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## **LONGFOR GROUP HOLDINGS LIMITED**

**龍湖集團控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 960)**

### **CONNECTED TRANSACTION FURTHER INFORMATION IN RELATION TO ACQUISITIONS OF THE SHARES OF THE TARGET COMPANIES**

Reference is made to the announcement of Longfor Group Holdings Limited (the “**Company**”) dated 29 September 2021, in relation to the acquisitions of Target Shares of each of Baiyou Technology, Chongqing Youyou and Chongqing Tinggu by the Company as well as entering into Contractual Arrangements on each of Chongqing Xiaofeixiang and Chongqing Youyou by the Company (the “**Announcement**”). Unless otherwise specified, terms used herein shall have the same meanings as those defined in the Announcement. The Company hereby provides the following further information in relation to the Acquisitions:

#### **SUMMARY OF VALUATION OF EACH OF THE ACQUISITIONS**

Please refer to Appendix I to this announcement.

#### **THE BOARD’S VIEW ON THE VALUATION AND CONSIDERATION**

The consideration of each of the Acquisitions is determined, amongst reasons and benefits of the Acquisitions set out in the Announcement, after taking into account the equity valuation of each of the Target Companies, and the Board is of the view that the valuations have been conducted following the principles of independence, objectivity, and fairness; the procedures of valuations, the valuation methods adopted are reasonable; the valuation results have reflected the actual conditions of Target Companies as at the valuation benchmark date in an objective and fair way; and therefore, the consideration of each of the Acquisitions is fair and reasonable.

## **THE COMPANY'S EXPERTISE IN HOSPITAL OPERATION AND VALUE-ADDED TELECOMMUNICATIONS BUSINESS**

As for the Contractual Arrangements on Chongqing Xiaofeixiang, the management team of the WFOE Baiyou Technology consists of three members, all being professionals in the industry. In particular, two members have more than 20 years of work experience and the other member has relevant work experience for up to 17 years. Meanwhile, the management team of the OPCO Chongqing Xiaofeixiang consists of three industry experts with more than 15 years of work experience. The previous professional experience of the above management team are mainly focused on large domestic internet companies and they have extensive management expertise in value-added telecommunications area, which ensures that the Company can manage such business effectively in terms of technology application, team management and industry experience. Therefore, the Company believes that it would be able to take advantage of the accumulative expertise of the above management team to manage Chongqing Xiaofeixiang and engage in value-added telecommunications business after the Acquisition.

As for the Contractual Arrangements on Chongqing Youyou, save as the real estate development, real estate investment and property management businesses disclosed in the 2021 interim report of the Company, the Company has carried out years of exploration and practice in the medical and pension industries. Up to now, the Company's pension business brand, "Chunshan Wanshu", has been in operation in several Tier-1 and Tier-2 cities, with service space of nearly 50,000 square meters. Meanwhile, the Company's first rehabilitation medical centre has opened for operation in early 2021. The hospital business acquired under Chongqing Youyou is a supplement to the Company's existing medical and healthcare business, instead of being a new business to the Company. In addition, the management of Chunshan Wanshu Enterprise Management, as the platform for medical and healthcare business of the Company, consists of 9 persons, including 3 persons with over ten years of experiences, and 6 persons with five to ten years of experiences, all of whom have rich expertise in hospital operation and management. The management of Chunshan Wanshu Enterprise Management includes (a) medical specialist team introduced from other domestic Class III-A grade public hospitals, and (b) management talents with rich experience in hospital operation.

In light of the above, the Company believes that it owned sufficient expertise to manage and run hospital operation and value-added telecommunications businesses.

The Corporate Shareholders of OPCOs and its natural person shareholders are third parties independent from the directors of OPCOs and WFOEs.

## FINANCIAL INFORMATION OF CHONGQING XIAOFEIXIANG

As for the Contractual Arrangements on Chongqing Xiaofeixiang, Baiyou Technology generates revenue from other subsidiaries apart from Chongqing Xiaofeixiang. Set out below are certain financial information of Chongqing Xiaofeixiang for the year ended 31 December 2019 and the year ended 31 December 2020 prepared in accordance with the generally accepted accounting principles of the PRC:

	<b>For the year ended 31 December 2019</b>	<b>For the year ended 31 December 2020</b>
	<i>RMB</i>	<i>RMB</i>
Profit before taxation	648,087.54	2,204,939.82
Profit after taxation	648,087.54	2,204,939.82
Operating revenue	17,743,802.45	22,609,251.67

## CONFIRMATION ON CONSOLIDATION OF FINANCIAL RESULTS

The Board has discussed with the Company's auditor to confirm that by entering into the Contractual Arrangements, the Company, through Chunshan Wanshu Enterprise Management, is able to control and consolidate Chongqing Youyou and to obtain 100% economic benefits of Chongqing Youyou, and through Baiyou Technology, is able to control and consolidate Chongqing Xiaofeixiang and to obtain 100% economic benefits of Chongqing Xiaofeixiang, under the prevailing accounting principles.

By Order of the Board  
**Longfor Group Holdings Limited**  
**Wu Yajun**  
*Chairperson*

Hong Kong, 8 December 2021

*As at the date of this announcement, the Board comprises nine members: Madam Wu Yajun, Mr. Shao Mingxiao, Mr. Zhao Yi, Mr. Wang Guangjian and Mr. Chen Xuping who are executive Directors; and Mr. Frederick Peter Churchouse, Mr. Chan Chi On, Derek, Mr. Xiang Bing and Mr. Zeng Ming who are independent non-executive Directors.*

# APPENDIX I: SUMMARY OF VALUATION OF EACH OF THE ACQUISITIONS

## Acquisition I (Acquisition of Baiyou Technology)

### 1. KEY VALUATION ASSUMPTIONS, ETC.

#### Key valuation assumptions:

- (1) Revenue of the Target Group is measured fairly and shall be used as the basis for valuation;
- (2) The historical financial statements of the Target Group used in the valuation have been recorded correctly by the Management;
- (3) All the assets and liabilities were correctly recorded as at the Valuation Date (i.e. 30 June 2021);
- (4) The surplus cash is arrived after deducting operating cash requirement estimated by management of the Target Group based on their budget;
- (5) The Target Group's business plan and product development plan are achievable in short term; and
- (6) There are no hidden or unexpected conditions associated with the assets or liabilities of the Target that might adversely affect the reported value.

#### Value of inputs:

- (1) Baiyou Technology's predicted revenue for 2021 = RMB254.92 million
- (2) Net debt = RMB9.82 million
- (3) Discount for Lack of Marketability ("DLOM") = 15.8%
- (4) Control premium ("CP") = 20%
- (5) Non-Operational adjustment item = RMB86.65 million

(1), (2) and (5) are provided by the management of the Target Company. The selection of DLOM refers to the data published by Stout Risius Ross, LLC in the 2020 Edition of the Stout Restricted Stock Companion Guide; the selection of CP refers to the MergerStat Control Premium Study (2nd Quarter 2021 Edition) published by FactSet Mergerstat LLC.

#### Basis for adopting relevant valuation approach:

In conducting the valuation, three generally accepted approaches have been considered initially, including income approach, market approach and cost approach (or asset approach).

Market approach is adopted as it is a reasonable and feasible approach and there are sufficient number of suitable listed comparable companies (the "CoCos") with operation similar to Baiyou Technology. Income approach is not adopted as no reliable long term financial forecast is available for a discounted cash flow valuation for the purpose of Acquisition. Cost approach is not adopted as the value of the technology and future growth potential of Baiyou Technology cannot be reflected in the cost approach for the purpose of Acquisition.

#### Relevant valuation formula:

Market Value of 100% equity interest in Baiyou Technology = (CoCo's EV/S × Revenue of Baiyou Technology – Net debt) × (1–Discount for Lack of Marketability) × (1+Control premium) + Non-Operational adjustment item

**Adjustments:**

- (1) Discount for Lack of Marketability (DLOM)
- (2) Control premium (CP)
- (3) Non-operating adjustment items

**2. SELECTION CRITERIA OF COMPARABLE COMPANIES****Screening criteria:**

The following criteria are considered for preliminary screening of comparable companies:

- (1) The principal place of business being China;
- (2) Listed companies in mainland China or Hong Kong;
- (3) Comparable products/solution (Building intercom, Access control, Smart building, security equipment);
- (4) Comparable size in terms of market cap (below RMB100 billion).

Specifically, firstly the comparable companies are screened through product comparability (Building intercom, Access control, Smart building, security equipment); after excluding companies with less relevant offering such as smart government affairs, smart glass, smart transportation, elevator control system and smart grid, five technology companies are selected which primarily engaged in intelligent buildings, intelligent parking and smart community business, namely Shenzhen Jieshun Science and Technology Industry Co., Ltd. (“**Jieshun**”, ticker 002609 CH), Dnake Xiamen Intelligent Technology Co., Ltd. (“**Dnake**”, ticker 300884 CH), Guangdong Anjubao Digital Technology Co., Ltd. (“**Anjubao**”, ticker 300155 CH), Zhejiang Dahua Technology Co., Ltd. (“**Dahua**”, ticker 002236 CH) and Shenzhen Das intellitech Co., Ltd. (“**Das**”, ticker 002421 CH).

Following the preliminary selection of five comparable companies, further screening was carried out based on the below criteria:

- (1) Solution application;
- (2) Customer base.

In terms of solution application, Dahua and Das mainly focus on monitoring equipment and intelligent community solutions; Jieshun mainly focuses on intelligent parking and cloud services; Dnake and Anjubao mainly focus on intelligent buildings; while Baiyou Technology focuses on intelligent buildings and cloud services.

In terms of customer base, the main customers of Jieshun, Dnake and Anjubao are real estate developers and property management companies; customers of Dahua and Das are across multiple sectors such as commercial, residential, industrial and infrastructure; while the main customers of Baiyou Technology are real estate developers and property management companies.

After analyzing the solution application and customer base, Jieshun, Dnake and Anjubao are more closely comparable with Baiyou Technology and therefore were chosen as the final CoCos. Such comparable companies form an exhaustive list of companies most comparable to Baiyou Technology based on the abovementioned search criteria, and are sufficient, fair and representative samples.

In the calculation of forward EV/S of each CoCo, EV is the enterprise value of each CoCo on the valuation date, while S is the analyst’s 2021 revenue forecast for each CoCo.

According to the data sources of Bloomberg, WIND and Capital IQ, only Dnake and Jieshun Technology have full year forecast revenue in 2021 as of the Valuation Date, and there is no recent analyst's revenue forecast for Anjubao in 2021 before the valuation date, so the forward EV/S of Anjubao in 2021 is not available. The EV/S multiples, industry and business nature of those 3 companies as at the Valuation Date are shown below:

CoCos	Ticker	EV/S	Industry	Business Nature
Jieshun Technology	002609 CH	3.29x	access control and smart security	intelligent parking and cloud services
Dnake	300884 CH	4.50x	access control and smart security	intelligent buildings
Anjubao	300155 CH	N/A	access control and smart security	intelligent buildings
<b>Average</b>		<b>3.89x</b>		

As the use of forward multiple requires the use of forecast revenue instead of historical revenue for alignment of financial period in valuation best practice, the valuer did not calculate a forward EV/S for Anjubao given the absence of such information from the relevant database. Finally, the average EV/S of Dnake and Jieshun technology (3.89x) is adopted as the valuation multiple in market approach.

### 3. AMOUNT OF PREDICTED REVENUE FOR 2021 AND THE BASIS

The predicted revenue of Baiyou Technology for 2021 of approximately RMB255 million was based on its revenue recognised for the first three quarters of 2021, its signed contracts at hand and the estimated new contracts to be obtained and delivered for the last quarter of 2021. The Company believes the current valuation methodology of using forward EV/S multiple and Baiyou Technology's predicted revenue of 2021 is fair and reasonable based on the analysis below.

#### (1) The adoption of forward multiple and predicted revenue is not uncommon in valuation of fast growth companies like Baiyou Technology.

Forward multiple is an accepted method under market approach valuation. It is often adopted in financial reporting as well as financial analysis. It is consistent with the basis that valuation should be forward looking, and particularly useful to value companies that have a faster growth.

In terms of Baiyou Technology's own revenue growth rate, 2019 revenue growth rate was 110.92%; the 2020 revenue growth rate still reached 30.71% despite the impact of COVID-19; and the 2021 predicted revenue growth rate was 131.64%. As Baiyou Technology is currently in the fast-growing stage, the 2021 predicted revenue growth rate is in line with the 2019 revenue growth rate.

Moreover, the use of historical revenue in valuation is less appropriate given business activities were deeply influenced by COVID-19 in 2020. Hence the 2020 revenue or trailing twelve months ("TTM") revenue of Baiyou Technology could not fully reflect its financial performance in normal market conditions. As mentioned above, Baiyou Technology's revenue growth is only 30.71% in 2020 compared to 110.92% in 2019 and is expected to rebound to 131.64% in 2021. Similar trend is also found in Jieshun, whose revenue growth rate declined to 17.78% in 2020 compared to 28.84% in 2019 and is expected to rebound to 32.15% in 2021.

**(2) The predicted revenue of Baiyou Technology for 2021 is reliable.**

The Company has reviewed the estimation model and discussed with the management of Baiyou Technology in relation to its predicted revenue for 2021. It is noted that the predicted revenue of Baiyou Technology was calculated based on revenue recognised for the first three quarters of 2021, signed contracts at hand and the estimated new contracts to be obtained and delivered in the last quarter of 2021.

The contractual amount of Baiyou Technology for the first three quarters of 2021 amounted to approximately RMB232 million, representing 91% of the predicted revenue of Baiyou Technology for 2021 of approximately RMB255 million used in the valuation. The Company has obtained and reviewed certain sample contracts involving all types of products and services provided by Baiyou Technology, and noted that (i) the payments under such contracts are usually by stages upon meeting certain milestones; and (ii) the signing dates of such contracts and the delivery dates of the projects or products are generally within 3 months. Therefore, the contractual amount of approximately RMB232 million for the first three quarters of 2021 are likely to be recognised as revenue of Baiyou Technology for 2021.

On the other hand, the second half of each year, especially the fourth quarter, is usually the peak season for Baiyou Technology to recognise revenue due to the concentrated delivery of property projects during such period.

The Company has also reviewed the new customer list and pipeline opportunities of Baiyou Technology, and noted that Baiyou Technology has pipeline opportunities with a total amount of approximately RMB280 million, where approximately RMB69 million is expected to be recognised as revenue in 2021.

Based on the above work done, the Company considered Baiyou Technology's predicted revenue of 2021 used in the valuation is reliable, fair and reasonable.

**(3) The revenue projections of CoCos are reliable.**

CoCos' 2021 revenue projections are based on the average of 2021 revenue estimates for as many analysts as possible from multiple data source (Bloomberg, WIND, Capital IQ) selected from January to June 2021, therefore, the forecast revenue of CoCos in 2021 is also reliable and accurate.

**(4) EV/S multiple on 2021 forecast basis is lower than either that of 2020 or TTM caliber.**

As shown in the table below, the average EV/S of CoCos based on 2020 data is 4.43x, and the average EV/S of CoCos on TTM basis is 4.31x, while the EV/S multiple on the 2021 forecast basis is 3.89x. Therefore, the EV/S multiple of 2020 and TTM caliber are both higher than those of 2021 forecast basis which has been used in the valuation.

<b>Company</b>	<b>EV/S (2020)</b>	<b>EV/S (TTM)</b>	<b>EV/S (2021 forecast)</b>
Jieshun	4.34	4.14	3.29
Dnake	5.42	5.42	4.50
Anjubao	3.55	3.37	N/A
<b>Average</b>	<b>4.43</b>	<b>4.31</b>	<b>3.89</b>

## Acquisition II (Acquisition of Chongqing Youyou)

### 1. KEY VALUATION ASSUMPTIONS, ETC.

#### Key valuation assumptions:

- (1) Chongqing Youyou will continue to operate at the current location and execute its business plan to increase revenue and achieve profitability;
- (2) Honghe, CR Medical and Kangning (each as defined below) are most comparable to the Target Company among the CoCos based on the analysis on the financial performance and prospect of the CoCos and the Target Company;
- (3) The historical financial statements of the Target Company provided and used in the valuation have been recorded correctly by the management of the Target Company;
- (4) All the assets and liabilities were correctly recorded as at the Valuation Date (i.e. 30 June 2021); and
- (5) There are no hidden or unexpected conditions associated with the assets or liabilities of the Target Company that might adversely affect the reported value.

#### Value of inputs:

- (1) Chongqing Youyou's TTM revenue till 30 June 2021 = RMB106 million
- (2) Net debt = RMB6.98 million
- (3) Discount of Lack of Marketability ("DLOM") = 15.8%
- (4) Control premium ("CP") = 20%
- (5) Non-Operational adjustment item = RMB273 million

(1), (2) and (5) are provided by the management of the Target Company. The selection of DLOM refers to the data published by Stout Risius Ross, LLC in the 2020 Edition of the Stout Restricted Stock Companion Guide; the selection of CP refers to the MergerStat Control Premium Study (2nd Quarter 2021 Edition) published by FactSet Mergerstat LLC.

#### Basis for adopting the relevant valuation approach:

In conducting the valuation, three generally accepted approaches have been considered initially, including income approach, market approach and cost approach (or asset approach).

Market approach is adopted as it is a reasonable and feasible approach and there are sufficient number of suitable listed CoCos. Cost approach is not adopted as the value of the medical team and future growth potential of Chongqing Youyou cannot be reflected in the cost approach. Income approach is not adopted as Chongqing Youyou is still on fast growth stage and the number of patient visits, a key value driver, in future cannot be reasonably quantified or ascertained given the short history for the purpose of Acquisition.

#### Relevant valuation formula:

Market Value of 100% equity interest in Chongqing Youyou = (CoCo's EV/S × Revenue of Chongqing Youyou – Net debt) × (1–Discount for Lack of Marketability) × (1+Control premium) + Non-Operational adjustment item



### **Adjustments:**

- (1) Discount for Lack of Marketability (“**DLOM**”)
- (2) Control Premium (“**CP**”)
- (3) Non-operating adjustment items

## **2. SELECTION CRITERIA OF COMPARABLE COMPANIES**

The following criteria are considered for preliminary screening of CoCos:

- (1) The principal place of business in China;
- (2) Listed companies in mainland China or Hong Kong;
- (3) Hospital service industry;
- (4) Comparable size in terms of market cap (below RMB100 billion).

Specifically, firstly the companies in healthcare services industry have been identified from Bloomberg as at the valuation date. After excluding companies in less relevant sub-industry groups such as medical and drugs, medical products, and medical-wholesale drug distribution, and making reference from CoCos identified from the research, 6 CoCos engaging in hospital business with comparable size are selected, namely, New Century Healthcare Holding Co., Ltd (“**New Century**”, ticker 1518 HK), Hospital Corp of China Ltd. (“**Honghe**”, ticker 3869 HK), Guangdong Kanghua Healthcare Co., Limited (“**Kanghua**”, ticker 3689 HK), China Resources Medical Holdings Company Ltd (“**CR Medical**”, ticker 1515 HK), Wenzhou Kangning Hospital Co., Ltd. (“**Kangning**”, ticker 2120 HK), and Aidigong Maternal & Child Health Limited (“**Aidigong**”, ticker 286 HK).

After preliminary selection of six CoCos, and with a rather wide range of EV/S multiple observed, the valuer analyzed the historical financial data of the six CoCos, and further screening was carried out based on the following criteria:

- (1) Comparability of medical services offered between Chongqing Youyou and Cocos;
- (2) Profitability;
- (3) Trend of operating profit margin in historical years.

Aidigong is mainly engaged in high-end postpartum care business. Chongqing Youyou did not carry out this service before the valuation date. Their comparability therefore is primarily on being in healthcare business alone and relatively weak. Furthermore, an EV/S of 10.2x is very high for a typical healthcare business, and way above the range observed. The difference in profitability between postpartum care and pediatrics or general hospital service may also be a reason for discrepancy, justifying the decision to exclude such multiple.

New Century has not been further shortlisted due to the continuous decline in operating profit observed in recent years (2018-2020). Its operating profit was negative in 2020, and the operating profit margin showed a significant downward trend, which is opposite to the trend of Chongqing Youyou. Its EV/S is also way below the range observed in the shortlist.

Similarly, Kanghua’s lower EV/S multiple can be attributed to the trends of declining operating margin over the past years, contrary to the trend shown by Chongqing YouYou. EV/S of 0.67x is considered as outlier by falling out of the reasonable range from the observed CoCos.

Honghe, CR Medical and Kangning offer pediatric service among other specialty services. Their EV/S multiples are also considered within a close range and reasonable for hospital service company.

Based on the above analysis, after considering the comparability of medical services offered between Chongqing Youyou and the Cocos, the historical trend of operating profit and the operating profit margin in 2020, Honghe, CR Medical, and Kangning are considered more comparable to Chongqing YouYou for market approach valuation purpose, and are sufficient, fair and representative samples.

The EV/S multiples, industry and business nature of the 3 CoCos as at the Valuation Date are shown below:

<b>Company</b>	<b>Ticker</b>	<b>EV/S</b>	<b>Industry</b>	<b>Business Nature</b>
Honghe	3869 HK	5.75x	Healthcare service	Hospital management services
CR Medical	1515 HK	3.03x	Healthcare service	General hospital service
Kangning	2120 HK	3.49x	Healthcare service	Psychiatric specialized hospital care
<b>Average</b>		<b>4.09x</b>		

The average EV/S multiple of Honghe, CR Medical, and Kangning is 4.09x is selected for valuation of Chongqing Youyou as at the Valuation Date. In fact, the difference between the average EV/S of 4.05x from the 6 selected companies and that of 4.09x from the final shortlisted 3 companies is immaterial. Such exclusion follows best practice of analyzing the comparability of the companies and the possible reasons for high/low multiples.

## **Acquisition III (Acquisition of Chongqing Tinggu)**

### **1. KEY VALUATION ASSUMPTIONS, ETC.**

#### **Key valuation assumptions:**

- (1) In valuing the property in the PRC, unless otherwise stated, it is assumed that transferable land use rights of the property for their respective specific terms at nominal annual land use fees have been granted and that any land grant premium payable have already been fully paid. Unless otherwise stated, it is also assumed that the Target Company has good legal titles to the property and has free and uninterrupted rights to occupy, use, transfer, lease or assign the property for the whole of the respective unexpired terms as granted;
- (2) No allowance has been made in the 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 the value;
- (3) The GFA of the Investment properties is subject to the “Real Estate Title Certificate” (1, 2, 3), that is, the total construction area is 34,554.98 sq.m.. Since the planning documents of the parcel of vacant land were not obtained as at the Valuation Date, the planned construction area was determined by the total planned construction area specified in the State-owned Construction Land Use Rights Contract minus the completed construction area of the Investment properties. The unit price of the land used in this valuation is the floor price, so the land value is estimated based on the above-identified property building area or planned building area as the basic data;
- (4) The design and construction of the Property is in compliance with the local planning regulations and have been approved by the relevant government authorities;
- (5) No provision for land appreciation tax is made for the value adjustment of the Property;
- (6) The historical financial statements of the Target Company and used in the valuation have been recorded correctly by the Management;
- (7) All the assets and liabilities were correctly recorded as at the Valuation Date (i.e. 30 June 2021); and
- (8) There are no hidden or unexpected conditions associated with the assets or liabilities of the Target Company that might adversely affect the reported value.

#### **Value of inputs:**

Asset input items include cash and cash equivalents, prepayments, other receivables, inventory, other current assets, investment properties and deferred tax assets. Liability input items include accounts payable, taxes payable, other payables, other current liabilities, long-term loan and deferred tax liability.

**Basis for adopting relevant valuation approach:**

In conducting the valuation, three generally accepted approaches have been considered initially, including income approach, market approach and cost approach (or asset approach).

As Chongqing Tinggu is a real estate development company, the summation method under cost approach was used to value the equity, as its value is primarily from the holding of its assets (property and land use rights). Income approach is not adopted to value the equity as the inventory of Chongqing Tinggu is a parcel of vacant land, there is uncertainty in its future development and operation. Market approach is not adopted to value the equity as there is no CoCos with similar projects in similar location in the market.

**Relevant valuation formula and adjustments:**

The assets and liabilities items are adjusted to market value in order to arrive at the adjusted net assets value under the summation method. Relevant adjusting items are stated below:

- (1) Inventory  
For the inventory which is a parcel of vacant land owned by the Target Company, the direct comparison method has been adopted by making reference to comparable land transactions as available in the market.
- (2) Investment properties  
For investment properties, it is the completed real estate and land use rights of the Property owned by Chongqing Tinggu. The value of the real estate is determined by the cost method-depreciated replaced cost method, and the value of the land is determined by the market comparison method.
- (3) Deferred tax liability  
As value adjustments made on “Inventory” and “Investment properties” as mentioned above will lead to temporary difference under Corporate Income Tax in the PRC, the deferred tax liabilities due to the value adjustments at the Valuation Date were calculated based on the statutory tax rate of 25% applicable to the Target Company in the PRC.