December 2017 was primarily attributable to the significant increase in sales commission payable as a result of the commencement of sale of properties in Phase 2 of NK7 project.

Administrative expenses

The administrative expenses of the Target Company primarily consist of employees' salaries, office expenses, travelling expenses and consulting fees. For the years ended 31 December 2016, 2017 and 2018, the administrative expenses of the Target Company was approximately RMB58,787,000, RMB23,611,000 and RMB12,576,000, respectively.

The decrease of approximately 59.84% for the year ended 31 December 2017 compared to the year ended 31 December 2016 was primarily attributable to the decline in the number of management personnel as a result of the corporate restructuring of the Target Company. The decrease of approximately 46.74% for the year ended 31 December 2018 compared to the year ended 31 December 2017 was primarily attributable to the decrease in employees' expenses, as the expenses for the management personnel of the Target Company were no longer included as the expenses of the Target Company after the acquisition by the Group of the majority equity interest in the Target Company in 2018.

Finance costs

The finance costs of the Target Company consist of interest on bank and other borrowings less interest capitalized. For the years ended 31 December 2016, 2017 and 2018, the finance costs of the Target Company was approximately RMB1,158,000, RMB23,351,000 and RMB49,900,000, respectively.

The increase of approximately 1,916.49% for the year ended 31 December 2017 compared to the year ended 31 December 2016 was primarily attributable to the increase in interest capitalized in 2017 after the delivery of a large number of properties in 2016 and an increase in borrowings. The increase of approximately 113.70% for the year ended 31 December 2018 compared to the year ended 31 December 2017 was primarily attributable to the additional loan of RMB550,000,000 and the higher effective interest rate on such loan in 2018 and the increase in interest capitalized as a result of the completion of properties in 2018.

Loss before tax

For the years ended 31 December 2016, 2017 and 2018, the loss before tax of the Target Company was approximately RMB23,454,000 and RMB16,168,000 and RMB52,654,000, respectively.

The decrease of the loss before tax of approximately 31.07% for the year ended 31 December 2017 compared to the year ended 31 December 2016 was primarily attributable to the decrease in revenue and higher gross profit margin from sale of properties, partially offset by the increase in finance costs. The increase of the loss before tax of approximately 225.67% for the year ended 31 December 2018 compared to the year ended 31 December 2017 was primarily attributable to the increase in selling and distribution expenses and the increase in finance costs.

Income tax expense

For the years ended 31 December 2016, 2017 and 2018, the income tax expense of the Target Company was approximately RMB8,530,000, RMB6,750,000 and RMB6,402,000, respectively.

The decrease in income tax expense of approximately 20.87% for the year ended 31 December 2017 compared to the year ended 31 December 2016 was primarily attributable to the decrease in land appreciation tax accrued and deferred tax liabilities. The decrease in income tax expense of approximately 5.16% for the year ended 31 December 2018 compared to the year ended 31 December 2017 was primarily attributable to the decrease in land appreciation tax accrued, partially offset by the increase in deferred tax liabilities.

Loss and total comprehensive income for the year

As a result of the factors above, for the years ended 31 December 2016, 2017 and 2018, the loss and total comprehensive income of the Target Company was approximately RMB31,984,000, RMB22,918,000 and RMB46,252,000, respectively. The decrease in loss and total comprehensive income was approximately 28.35% for the year ended 31 December 2017 compared to the year ended 31 December 2016. The increase in loss and total comprehensive income was approximately 101.82% for the year ended 31 December 2018 compared to the year ended 31 December 2017.

Liquidity, financial resources and capital structure

The following table sets forth a summary of the Target Company's financial position as at 31 December 2016, 31 December 2017 and 31 December 2018:

	As at 31 December 2016 (audited) *RMB'000*	**As at 31 December 2017** (audited) *RMB'000*	**As at 31 December 2018** (audited) *RMB'000*
Non-current assets	46,118	47,599	62,469
Current assets	3,813,868	3,686,622	3,591,239
Total assets	3,859,986	3,734,221	3,653,708
Non-current liabilities	720,000	510,500	550,000
Current liabilities	2,045,899	2,152,552	2,078,791
Total liabilities	2,765,899	2,663,052	2,628,791
Net current assets	1,767,969	1,534,070	1,512,448
Net assets	1,094,087	1,071,169	1,024,917

Treasury policies

The Target Company's principal financial instruments mainly include cash and bank balances, restricted cash, trade and other receivables, trade and bills payables and other payables, which arise directly from its operations. The Target Company has other financial assets and liabilities such as interest-bearing bank and other borrowings, amounts due to a shareholder and amounts due to related companies. The main purpose of these financial instruments is to raise finance for the Target Company's operations.

To manage liquidity risks, the management of the Target Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance its operations and mitigate the effects of fluctuations in cash flows. The management of the Target Company also monitors the utilization of bank borrowings.

Cash flow

The following table sets forth a summary of the Target Company's cash flow data from the consolidated statements of cash flow of the Target Company for the years ended 31 December 2016, 2017 and 2018:

	Year ended 31 December		
	2016	**2017**	**2018**
	(audited)	(audited)	(audited)
	RMB'000	*RMB'000*	*RMB'000*
Net cash (used in) from operating activities	180,250	(338,516)	439,434
Net cash (used in) from investing activities	412,816	(332,342)	436,682
Net cash (used in) from financing activities	(105,000)	294,564	(352,356)
Net increase/(decrease) in cash and cash equivalents	488,066	(376,294)	523,760
Cash and cash equivalents at the end of the year	501,707	125,413	649,173

Cash and cash equivalents

As at 31 December 2016, 31 December 2017 and 31 December 2018, cash and cash equivalents of the Target Company was approximately RMB501,707,000, RMB125,413,000, and RMB649,173,000, respectively. The significant decrease in cash and cash equivalents as at 31 December 2017 compared to 31 December 2016 was primarily attributable to the significant increase of the payment for construction costs in 2017 as a result of the development of land parcel NK6 and the completion of the development of the land parcels NK2 to NK5 in late 2016. The significant increase in cash and cash equivalents as at 31 December 2018 compared to 31 December 2017 was primarily attributable to the increase of sale proceeds as a result of the commencement of the pre-sale of Phase 2 of NK7 project in 2018. The bank balances and cash of the Target Company were all denominated in RMB.

Bank and other borrowings

As at 31 December 2016, 31 December 2017 and 31 December 2018, the bank and other borrowings of Target Company was RMB900,000,000, RMB1,115,000,000 and RMB550,000,000 respectively. All of the Target Company's borrowings as of such dates were denominated in RMB and at floating interest rates. The maturity profile of these borrowings is set out in Note 21 of the Accountants' Report on the Target Company in Appendix II to this circular.

Charge on assets

Certain of the Target Company's properties under development with aggregate carrying amounts of approximately RMB160,078,000, RMB160,078,000 and RMB1,327,418,000 as at 31 December 2016, 31 December 2017 and 31 December 2018, respectively, had been pledged to secure bank and other borrowings of the Target Company.

Gearing ratio

As at 31 December 2016, 31 December, 2017 and 31 December 2018, the gearing ratio of the Target Company (calculated as a percentage of the total debt to total equity of the Target Company, of which the total debt represents the total interest-bearing bank and other borrowings as of the respective dates) was approximately 82.26%, 104.09% and 53.66%, respectively. The increase in gearing ratio as at 31 December 2017 compared to 31 December 2016 was due to the higher level of borrowings as at 31 December 2017, and the decrease in the gearing ratio as at 31 December 2018 compared to 31 December 2017 was due to the lower level of borrowings as at 31 December 2018.

Capital commitments

As at 31 December 2016, 31 December 2017 and 31 December 2018, the Target Company had capital commitments (excluding operating lease commitments) of RMB887,909,000, RMB651,374,000 and RMB376,476,000. The capital commitments consisted of capital commitments for property development activities of the Target Company which have been contracted but not provided for.

Exposure to Risks and Hedging Policies

The main risks arising from the Target Company's financial instruments are interest rate risk, credit risk and liquidity risk. Generally, the Target Company introduces conservative strategies on its risk management.

During the years ended 31 December 2016, 2017 and 2018, the Target Company (i) did not enter into any derivatives or other financial instruments for hedging purposes; (ii) did not hold or issue derivative financial instruments for trading purposes; and (iii) did not have any currency borrowings or other hedging instruments for foreign currency net investments.

Substantially all of the Target Company's revenue, cost of sales and expenses are denominated in RMB. The Target Company also uses RMB as its reporting currency. The Directors do not believe that the Target Company's operations are currently subject to any significant direct foreign exchange risk and the Target Company did not use any financial instruments to hedge its exposure to such risk.

Significant investments held

Other than the Wuhan Project, the Target Company did not hold other significant investment for the years ended 31 December 2016, 2017 and 2018.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

The Target Company did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures during the years ended 31 December 2016, 2017 and 2018. In addition, the Target Company has no specific future plans for material investments or capital assets.

Employees and remuneration policies

As at 31 December 2016, 31 December 2017 and 31 December 2018 the Target Company had a total of 125, 79 and 54 employees, respectively.

For the years ended 31 December 2016, 2017 and 2018, the employee benefit expenses of the Target Company was approximately RMB48,617,000, RMB15,326,000 and RMB17,885,000, respectively.

The salaries and remuneration policies for the Target Company are determined by reference to, among other things, employee title and performance, the financial performance and operating results of the Target Company and the prevailing market rates.

The Target Company has not adopted any bonus or share option schemes, but it provides training programs for the employees with a view to constantly improving their skills and knowledge.

Contingent liabilities

As at 31 December 2016, 31 December 2017 and 31 December 2018, the contingent liabilities of the Target Company was RMB1,325,924,000, RMB717,152,000 and RMB407,400,000, respectively, which relate to guarantees given by the Target Company to banks in connection with facilities granted to purchasers of the Target Company's completed properties held for sale. The decrease in the contingent liabilities during the periods was attributable to the decrease of the guarantees given by the Target Company to banks as a result of the registration of property ownership certificates by the purchasers. During the years ended 31 December 2016, 2017 and 2018, the Target Company did not incur any material losses in respect of such guarantees.

Save as disclosed above, the Project Company did not have any other material contingent liabilities as at 31 December 2016, 31 December 2017 and 31 December 2018.

Dividend policy

No dividend was paid or declared by the Company during the years ended 31 December 2016, 2017 and 2018.

Outlook and future prospects

Established in March 2010, the Target Company engages in the property development business in the PRC, with its sole project being the Wuhan Project, which is a residential property development project located in Hanyang District in Wuhan City, Hubei Province, the PRC.

The Target Company has developed the NK2 to NK6 land parcels located in the core area of Hanyang District, delivering projects for sale including Milord Mansion (名流公館) and Milord Impression (名流印象), which have enjoyed a good reputation for property development in Wuhan region. In adherence to the brand vision of creating a good future under the motto "building credibility for the long term" (誠者致遠) of the Group, the Target Company focuses on fulfilling its corporate social responsibilities in a more profound and extensive manner through products, services and the exquisiteness of living, striving to achieve greater social value.

As at the Latest Practicable Date, the project under development of the Wuhan Project is NK7 project, for which pre-sales commenced in November 2018, with expected completion of the first phase in December 2020, and expected completion of the final phase in June 2021.

Although the Target Company had generated net losses after taxation in the years ended 31 December 2016, 2017 and 2018, it is expected that the financial results of the Target Company can be improved going forward, as properties in the NK7 project of the Wuhan Project (which is the largest land parcel in the Wuhan Project with an aggregate GFA of approximately 688,352 square meters) are expected to commence delivery and a significant amount of sales is expected to be recognized from 2020.

Taking into account factors such as economic development potential, market capacity, population growth rate and income level, the Directors are optimistic of the development potential of the Wuhan real estate market in the coming years.

Wuhan is the hub and central city of Central China, as well as one of the seven cities with a population exceeding 10 million people. It is expected that the future increase of urbanization rate and population will bring large development potential for the property market in Wuhan.

In light of the cycles of the real estate industry in the past ten years, Wuhan's real estate market had been comparatively stable, the volatility of which was comparatively small when compared to the cities in the Eastern area.

The NK7 project is located in the core area of the Second Ring of Hanyang District, with superior geographical location and with shopping malls, hospitals and schools in the vicinity. The project comprises primarily high-rise residential properties, and partly commercial properties.

The project is located in Mo Shui Lake area, one of the few areas which has a large amount of residential properties for sale in the Second Ring of Hanyang District of Wuhan. As most of the residential properties in that area are located on land lot NK7, it is expected that the future market competition faced by the Target Company will be comparatively small.

With the macro-control of the national property development moving towards the direction of "one policy for one city" (一城一策), it is expected that the administrative restrictions on property price in Wuhan will be relaxed and the selling price of the property projects of the Target Company will increase such that the profitability of the property projects of the Target Company will be further strengthened in the future.

The following is the text of a letter, summary of values and valuation report prepared for the purpose of incorporation in this circular received from Savills Valuation and Professional Services Limited, an independent valuer, in connection with their opinion of values of the property interests held by the Target Company as at 31 December 2018.

Savills Valuation and
Professional Services Limited

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The Board of Directors
Redsun Properties Group Limited
26th Floor
Hong Yang Building
No.9 Daqiao North Road
Nanjing
Jiangsu Province
PRC

19 March 2019

Dear Sirs,

INSTRUCTIONS

In accordance with the instructions from Redsun Properties Group Limited (the "Company") for us to value the properties (the "properties") held by Mingliu Properties Wuhan Company Limited (the "Target Company") in the People's Republic of China (the "PRC") being acquired by the Company and its subsidiaries (herein 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 market values of the properties as at 31 December 2018 (the "Valuation Date") for inclusion in the Company's Circular dated 19 March 2019.

BASIS OF VALUATION

Our valuation of each of the properties is our opinion of its market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

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

Our valuation has been undertaken in accordance with the HKIS Valuation Standards 2017 of The Hong Kong Institute of Surveyors ("HKIS"), which incorporates the International Valuation Standards ("IVS"), and (where applicable) the relevant HKIS or jurisdictional supplement. We have also complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

IDENTIFICATION AND STATUS OF THE VALUER

The subject valuation exercise is handled by Mr. Anthony C.K. Lau, who is the Director of Savills Valuation and Professional Services Limited ("SVPSL") and a corporate member of The Hong Kong Institute of Surveyors ("HKIS") with over 25 years' experience in valuation of properties in Hong Kong and the PRC and has sufficient knowledge of the relevant market, the skills and understanding to handle the subject valuation exercise competently.

Prior to your instructions for us to provide this valuation services in respect of the properties, SVPSL and Mr. Anthony C.K. Lau had not been involved in valuation of the properties in the last 12 months.

We are independent of Redsun Properties Group Limited, its subsidiaries and the Target Company. We are not aware of any instance which would give rise to potential conflict of interest from SVPSL or Mr. Anthony C.K. Lau in the subject exercise. We confirm SVPSL and Mr. Anthony C.K. Lau are in the position to provide objective and unbiased valuation for the properties.

PROPERTY CATEGORIZATION AND VALUATION METHODOLOGY

In valuing the properties in Group I, which are held by the Target Company for sale in the PRC, we have adopted the direct comparison approach assuming sales with the benefit of vacant possession by making reference to sales of market comparable as available in the market.

For the purpose of our valuation, properties held for sale are those Record of Application for Examination of Completion Works are issued.

In valuing the property in Group II, which is held by the Target Company under development in the PRC, we have valued the property on the basis that it will be developed and completed in accordance with the latest development proposal provided to us by the Company. We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposal have been obtained without onerous conditions or delays. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to sales of market comparables as available in the market and also taken into account the costs that will be expended to complete the developments to reflect the quality of the completed development. The "market value as if completed" represents our opinion of the aggregate selling prices of the property assuming that it would be completed as at the Valuation Date.

For the purpose of our valuation, property held under development is that Construction Works Commencement Permits are issued.

In valuing the property in Group III, which is held by the Target Company for future development in the PRC, we have adopted the direct comparison approach by making reference to comparable land transactions as available in the market.

For the purpose of our valuation, property held for future development is that Construction Works Planning Permit and Construction Works Commencement Permit are not issued whilst State-owned Land Use Rights Certificate has been obtained.

We have adopted the direct comparison approach to value the properties because sales of comparable properties are readily available in the market.

TITLE INVESTIGATION

We have been provided with extracts of title documents relating to the properties. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies provided to us. We have relied to a very considerable extent on the information given by the Group regarding the titles to the properties and the legal opinion issued by the Group's legal adviser, Jingtian & Gongcheng (競天公誠律師事務所), regarding the title to the properties.

SOURCE OF INFORMATION

We have relied to a considerable extent on information and advice from the Group on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, development proposals, total and outstanding construction costs, estimated completion dates, transaction records, sales and purchases agreements, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on the information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been taken. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to our valuation. We are also advised by the Group that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view.

VALUATION ASSUMPTIONS

In valuing the properties in the PRC, unless otherwise stated, we have assumed that transferable land use rights in respect of the properties for their respective specific terms at nominal land use fees have been granted and that all requisite land premiums payable have been fully paid. Unless otherwise stated, we have also assumed that the owners of the properties have good legal titles to the properties and have free and uninterrupted rights to assign, lease and mortgage the properties for the whole of the unexpired terms granted.

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

SITE INSPECTION

We have inspected the exterior and, where possible, the interior of the properties. Site inspections of the properties were undertaken by Mr. James Woo and other valuation assistants. Mr. James Woo is a Fellow of The Royal Institution of Chartered Surveyors with over 25 years' experience in valuation of properties in the PRC. During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report that the properties are free from rot, infestation or any other structural defect. No test has been carried out to any of the services. We have also not carried out investigations on site to determine the suitability of the ground conditions and the services for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

CURRENCY

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

We enclose herewith our summary of values and valuation report.

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

Note: Mr. Anthony C.K. Lau is a professional surveyor who has over 25 years' experience in valuation of properties in Hong Kong and the PRC.

SUMMARY OF VALUES

No.		Market value in existing state as at 31 December 2018 (RMB)	Interests attributable to the Group	Market value attributable to the Group as at 31 December 2018 (RMB)
Group I — Properties held by the Target Company for sale in the PRC				
1.	Various unsold residential units of Meihao Milord Mansion (美好名流公館), No. 1 Maying Road, Hanyang District, Wuhan, Hubei Province, PRC	6,830,000	95.00%	6,488,500
2.	Various unsold office units of Meihao Square (美好廣場), No. 167 Maying Road Hanyang District, Wuhan, Hubei Province, PRC	184,100,000	95.00%	174,895,000
	Group I Sub-total	190,930,000		181,383,500
Group II — Property held by the Target Company under development in the PRC				
3.	A developing residential development known as Hongyoung Mirroring Moon Palace (弘陽印月府) being erected on Lot No. NK7, Dengjia Village Hanyang District, Wuhan, Hubei Province, PRC	3,430,000,000	95.00%	3,258,500,000
	Group II Sub-total	3,430,000,000		3,258,500,000

No.		Market value in existing state as at 31 December 2018 *(RMB)*	Interests attributable to the Group	Market value attributable to the Group as at 31 December 2018 *(RMB)*
Group III — Property held by the Target Company for future development in the PRC				
4.	A parcel of land known as Lot No. NK1, Dengjia Village Hanyang District, Wuhan, Hubei Province, PRC	180,000,000	95.00%	171,000,000
	Group III Sub-total	180,000,000		171,000,000
	Grand total	**3,800,930,000**		**3,610,883,500**

VALUATION REPORT

Group I — Properties held by the Target Company for sale the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2018
1.	Various unsold residential units of Meihao Milord Mansion (美好名流公館), No. 1 Maying Road, Hanyang District, Wuhan, Hubei Province, PRC	Meihao Milord Mansion (the "Development") is a large-scale residential development erected on a parcel of land with a site area of approximately 14,211.39 sq m. As advised by the Group, it was completed in 2015. The Development is situated at Dengjia Village, Hanyang District, Wuhan. Developments in the vicinity are dominated by various residential buildings. It takes about a 30-minute drive from the Development to the city centre of Wuhan. According to the information provided by the Group, the property comprises twelve residential units of the Development with a total gross floor area of approximately 923.63 sq m. The land use rights of the property have been granted for a term expiring on 7 February 2083 for residential use.	As at the Valuation Date, the property was vacant.	RMB6,830,000 (Renminbi Six Million Eight Hundred and Thirty Thousand) (95.00% interest attributable tothe Group: RMB6,488,500 (Renminbi Six Million Four Hundred Eighty Eight Thousand and Five Hundred))

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Wu Guo Yong (2013) Di 21 dated 4 March 2013, the land use rights of a parcel of land with a site area of approximately 14,211.39 sq m have been granted to Mingliu Properties Wuhan Co., Ltd. (名流置業武漢有限公司) ("Mingliu Properties") for a term expiring on 7 February 2083 for residential use.

2. Pursuant to the Construction Land Planning Permit — Wu Gui Di No. [2012] 021 dated 23 February 2012, Mingliu Properties was permitted to use a parcel of land with a site area of approximately 204,242.77 sq m for development.

   As advised by the Group, the property only comprises portion of the land parcel as stated in the Construction Land Planning Permit mentioned above.

3. Pursuant to the Construction Works Planning Permit — Jian Zi Di Wu Gui (Yang) Jian [2012] 51 dated 28 December 2012, the total approved construction scale of the Development is approximately 65,837.37 sq m.

   As advised by the Group, the property only comprises portion of the buildings as stated in the Construction Works Planning Permit mentioned above.

4. Pursuant to the Construction Works Commencement Permit — No. 4201052012010900214BJ4001 dated 10 January 2013, the construction works of various buildings with a total construction scale of approximately 65,837.37 sq m were approved for commencement.

   As advised by the Group, the property only comprises portion of the buildings as stated in the Construction Works Commencement Permit mentioned above.

5. Pursuant to the Commodity Housing Pre-Sale Permit — Wu Fang Kai Yu Shou [2013] 376 dated 25 September 2013, portion of the Development with a total gross floor area of approximately 55,550.32 were approved for pre-sale for residential and commercial uses.

   As advised by the Group, the property only comprises portion of the buildings as stated in the Commodity Housing Pre-Sale Permit mentioned above.

6. Pursuant to five Records of Application for Examination of Completion Works, the construction works of various buildings with a total gross floor area of approximately 65,950.61 sq m have been examined and such examination has been recorded. Details of the said permits are as follows:

No.	**Record No.**	**Issue Date**	**Gross Floor Area** *(sq m)*
1.	04–15–036 (Yang)	18 May 2015	14,082.65
2.	04–15–037 (Yang)	18 May 2015	23,601.52
3.	04–15–038 (Yang)	18 May 2015	14,082.65
4.	04–15–039 (Yang)	18 May 2015	4,657.32
5.	04–15–040 (Yang)	18 May 2015	9,526.47
		Total	65,950.61

   As advised by the Group, the property only comprises portion of the buildings as stated in the Records of Application for Examination of Completion Works mentioned above.

7. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, *inter alia*, the following information:

   i. Mingliu Properties is the owner of the land use rights of the property;

   ii. Mingliu Properties is entitled to occupy, use, lease, transfer or by other legal means to dispose of the land use rights of the property; and

   iii. there is no substantial legal impediments for Mingliu Properties to obtain title documents of the Property after they have received the Record of Application for Examination of Completion Works.

8. In undertaking our valuation of the property, we have made reference to various market comparables of similar developments which have characteristics comparable to the property. The unit prices of these comparables are in a range between RMB7,300 to RMB9,200 per sq m for residential units. Due adjustments to the unit rates of these comparables have been made to reflect factors including but not limited to time, location, size, building age and building quality in arriving at the key assumptions.

   In our valuation, we have adopted an average unit rate of about RMB7,400 per sq m for residential units, which is consistent with the relevant comparables.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2018
2.	Various unsold office units of Meihao Square (美好廣場), No. 167 Maying Road Hanyang District, Wuhan, Hubei Province, PRC	Meihao Square (the "Development") is a large-scale commercial development erected on a parcel of land with a site area of approximately 12,635.52 sq m. As advised by the Group, it was completed in 2016. The Development is situated at Dengjia Village, Hanyang District, Wuhan. Developments in the vicinity are dominated by various residential buildings. It takes about a 30-minute drive from the Development to the city centre of Wuhan. According to the information provided by the Group, the property comprises various office units of the Development with a total gross floor area of approximately 18,493.52 sq m. The land use rights of the property have been granted for a term expiring on 9 December 2053 for commercial use.	As at the Valuation Date, the property was vacant.	RMB184,100,000 (Renminbi One Hundred Eighty Four Million and One Hundred Thousand) (95.00% interest attributable to the Group: RMB174,895,000 (Renminbi One Hundred Seventy Four Million Eight Hundred and Ninety Five Thousand))

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Wu Guo Yong (2013) Di 377 dated 9 January 2014, the land use rights of a parcel of land with a site area of approximately 12,635.52 sq m have been granted to Mingliu Properties Wuhan Co., Ltd. (名流置業武漢有限公司) ("Mingliu Properties") for a term expiring on 9 December 2053 for commercial use.

2. Pursuant to the Construction Land Planning Permit — Wu Gui Di No. [2012] 021 dated 23 February 2012, Mingliu Properties was permitted to use a parcel of land with a site area of approximately 204,242.77 sq m for development.

As advised by the Group, the property only comprises portion of the land parcel as stated in the Construction Land Planning Permit mentioned above.

3. Pursuant to the Construction Works Planning Permit — Jian Zi Di Wu Gui (Yang) Jian [2014] 37 dated 21 August 2014, the total approved construction scale of the Development is approximately 72,625.78 sq m.

   As advised by the Group, the property only comprises portion of the buildings as stated in the Construction Works Planning Permit mentioned above.

4. Pursuant to the Construction Works Commencement Permit — No. 4201052012010900214BJ4006 dated 8 July 2015, the construction works of various buildings with a total construction scale of approximately 72,625.78 sq m were approved for commencement.

   As advised by the Group, the property only comprises portion of the buildings as stated in the Construction Works Commencement Permit mentioned above.

5. Pursuant to the Commodity Housing Pre-Sale Permit — Wu Fang Kai Yu Shou [2016] 663 dated 22 December 2016, portion of the Development with a total gross floor area of approximately 53,998.58 sq m were approved for pre-sale for office and commercial uses.

   As advised by the Group, the property only comprises portion of the buildings as stated in the Commodity Housing Pre-Sale Permit mentioned above.

6. Pursuant to the Record of Application for Examination of Completion Works — Wu Gui (Yang) Yan [2018] 6 dated 31 January 2018, the construction works of various buildings with a total gross floor area of approximately 72,903.56 sq m have been examined and such examination has been recorded.

   As advised by the Group, the property only comprises portion of the buildings as stated in the Record of Application for Examination of Completion Works mentioned above.

7. As advised by the Group, portion of the property with a total gross floor area of approximately 17,371.32 sq m has been pre-sold at a total consideration of approximately RMB170,900,000. We have taken into account the aforesaid amount in our valuation.

8. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, *inter alia*, the following information:

   i. Mingliu Properties is the owner of the land use rights property;

   ii. Mingliu Properties is entitled to occupy, use, lease, transfer or by other legal means to dispose of the land use rights of the property; and

   iii. there is no substantial legal impediments for Mingliu Properties to obtain title documents of the Property after they have received the Record of Application for Examination of Completion Works.

9. In undertaking our valuation of the property, we have made reference to various market comparables of similar developments which have characteristics comparable to the property. The unit prices of these comparables are in a range between RMB11,200 to RMB13,800 per sq m for office units. Due adjustments to the unit rates of these comparables have been made to reflect factors including but not limited to time, location, size, building age and building quality in arriving at the key assumptions.

   In our valuation, we have adopted an average unit rate of about RMB11,800 per sq m for offices units, which is consistent with the relevant comparables.

Group II — Property held by the Target Company under development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2018
3.	A developing residential development known as Hongyoung Mirroring Moon Palace (弘陽印月府) being erected on Lot No. NK7, Dengjia Village Hanyang District, Wuhan, Hubei Province, PRC	Hongyoung Mirroring Moon Palace (the "Development") is a large-scale residential development being developed on a parcel of land with a site area of approximately 123,311.72 sq m. The property is situated at the Dengjia Village, Hanyang District, Wuhan. Developments in the vicinity are dominated by various residential buildings. It takes about a 30-minute drive from the property to the city centre of Wuhan. According to the information provided by the Group, the property will have a total gross floor area of approximately 500,400.12 sq m upon completion. Breakdown uses and approximate gross floor areas are as follows: **Use** / **Approximate Gross Floor Area** *(sq m)* Residential 352,223.42 Retail 17,658.40 Ancillary facilities 3,412.50 Basement 127,105.80 **Total: 500,400.12** As advised by the Group, the property is scheduled for completion in June 2021. The land use rights of the property have been granted for two concurrent terms expiring on 25 March 2085 residential use.	As at the Valuation Date, the property was under construction.	RMB3,430,000,000 (Renminbi Three Billion Four Hundred and Thirty Million) (95.00% interest attributable to the Group: RMB3,258,500,000 (Renminbi Three Billion Two Hundred Fifty Eight Million and Five Hundred Thousand)) *(see Note 11)*

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract — WH-2015-B041 (the "Contract") dated 26 March 2015, the land use rights of a parcel of land with a site area of approximately 123,311.72 sq m have been granted to Mingliu Properties Wuhan Co., Ltd. (名流置業武漢有限公司) ("Mingliu Properties") for a term of 70 years for residential use at a land grant fee of RMB890,340,000.

   According to the Contract, the construction works of a proposed development on such parcel of land shall be commenced before 26 December 2015 and completed before 26 December 2018.

2. Pursuant to a State-owned Land Use Rights Certificate — Wu Guo Yong (2015) Di 73 dated 15 April 2015, the land use rights of a parcel of land with a site area of approximately 123,311.72 sq m have been granted to Mingliu Properties for a term expiring on 25 March 2085 residential use.

3. Pursuant to the Construction Land Planning Permit — Wu Gui Di No. [2012] 021 dated 23 February 2012, Mingliu Properties was permitted to use a parcel of land with a site area of approximately 204,242.77 sq m for development.

   As advised by the Group, the property only comprises portion of the land parcel as stated in the Construction Land Planning Permit mentioned above.

4. Pursuant to two Construction Works Planning Permits, the total approved construction scale of the Development is approximately 635,286.96 sq m. Details of the said permits are as follows:

No.	**Permit No.**	**Issue Date**	**Construction Scale** *(sq m)*
1.	Jian Zi Di Wu Gui (Yang) Jian [2014] 5	6 January 2014	179,113.88
2.	Jian Zi Di Wu Gui (Yang) Jian [2018] 15	31 May 2018	456,173.08
		Total	635,286.96

   As advised by the Group, the property only comprises portion of the buildings as stated in the Construction Works Planning Permits mentioned above.

5. Pursuant to four Construction Works Commencement Permits, the construction works of various buildings with a total construction scale of approximately 428,534.50 sq m were approved for commencement. Details of the said permits are as follows.

No.	**Permit No.**	**Issue Date**	**Construction Scale** *(sq m)*
1.	4201052012010900214BJ4004	4 May 2014	148,576.77
2.	4201052012010900214BJ4005	25 November 2014	24,357.53
3.	4201052012010900214BJ4007	3 July 2018	116,092.07
4.	4201052012010900214BJ4008	19 July 2018	139,508.13
		Total	428,534.50

   As advised by the Group, the property only comprises portion of the buildings as stated in the Construction Works Commencement Permits mentioned above.

6. Pursuant to three Commodity Housing Pre-Sale Permits, portion of the Development with a total gross floor area of approximately 188,415.34 sq m were approved for pre-sale for office and commercial uses.

No.	Permit No.	Issue Date	Construction Scale *(sq m)*
1.	Wu Fang Kai Yu Shou [2018] 632	30 October 2018	63,417.66
2.	Wu Fang Kai Yu Shou [2018] 789	7 December 2018	39,551.68
3.	Wu Fang Kai Yu Shou [2018] 837	21 December 2018	85,446.00
		Total	188,415.34

7. As advised by the Group, the total construction cost expended as at the Valuation Date was approximately RMB219,600,000 and the estimated outstanding construction cost for completion of the property will be approximately RMB1,562,500,000. We have taken into account the aforesaid amounts in our valuation.

8. As advised by the Group, portion of the property with a total gross floor area of approximately 78,649.52 sq m has been pre-sold at a total consideration of approximately RMB1,253,800,000. We have taken into account the aforesaid amount in our valuation.

9. The market value of the property as if completed as at the Valuation Date is estimated to be approximately RMB6,156,000,000.

10. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, *inter alia*, the following information:

    i. Mingliu Properties is the owner of the land use rights of the property, which is protected under the PRC laws;

    ii. Mingliu Properties is entitled to occupy, use, lease, transfer or by other legal means to dispose of the land use rights of the property; and

    iii. Mingliu Properties has obtained necessary permits, approvals and certificates for the construction of the property:

    iv. portion of the Property is subject to mortgages;

    v. Mingliu Properties is entitled to transfer, lease, re-mortgage or by other legal means to dispose of the mortgaged portion of the property after obtaining the consent from the mortgagee; and

    vi. the delay in the commencement of construction works was due to the re-submission of a revised development proposal of the property in order to meet the prevailing planning of the surrounding area. Mingliu Properties has commenced the construction works and thus the probability of the property being confiscated by the land resources and planning bureau is remote.

11. Based on the aforesaid legal opinion and the specific instruction from the Company, we have not considered any penalties or consequences (if any) arising from the delay of completion of construction works.

12. In undertaking our valuation of the property as if completed, we have made reference to various market comparables of similar developments which have characteristics comparable to the property. The unit prices of these comparables are in a range between RMB15,500 to RMB18,000 per sq m for residential units and RMB24,000 to RMB30,800 per sq m for retail units (1/F). Due adjustments to the unit rates of these comparables have been made to reflect factors including but not limited to time, location, size, building age and building quality in arriving at the key assumptions.

    In our valuation, we have adopted average unit rates of about RMB16,400 per sq m for residential units and RMB29,400 per sq m for retail units (Level 1), which are consistent with the relevant comparables.

Group III — Property held by the Target Company for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2018
4.	A parcel of land known as Lot No. NK1,Dengjia Village Hanyang District, Wuhan, Hubei Province, PRC	The property comprises a parcel of land with a site area of approximately 6,297.64 sq m. The property is located at Dengjia Village, Hanyang District, Wuhan. Developments in the vicinity are dominated by various residential communities. It takes about a 30-minute drive from the property to the city center of Wuhan. According to the information provided by the Group, the property has a total planned gross floor area of approximately 21,885.53 sq m for residential use. The land use rights of the property have been granted for the term expiring on 7 February 2083 for residential use.	As at the Valuation Date, the property was vacant site.	RMB180,000,000 (Renminbi One Hundred and Eighty Million) (95.00% interest attributable to the Group: RMB171,000,000 (Renminbi One Hundred and Seventy One Million)) *(see Note 5)*

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract — WH-2013-B007 (the "Contract"), the land use rights of a parcel of land with a site area of approximately 6,297.64 sq m have been granted to Mingliu Properties Wuhan Co., Ltd. ("名流置業武漢有限公司") ("Mingliu Properties") for a term of 70 years for residential use at a land grant fee of RMB31,620,000.

   According to the Contract, the construction works of a proposed development on such parcel of land shall be commenced before 8 October 2013 and completed before 8 October 2016.

2. Pursuant to the State-owned Land Use Rights Certificate — Wu Guo Yong (2013) Di No.22 dated 4 March 2013, the land use rights of a parcel of land with a site area of approximately 6,297.64 sq m have been granted to Mingliu Properties for a term expiring on 7 February 2083 for residential use.

3. Pursuant to the Construction Land Planning Permit — Wu Gui Di No. [2012] 021 dated 23 February 2012, Ming Liu Properties was permitted to use various parcels of land with a total site area of approximately 204,242.77 sq m for development.

As advised by the Group, the property only comprises portion of the land parcel as stated in the Construction Land Planning Permit mentioned above.

4. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, *inter alia*, the following information:

   i. Mingliu Properties is the owner of the land use rights of the property;

   ii. Mingliu Properties is entitled to occupy, use, lease, transfer, mortgage or by other legal means to dispose of the land use rights of the property;

   iii. Mingliu Properties has fully paid the land grant premium;

   iv. the Property is subject to a mortgage;

   v. Mingliu Properties is entitled to transfer, lease, re-mortgage or by other legal means to dispose of the mortgaged portion of the property after obtaining the consent from the mortgagee; and

   vi. due to the land resumption and relocation work of surrounding land parcels of the property has not been completed, the development plan of the property has to be further adjusted and thus construction works of the property cannot be commenced as scheduled. The probability of the property being confiscated by the land resources and planning bureau is remote.

5. Based on the aforesaid legal opinion and the specific instruction from the Company, we have not considered any impact on our valuation due to the delay in commencement of construction works of the property.

6. In undertaking our valuation of the property, we have made reference to various land transactions which have characteristics comparable to the property. The accommodation values of the land transactions are in the range between RMB6,520 to RMB8,400 per sq m. Due adjustments to the unit rates of these transactions have been made to reflect factors including but not limited to plot ratio, land use term, accessibility, surrounding environment, location, use, site area and time in arriving at the key assumptions.

   In our valuation, we have adopted an accommodation value of about RMB8,220 per sq m, which is consistent with the relevant comparables.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility for the information contained herein, contains particulars given in compliance with the Listing Rules for the purpose of giving information relating 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 aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DISCLOSURE OF INTEREST

1. Directors' Interests or Short Positions

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange:

(i) Interest in the Shares

Name of Director	Nature of interest	Number of Shares	Approximate percentage of shareholding
Zeng Huansha (1)	Interest in controlled corporation	2,400,000,000	72.29%

Note:

(1) Redsun Properties Group (Holdings) is wholly-owned by Hong Yang Group Company, which in turn is wholly-owned by Hong Yang International, which in turn is owned as to 50% and 50% by Hong Yang Group (Holdings) (a company wholly-owned by Mr. Zeng Huansha) and Mr. Zeng Huansha, respectively. Accordingly, Mr. Zeng Huansha is deemed to be interested in the 2,400,000,000 Shares held by Redsun Properties Group (Holdings) by virtue of the SFO.

(ii) Interest in underlying Shares

The Company has adopted a share option scheme on 14 June 2018, under which certain Directors became interested in the underlying Shares as follows:

Name of Director	Nature of interest	Number of underlying Shares	Approximate percentage of shareholding
Jiang Daqiang	Beneficial owner	11,808,000	0.37%
Zhang Liang	Beneficial owner	9,840,000	0.30%
Zhang Hongwu	Beneficial owner	4,870,000	0.15%
He Jie	Beneficial owner	7,537,000	0.23%

(iii) Interest in associated corporations

Name of Director	Nature of Interest	Name of associated corporation	Approximate percentage of shareholding
Zeng Huansha	Interest in controlled corporation	Redsun Properties Group (Holdings)	100%
	Interest in controlled corporation	Hong Yang Group Company	100%
	Interest in controlled corporation	Hong Yang International	100%
	Interest in controlled corporation	Hong Seng(1)	100%
	Interest in controlled corporation	Yantai Hong Yang Furniture Co., Ltd.* (煙台市弘陽家居有限公司)(1)	100%
	Interest in controlled corporation	Qingdao Hong Yang Furniture Co., Ltd.* (青島弘陽家居有限公司) (1)	100%
	Interest in controlled corporation	Jiangsu Red Sun Industrial Raw Materials City Co., Ltd.* (江蘇紅太陽工業原料城有限公司) (1)	100%
	Interest in controlled corporation	Chuzhou Hong Yang Furniture Co., Ltd.* (滁州弘陽環滁家居有限公司)(1)	100%
	Interest in controlled corporation	Nanjing Hong Yang Furniture Co., Ltd.* (南京弘陽家居有限公司) (1)	100%
	Interest in controlled corporation	Nanjing Hong Yang E-Commerce Co., Ltd.* (南京弘陽電子商務有限公司) (1)	100%

Name of Director	Nature of Interest	Name of associated corporation	Approximate percentage of shareholding
	Interest in controlled corporation	Wuxi Hong Yang Commercial Management Co., Ltd.* (無錫弘陽商業管理有限公司) (1)	100%
	Interest in controlled corporation	Jiangsu Hong Yang Furniture Co., Ltd.* (江蘇弘陽家居有限公司)(1)	100%
	Interest in controlled corporation	Nanjing Hong Yang Life Commercial Management Co., Ltd.* (南京弘陽全生活商業管理有限公司) (1)	100%
	Interest in controlled corporation	Huaibei Hong Yang Furniture Management Co., Ltd.* (淮北弘陽家居管理有限公司) (1)	100%
	Interest in controlled corporation	Nanjing Hong Yang Enterprise Management Co., Ltd.* (南京弘陽企業管理有限公司) (1)	100%
	Interest in controlled corporation	Nanjing Hong Yang Property Management Co., Ltd.* (南京弘陽物業管理有限公司) (1)	100%
	Interest in controlled corporation	Nanjing Hong Life Real Estate Consulting Co., Ltd.* (南京弘生活置業顧問有限公司) (1)	100%
	Interest in controlled corporation	Hong Life Property Management Co., Ltd.* (弘生活物業服務管理有限公司) (1)	100%
	Interest in controlled corporation	Nanjing Hong Life Investment Management Co., Ltd. *(南京弘生活投資管理有限公司) (1)	100%
	Interest in controlled corporation	Nanjing Hong Life Info Tech Ltd.* (南京弘生活信息科技有限公司) (1)	100%
	Interest in controlled corporation	Nanjing Hong Life Pension Service Co., Ltd.* (南京弘生活養老服務有限公司) (1)	100%
	Interest in controlled corporation	Bengbu Hong Yang Commercial Management Co., Ltd.* (蚌埠弘陽商業管理有限公司) (1)	100%
	Interest in controlled corporation	Wuhu Hong Yang Furniture Co., Ltd.* (蕪湖弘陽家居有限公司)(1)	100%

Name of Director	Nature of Interest	Name of associated corporation	Approximate percentage of shareholding
	Interest in controlled corporation	Tianjin Hong Yang Furniture Co., Ltd.* (天津弘陽家居有限公司) (1)	100%
	Interest in controlled corporation	Shanghai Hong Yang Info Tech Development Co., Ltd.* (上海弘陽信息科技發展有限公司) (1)	100%
	Interest in controlled corporation	Nanjing Zhi Cheng Info Tech Co., Ltd.* (南京智誠信息科技有限公司) (1)	100%
	Interest in controlled corporation	Hong Yang Commercial Factoring (Shenzhen) Co., Ltd.* (弘陽商業保理(深圳)有限公司) (1)	100%
	Interest in controlled corporation	Nanjing Nan Hui Enterprise Management and Consulting Co., Ltd.* (南京南慧企業管理諮詢有限公司) (1)	100%
	Interest in controlled corporation	Nanjing Hong Bang Enterprise Management and Consulting Co., Ltd.* (南京宏邦企業管理諮詢有限公司) (1)	100%
	Interest in controlled corporation	Jiangsu Feng He Construction Management Co., Ltd.* (江蘇豐和建設管理有限公司) (1)	100%
	Interest in controlled corporation	Zhejiang Hong Han Marketing Services Co., Ltd.* (浙江弘瀚營銷服務有限公司) (1)	100%
	Interest in controlled corporation	Jiangsu Hong Yang Small Town Operation and Development Co., Ltd. (江蘇弘陽小鎮運營發展有限公司) (1)	100%
	Interest in controlled corporation	Nanjing Hong Cheng Property Management Co., Ltd. (南京弘誠物業管理有限公司) (1)	100%

Note:

(1) These companies are subsidiaries of Hong Yang Group Company.

2. Substantial Shareholders' Interest or Short Positions

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than the Directors) had interest or short positions in the Shares and/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:

Name of Substantial Shareholder	Nature of Interest	Number of Shares interested	Approximate percentage of shareholding
Redsun Properties Group (Holdings) [1]	Beneficial owner	2,400,000,000	72.29%
Hong Yang Group Company[1]	Interest in controlled corporation	2,400,000,000	72.29%
Hong Yang International[1]	Interest in controlled corporation	2,400,000,000	72.29%
Hong Yang Group (Holdings) [1]	Interest in controlled corporation	2,400,000,000	72.29%
Chen Sihong[1]	Interest of spouse	2,400,000,000	72.29%

Note:

(1) Redsun Properties Group (Holdings) is wholly-owned by Hong Yang Group Company, which in turn is wholly-owned by Hong Yang International, which in turned is owned as to 50% and 50% by Hong Yang Group (Holdings) (a company wholly-owned by Mr. Zeng Huansha) and Mr. Zeng Huansha, respectively. Accordingly, each of Hong Yang Group Company, Hong Yang International, Hong Yang Group (Holdings) and Mr. Zeng Huansha is deemed to be interested in the shares held by Redsun Properties Group (Holdings) under the SFO. Ms. Chen Sihong is the spouse of Mr. Zeng Huansha and is therefore deemed to be interested in the shares in which Mr. Zeng Huansha is interested under the SFO.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors, there is no person (other than a Director or chief executive of the Company) who had 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.

3. Directors' Positions held with the Substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors, the following Directors were directors or employees of the substantial Shareholders set out above:

Name of Director	Name of Substantial Shareholder	Position
Zeng Huansha	Redsun Properties Group (Holdings) Hong Yang Group Company Hong Yang International Hong Yang Group (Holdings)	Director

4. Competing Interests

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any interest in any business, which competes or may compete, either directly or indirectly, with the business of the Group.

5. Interest in Assets of the Group

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors had any direct or indirect interests in any assets which have been acquired, disposed of or leased to, or which are proposed to be acquired, disposed of or leased to, any member of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. Interests in Contracts or Arrangements of the Group

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Group.

SERVICES CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with any member of the Group which will not expire or is not determinable within one year without payment of compensation (other than statutory compensation).

MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2017 (being the date which the latest published audited financial statements of the Company were made up) up to the Latest Practicable Date.

LITIGATION

So far as the Directors are aware, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against any member of the Group as at the Latest Practicable Date.

QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the names and qualifications of the experts who have given opinions or advices which are contained in this circular:

Name	Qualification
Ernst & Young	Certified public accountants
Savills Valuation and Professional Services 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(s), reports(s), certificate(s) and/or opinion(s) (as the case may be) and the references to their names included herein in the form and context in which it is respectively included.

Each of the experts named above has confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interests in any assets which had since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the Latest Practicable Date and is or may be material:

(1) a share swap agreement dated 18 December 2017 entered into between Nanjing Redsun and Redsun Materials City, pursuant to which Nanjing Redsun agreed to transfer its entire equity interest in Wuxi Hong Yang Business Management Company Limited* (無錫弘陽商業管理有限公司) to Redsun Materials City and Redsun Materials City agreed to transfer its entire equity interest in Jiangsu Mao Hong Corporate Management Co., Ltd. to Nanjing Redsun and pay Nanjing Redsun a sum of RMB3.7413 million in cash;

(2) an instrument of transfer dated 5 January 2018 entered into by Mr. Zeng Huansha as transferor and the Company as transferee, pursuant to which Mr. Zeng Huansha transferred one fully paid ordinary share of Redsun Properties Investment (Holdings) to the Company;

(3) an equity transfer agreement dated 6 February 2018 entered into between Redsun Properties Group (Holdings) and the Company, pursuant to which Redsun Properties Group (Holdings) agreed to transfer its entire equity interest in Nanjing Redsun to the Company and the Company agreed to acquire the entire equity interest in Nanjing Redsun at a consideration of 99 Shares;

(4) a co-operation agreement dated 27 March 2018 entered into by Myhome Real Estate and Wuhan Mingliu as transferors, and Xiamen Ying Tai Fu as transferee, pursuant to which Myhome Real Estate agreed to transfer 55.25% equity interest in the Target Company and Wuhan Mingliu agreed to transfer 44.75% equity interest in the Target Company to Xiamen Ying Tai Fu at a consideration of RMB2,963,062,500;

(5) a purchase agreement dated 27 April 2018 entered into amongst Hong Seng as issuer, Hong Yang Group Company as parent guarantor, Redsun Properties Group (Holdings), the Company, Redsun Properties Investment (Holdings) and Hong Yang Properties Investment as subsidiary guarantors, and China International Capital Corporation Hong Kong Securities Limited, Huatai Financial Holdings (Hong Kong) Limited, ABCI Capital Limited, Orient Securities (Hong Kong) Limited and VTB Capital plc as initial purchasers, pursuant to which, among other things, Hong Seng agreed to issue and sell to the abovementioned initial purchasers the May 2018 Notes at a purchase price of 100% of the principal amount, less the combined underwriting, management and selling commission payable to such initial purchasers;

(6) an indenture dated 3 May 2018 entered into amongst Hong Seng as issuer, Hong Yang Group Company as parent guarantor, Redsun Properties Group (Holdings), the Company, Redsun Properties Investment (Holdings) and Hong Yang Properties Investment as subsidiary guarantors and the Bank of New York Mellon, London Branch as trustee in respect of the May 2018 Notes, pursuant to which, among other things, the abovementioned subsidiary guarantors, jointly and severally, guaranteed as a principal obligor to each holder of the May 2018 Notes the due and punctual payment of the principal of, premium, if any, and interest on and all other amounts payable under, the May 2018 Notes and the indenture;

(7) a deed of non-competition dated 25 June 2018 entered into by Mr. Zeng Huansha, Redsun Properties Group (Holdings), Hong Yang Group (Holdings), Hong Yang International and Hong Yang Group Company in favor of the Company, pursuant to which each of the abovementioned covenantors has, among other things, irrevocably and unconditionally undertaken, jointly and severally, with the Company that, save for the businesses carried on by them as already disclosed in

the Prospectus, at any time during the relevant period, the abovementioned covenantors shall not, and shall procure that its/his close associates (other than members of the Group) shall not, directly or indirectly, carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved in or interested in, whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person, any business or investment activities in the PRC and Hong Kong which is the same as, similar to or in competition with the business carried on or contemplated to be carried on by any member of the Group from time to time;

(8) a deed of indemnity dated 26 June 2018 entered into by Mr. Zeng Huansha, Hong Yang Group (Holdings), Hong Yang International, Hong Yang Group Company and Redsun Properties Group (Holdings) in favor of the Group to provide the indemnities on a joint and several basis in respect of, among other things, taxation resulting from profits or gains earned, accrued or received, as well as any penalties imposed due to non-compliance with any applicable laws and regulations on or before the date when the global offering of the Company becomes unconditional;

(9) a cornerstone investment agreement dated 27 June 2018 entered into by, among others, the Company and ZR Holding Limited, pursuant to which ZR Holding Limited agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot) which may be purchased with HK$100,000,000 (excluding brokerage and levies) at the offering price of HK$2.28;

(10) a cornerstone investment agreement dated 27 June 2018 entered into by, among others, the Company and Glow Land International Limited, pursuant to which Glow Land International Limited agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot) which may be purchased with US$20,000,000 (excluding brokerage and levies) at the offering price of HK$2.28;

(11) a cornerstone investment agreement dated 27 June 2018 entered into by, among others, the Company and Honor Well (H.K.) Investment Limited, pursuant to which Honor Well (H.K.) Investment Limited agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot) which may be purchased with US$39,600,941 (excluding brokerage and levies) at the offering price of HK$2.28;

(12) a cornerstone investment agreement dated 28 June 2018 entered into by, among others, the Company and Dragon Bell Group Limited, pursuant to which Dragon Bell Group Limited agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot) which may be purchased with HK$300,000,000 (excluding brokerage and levies) at the offering price of HK$2.28;

(13) an underwriting agreement dated 28 June 2018 relating to the Company's Hong Kong public offering and entered into by, among others, CCB International Capital Limited, Huatai Financial Holdings (Hong Kong) Limited, ABCI Capital

Limited, CMB International Capital Limited, BOCOM International Securities Limited, Haitong International Securities Company Limited, Juhui Financial Securities Limited, Head & Shoulders Securities Limited, and the Company;

(14) an equity transfer agreement dated 16 August 2018 entered into amongst Suzhou Hong Yang Properties Limited*(蘇州弘陽置業有限公司) as purchaser, Jiangsu Thriving Industrial Real Estate Group Company Limited* (江蘇興隆興業地產集團有限公司) as vendor, Nanjing Changfa Jiangbei Investment Company Limited* (南京常發將被投資有限公司) as vendor's guarantor and Suzhou Hong Yang Real Estate Development Limited* (蘇州弘陽房地產開發有限公司) as purchaser's guarantor, pursuant to which Suzhou Hong Yang Real Estate Development Limited* has agreed to acquire, and Jiangsu Thriving Industrial Real Estate Group Company Limited* has agreed to dispose of, the entire equity interest in Kaifeng City Baolong Real Estate Development Company Limited* (開封市寶隆房地產開發有限公司) at a consideration of RMB867,743,900;

(15) the First Equity Transfer Agreement;

(16) a purchase agreement dated 27 November 2018 and entered into amongst the Company as issuer, Redsun Properties Investment (Holdings) and Hong Yang Properties Investment as subsidiary guarantors and China International Capital Corporation, Guotai Junan Securities (Hong Kong) Limited, ABCI Capital Limited, CCB International Capital Limited, Haitong International Securities Company Limited, BOCOM International Securities Limited, CMB International Capital Limited, China Merchants Securities (HK) Company Limited and SSIF Securities Limited in relation to the issuance of the December 2018 Notes;

(17) a purchase agreement dated 17 December 2018 and entered into by the Company as issuer, Redsun Properties Investment (Holdings) and Hong Yang Properties Investment as subsidiary guarantors, China International Capital Corporation, Guotai Junan Securities (Hong Kong) Limited and Haitong International Securities Company Limited in relation to the issue of additional US$-denominated senior notes, which were consolidated and formed a single class with the December 2018 Notes;

(18) a purchase agreement dated 25 February 2019 and entered into by the Company as issuer, Redsun Properties Investment (Holdings) and Hong Yang Properties Investment as subsidiary guarantors, China International Capital Corporation Hong Kong Securities Limited, Barclays Bank PLC, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, UBS AG Hong Kong Branch, Deutsche Bank AG, Singapore Branch, The Hongkong and Shanghai Banking Corporation Limited, CMB International Capital Limited, Future Land Resources Securities Limited and Orient Securities (Hong Kong) Limited in relation to the issue of US$300 million 11.5% senior notes due 2021; and

(19) the Second Equity Transfer Agreement.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Unit 3712–13, 37/F, The Center, No. 99 Queen's Road Central, Hong Kong during normal business hours on any weekdays, except public holidays, for a period of 14 days from the date of this circular:

(1) the memorandum and articles of association of the Company;

(2) the Prospectus;

(3) the 2018 interim report of the Company published on 28 August 2018;

(4) the accountants' report on the financial information of the Target Company prepared by Ernst & Young, the text of which is set out in Appendix II to this circular;

(5) the report on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(6) the material contracts referred to in the paragraph head "Material Contracts" in this appendix;

(7) the valuation report prepared by Savills Valuation and Professional Services Limited, the text of which is set out in Appendix V to this circular;

(8) the written consents referred to in the paragraph headed "Qualifications and Consents of the Experts" in this appendix; and

(9) this circular.

MISCELLANEOUS

(1) The registered address of the Company is at Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

(2) The principal place of business and head office of the Company in the PRC is at 26th floor, Hong Yang Building, No. 9 Daqiao North Road, Nanjing, Jiangsu Province, the PRC.

(3) The principal place of business of the Company in Hong Kong is at Unit 3712–13, 37/F, The Center, No. 99 Queen's Road Central, Hong Kong.

(4) The Hong Kong share registrar of the Company is Computershare Hong Kong Investor Services Limited, which is located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(5) The company secretary of the Company is Mr. Yim Lok Kwan, who is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.