THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchaser or subscribe for the securities of the Company and is being provided to you solely for the purposes of considering the resolutions to be voted upon at the EGM to be held on November 23, 2015.

LVGEM

綠景(中國)地產投資有限公司

LVGEM (CHINA) REAL ESTATE INVESTMENT COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(HKSE Stock Code: 95)

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
(2) REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION
(3) PROPOSED PLACING OF SHARES UNDER SPECIFIC MANDATE
(4) AMENDMENTS TO THE ARTICLES
(5) INCREASE IN AUTHORISED SHARE CAPITAL
AND
(6) NOTICE OF THE EGM

Sole Sponsor to the new listing application of the Company

中國銀河國際
CHINA GALAXY INTERNATIONAL

Independent Financial Advisor to the Independent Board Committee and to the Independent Shareholders

八方金融有限公司
OCTAL Capital Limited

A letter from the Independent Board Committee is set out on page 49 of this circular, and a letter from the Independent Financial Advisor containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 50 to 92 of this circular.

A notice convening the EGM to be held at Taishan Room, Level 5, Island Shangri-la Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong on Monday, November 23, 2015 at 11:00 a.m. is set out on pages N-1 to N-6 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so desire.

October 30, 2015

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EXPECTED TIMETABLE

The following expected timetable[(1)] is indicative only and is subject to change. If necessary, further announcements in relation to any revised timetable will be published as and when appropriate.

Latest time for lodging forms of proxy for the EGM	4:30 p.m., Thursday, November 19, 2015
EGM	Monday, November 23, 2015
Announcement of the results of the EGM to be published	Monday, November 23, 2015
Completion and issue of the Consideration Shares and the Convertible Preference Shares on or before	Monday, November 30, 2015
Announcement of Completion to be published on or before	Monday, November 30, 2015

Note:

(1) All times and dates in this circular refer to Hong Kong local time and dates.

This summary aims to give you an overview of the information contained in this circular. As this is a summary, it does not contain all the information that may be important to you, and is qualified in its entirety and should be read in conjunction with the full text of this circular. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this circular. You should read this section carefully before you decide to invest in the Offer Shares.

THE ACQUISITION

On June 2, 2015, the Purchaser, a wholly owned subsidiary of the Company, and Mr. Wong entered into the Agreement pursuant to which Mr. Wong conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares. The consideration for the acquisition of the Sale Shares is HK$13,785,000,000, and will be settled by either (a) if only 600,000,000 Placing Shares have been placed at the time of Completion and assuming that there will not be any further placing of shares, the Company will settle the consideration by allotting and issuing to Mr. Wong (or to his nominee as he may direct in writing) at the Issue Price 1,909,342,511 Consideration Shares and 4,205,706,033 Convertible Preference Shares, with the balance payment of HK$1,188.0 million to be settled in cash; or (b) if the Placing has been completed in full at the time of Completion, the Company will allot and issue to Mr. Wong (or to his nominee as he may direct in writing) at the Issue Price 5,094,546,345 Consideration Shares, with the balance payment of approximately HK$3,290.2 million to be settled in cash. The Sale Shares represent the entire issued share capital of the Target Company.

CHANGE IN CONTROL OF THE COMPANY IN JUNE 2014

The Company was incorporated in 2004 in the Cayman Islands and the Shares are listed on the Main Board of the Stock Exchange. In June 2014, following completion of a share sale agreement dated January 21, 2014 between the then controlling shareholders of the Company and China LVGEM, and the closing of the ensuing mandatory unconditional cash offers as detailed in the composite document of the Company and China LVGEM dated May 15, 2014, China LVGEM became the controlling shareholder of the Company. China LVGEM is wholly owned by Go Great International Limited, which is in turn wholly owned by Mr. Wong. As at the Latest Practicable Date, China LVGEM was interested in approximately 73.03% of the total number of Shares in issue.

IMPLICATIONS OF THE ACQUISITION UNDER THE LISTING RULES

The Acquisition constitutes: (a) a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules, as the applicable percentage ratios in respect of the Acquisition are more than 100%; (b) a connected transaction for the Company as Mr. Wong is a Controlling Shareholder and a connected person of the Company; and (c) a reverse takeover for the Company under Rule 14.06(6)(b) of the Listing Rules for the reasons that the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules, and it involves an acquisition of assets from Mr. Wong within 24 months of his gaining control of the Company. Accordingly, the Acquisition is subject to the approval of the Independent Shareholders at the EGM. The Controlling Shareholders and their associates will abstain from voting on the relevant resolutions to be proposed at the EGM to approve, among other things, the Acquisition and the Specific Mandate.

In addition, the Company has been treated as if it is a new listing applicant under Rule 14.54 of the Listing Rules. The Enlarged Group must be able to meet the basic listing eligibility requirements under the Listing Rules. The Company must also comply with the procedures and requirements for new listing applicants set out in Chapter 9 of the Listing Rules.

REASONS AND BENEFITS OF THE ACQUISITION

Since the change in control of the Company, the Company has been exploring opportunities to be more involved in the property development business in the PRC. Mr. Wong is also interested in injecting his property development business in the PRC into the Company in order to have all of his property development interests in the PRC under one entity, which would serve to pool resources, project a uniform

image, create a larger organisation to provide a stronger platform for further development and eliminate potential competition with the Company. Given the well established market position of the Reorganized Target Group in the property development sector in Shenzhen, Mr. Wong and the Board considers that the Acquisition and the injecting of the Reorganized Target Group into the Company would provide a more established property development platform for the Group to expand in the PRC and enable the Enlarged Group to achieve geographical coverage to the Pearl River Delta and the Yangtze River Delta. The Acquisition will also substantially enhance the property profile, net asset value and revenue base of the Enlarged Group upon Completion.

Given (i) the Reorganized Target Group's strong financial position, (ii) the Reorganized Target Group's established track record in property development in prime locations spanning across Shenzhen and the Pearl River Delta in the PRC, and (iii) the Reorganized Target Group's sizeable property profile, the Directors consider that the Acquisition will raise the Group's overall profile and provide a strong platform for the Enlarged Group's further development and the Enlarged Group will also be in a much enhanced position and better capacity to raise funds and obtain equity financing through the Company for future projects and development so as to increase the overall profitability of the Group and create value for its Shareholders.

PROPOSED PLACING BY THE COMPANY UNDER SPECIFIC MANDATE

The Company is proposing a placing of up to 1,661,734,611 new Shares under the Specific Mandate at a placing price of HK$2.20 per Placing Share in conjunction with the Acquisition. In this connection, the Company has already entered into two placing agreements with each of the First Investor and the Second Investor on October 13, 2015 and October 26, 2015 respectively, pursuant to which the Company has conditionally agreed to place, and the two investors have conditionally agreed to subscribe for an aggregate of 600,000,000 Placing Shares at a placing price of HK$2.20 per Placing Share in conjunction with the Acquisition. The Company will engage placing agents to procure purchasers to subscribe the remaining Placing Shares at the Placing Price. It is contemplated that 90% of the proceeds raised from the Placing will be allocated to settle part of the consideration of the Acquisition, whereas 10% of the proceeds raised from the Placing will be used to finance the offshore development work and as general working capital of the Enlarged Group. Further details about the Placing are set out in the section headed "Letter from the Board–Proposed Placing under Specific Mandate" of this circular.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following chart sets out the effects of the Acquisition and the Placing on the shareholding structure of the ordinary shares that carry the right to vote at the general meetings of the Company:

			Assuming Placing of only 600,000,000 new Shares was conducted						
	As of the Latest Practicable Date		Immediately upon Completion *(Note 1)*			Immediately upon Completion and assuming all Convertible Preference Shares have been converted *(Note 2)*		Assuming completion of the Placing of an aggregate of 1,661,734,611 new Shares *(Note 3)*	
Shareholder	Number of Shares	Approximate percentage of total issued Shares	Number of Shares	Number of Convertible Preference Shares	Approximate percentage of total issued Shares	Number of Shares	Approximate percentage of total issued Shares	Number of Shares	Approximate percentage of total issued Shares
Mr. Wong and his associates	1,010,844,583	73.03	2,920,187,094	4,205,706,033	75.00	7,125,893,127	87.98	6,105,390,928	75.00
First Investor	–	–	300,000,000	–	7.70	300,000,000	3.70	300,000,000	3.69
Second Investor	–	–	300,000,000	–	7.70	300,000,000	3.70	300,000,000	3.69
Placees	–	–	–	–	–	–	–	1,061,734,611	13.04
Other public shareholders	373,395,698	26.97	373,395,698	–	9.60	373,395,698	4.61	373,395,698	4.59
Total	1,384,240,281	100.00	3,893,582,792	4,205,706,033	100.00	8,099,288,825	100.00	8,140,521,237	100.00

Notes:

(1) This represents the shareholding structure of the Company upon Completion where only 600,000,000 Placing Shares have been placed. The shareholding percentage of Mr. Wong and his associates in the Company only takes into account the Shares held but not the Convertible Preference Shares held. The relevant Shares are held by China LVGEM. China LVGEM is wholly owned by Go Great International Limited, which is in turn wholly owned by Mr. Wong.

(2) This represents the shareholding structure of the Company upon Completion where only 600,000,000 Placing Shares have been placed and assuming that all 4,205,706,033 Convertible Preference Shares issued to Mr. Wong are converted into Conversion Shares. The figure is for illustration purpose only. Holders of the Convertible Preference Shares may not exercise the conversion rights if upon conversion, the percentage of Shares held by the public would fall below the minimum public float requirement under Rule 8.08 of the Listing Rules.

(3) This represents the shareholding structure of the Company upon Completion where the Company has completed the Placing in full.

BUSINESS OF THE REORGANIZED TARGET GROUP

The Reorganized Target Group is an established and well known integrated property developer and commercial property operator in Shenzhen. In 2012, the Reorganized Target Group was ranked sixth among Shenzhen Real Estate Market Leading Enterprises (深圳房地產市場地位領先企業) by China Index Academy (中國指數研究院), and in 2014, it was ranked sixth among the Top 10 Shenzhen Real Estate Developer Enterprises (深圳房地產開發十強企業) by Shenzhen Real Estate Association (深圳市房地產協會). In terms of the GFA of properties sold by the top 100 developers in Shenzhen between 2012 and 2014, Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司), a wholly owned subsidiary of the Reorganized Target Group, ranked ninth with a market share of 2.3% according to China Index Academy.

The Reorganized Target Group focuses its business activities across the Pearl River Delta region, one of the most economically prosperous and vibrant regions in China. Its business operations consist of three principal business segments: (i) property development and sales; (ii) commercial property investment and operations; and (iii) comprehensive services. Since commencement of its operations, it has developed a diverse portfolio of 16 completed projects consisting of urban boutique residences, the Zoll Centers, NEO Urban Commercial Complex and a hotel with an aggregate site area of approximately 438,167 sq.m. and an aggregate GFA of approximately 1,854,290 sq.m. During the Track Record Period, the portfolio of property developments of the Reorganized Target Group consisted of 14 completed projects, five projects under development, two projects with land held for future development and two projects with land planned to be redeveloped or contracted to be acquired for future development.

In line with its business strategy, the Reorganized Target Group owns and operates for long-term investment purposes a substantial portion of the commercial properties it has developed. These commercial properties include the Zoll Centers, NEO Urban Commercial Complex and other retail spaces. The Reorganized Target Group holds these commercial properties for capital appreciation and leases them to generate rental income. In addition, the Reorganized Target Group charges certain tenants with promotion fees, site use fees and advertising space use fees. As of April 30, 2015, the Reorganized Target Group held a total of eight properties as investment properties with an aggregate LFA of 212,735 sq.m.

The Reorganized Target Group also provides comprehensive services to customers and tenants of its residential and commercial properties. The comprehensive services include property management services, hotel operation and others.

The following table sets forth a breakdown of the Reorganized Target Group' s revenue, gross profit and gross profit margin by segment for the periods indicated.

	For The Year Ended December 31,									For The Four Months Ended April 30,					
	2012			2013			2014			2014			2015		
Segment	Revenue (RMB'000)	Gross profit (RMB'000)	Gross profit margin (%)	Revenue (RMB'000)	Gross profit (RMB'000)	Gross profit margin (%)	Revenue (RMB'000)	Gross profit (RMB'000)	Gross profit margin (%)	Revenue (RMB'000)	Gross profit (RMB'000)	Gross profit margin (%)	Revenue (RMB'000)	Gross profit (RMB'000)	Gross profit margin (%)
Property development and sales	136,975	33,108	24.2	1,470,355	503,811	34.3	4,300,500	1,993,466	46.4	2,112,686	969,345	45.9	102,961	53,335	51.8
Commercial property investment and operations	188,423	134,521	71.4	262,155	201,075	76.7	342,896	260,611	76.0	104,889	78,965	75.3	129,272	102,123	79.0
Comprehensive services	143,772	64,310	44.7	169,688	75,828	44.7	194,135	93,946	48.4	55,209	26,707	48.4	62,384	28,047	45.0
Total	469,170	231,939	49.4	1,902,198	780,714	41.0	4,837,531	2,348,023	48.5	2,272,784	1,075,017	47.3	294,617	183,505	62.3

Competitive Strengths of the Reorganized Target Group and Strategies of the Enlarged Group

The Reorganized Target Group is an established and well known integrated property developer and commercial property operator in Shenzhen. Its competitive strengths primarily include:

- a focus on property projects in the prime locations of core cities in the Pearl River Delta region, particularly Shenzhen, enabling the Reorganized Target Group to benefit from the strong economic and property market growth in these regions;
- successful operation of commercial property series under the "Zoll" (佐玲) and "NEO" brands;
- a two-pronged business model which produces multiple synergies; and
- management team with strategic vision, acute market insights, superior execution abilities and in-depth experience.

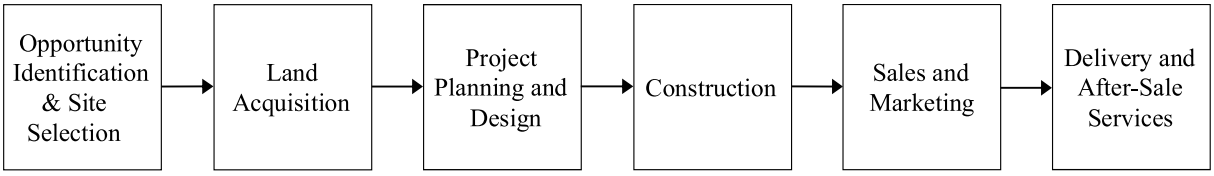
To continue to develop and grow its business, the Enlarged Group intends to:

- cultivate the property markets in the core regions of core cities, and expand into overseas (Hong Kong and Macau) markets;
- adopt a more diversified approach when obtaining land resources;
- replicate the "Zoll" business model and create a leading and scalable commercial property brand;
- extend the value chain of the Reorganized Target Group's property business, integrate online and offline resources, establish an O2O community integrated service platform and focus on the provision of post-development services; and
- attract, retain and motivate talented personnel through competitive remuneration incentives and training programs.

Please refer to the sections headed "Business of the Reorganized Target Group – Competitive Strengths of the Reorganized Target Group" and "Business of the Reorganized Target Group – Strategies of the Enlarged Group" on pages 141 to 144 and pages 144 to 146 of this circular for further details.

Property Development and Sales Process

The Reorganized Target Group has a well-established project development process, which typically includes the major steps illustrated in the diagram below. Depending on the project scale and complexity, it generally takes 24 to 36 months for the Reorganized Target Group to complete a project after acquiring the relevant land use rights.



Property Projects of the Reorganized Target Group

The following table sets forth the Reorganized Target Group's property portfolio from the commencement of its operations up to April 30, 2015.

Completed projects

Project name[1]	Site area[2] *(sq.m.)*	Total GFA[3] *(sq.m.)*	Total GFA attributable to the Reorganized Target Group[4] *(sq.m.)*	Total saleable GFA sold[5] *(sq.m.)*	Total saleable GFA unsold[5] *(sq.m.)*	Total commercial LFA held for investment[6] *(sq.m.)*	Development costs incurred *(RMB' million)*	Construction commencement	Construction completion	Pre-sale commencement
LVGEM Garden Estate (綠景山莊)	42,813	72,580	72,500	65,320	170	3,820	263.6	April 1998	April 2000	October 1998
Phase I of LVGEM New Garden (綠景新苑一期)	8,858	40,613	37,320	29,008	0	0	127.7	September 2000	January 2002	February 2001
Phase II of LVGEM New Garden (綠景新苑二期)	6,760	27,945	27,021	16,107	0	4,864	94.2	May 2003	February 2004	August 2003
Lanwan Peninsula Community (藍灣半島社區)	39,304	232,086	215,343	151,789	341	5,293	857.1	May 2002	August 2004	September 2002
Phase II of LVGEM Garden (綠景花園二期)	20,677	164,932	149,708	87,326	810	20,987	593.6	November 2003	June 2005	November 2004
Zhongcheng Tianyi Garden (中城天邑花園)	19,682	142,368	118,738	70,944	365	0	855.0	March 2006	December 2008	December 2007
LVGEM Hotel (綠景錦江酒店)[15]	4,978	25,751	25,751	N/A	N/A	4,412	369.0	March 2006	December 2008	N/A
Phase I of Zhonghe Tixiang Famous Garden (中核緹香名苑一期)	70,180	131,317	131,317	120,589	4,004	0	419.5	August 2007	April 2009	March 2008
NEO Urban Commercial Complex (NEO 都市商務綜合體) (including Tower A, Tower B and Tower C)	19,295	252,539	223,279	63,455	N/A	105,870	2,551.0	January 2004	May 2011	June 2009
City Garden (城市立方花園)	47,372	135,012	132,669	90,855	1,531	4,886	832.0	March 2008	November 2010	November 2009
LVGEM Chanson Garden (綠景香頌花園)[7]	26,117	174,366	142,903	87,418	261	23,368	Note (13)	February 2011	December 2012	November 2011
LVGEM Chanson Meilu Garden (綠景香頌美廬園)[7]	5,540	28,845	18,702	23,676	0	313	Note (13)	May 2011	May 2013	April 2012
LVGEM 1866 Garden (公館1866花園)[8]	77,795	387,482	384,504	193,882	3,617	43,335	2,573.0	June 2011	August 2013	August 2012
Block A1 of LVGEM International Garden (綠景國際花城(A1區))[16]	48,795	38,456	38,456	0	37,698	0	Note (12)	July 2013	December 2014	April 2014
Total	438,167	1,854,290	1,718,209	1,000,369	48,797	217,147				

Projects under development

Project name[1]	Site area[2] (*sq.m.*)	Total GFA[3] (*sq.m.*)	Total GFA attributable to the Reorganized Target Group[4] (*sq.m.*)	Total saleable GFA pre-sold[5] (*sq.m.*)	Total saleable GFA unsold[5] (*sq.m.*)	Estimated total LFA held for investment[6] (*sq.m.*)	Development costs incurred as of April 30, 2015[11] (*RMB'million*)	Estimated development costs to be incurred[11] (*RMB'million*)	Construction commencement	Expected construction completion	Pre-sale commencement
Hongwan Garden (虹灣花園)[9]	32,785	367,372	295,009	23,448	114,036	34,481	2,552.2	115.2	December 2012	December 2015	October 2014
Block A2 of LVGEM International Garden (綠景國際花城(A2區))	55,032	211,839	211,839	56,199	144,179	25,199	Note (12)	Note (12)	March 2014	December 2015	August 2014
Mangrove Luxury Garden (紅樹華府)[10]	24,424	305,450	231,450	0	122,687	20,500	1,108.2	887.6	July 2014	March 2017	Fourth quarter of 2015 [14]
Total	**112,241**	**884,662**	**738,298**	**79,647**	**380,902**	**80,180**	**N/A**	**N/A**			

Projects held for future development and projects planned to be redeveloped or contracted to be acquired by the Reorganized Target Group

Project name[1]	Project type	Site area[2] (*sq.m.*)	Expected construction commencement
Land Lot of LVGEM International Garden (綠景國際花城地塊)	Project held for future development	714,534	2016
Phase II of Zhonghe Tixiang Famous Garden (中核緹香名苑二期)	Project held for future development	27,371	2016
Subtotal		741,905	
Meijing Project (美景項目)	Project planned to be redeveloped by the Reorganized Target Group	13,865	TBD
Liguang Project (黎光項目)	Project contracted to be acquired by the Reorganized Target Group	271,202	N/A
Subtotal		285,067	
Total		1,026,972	

For details of the notes to the above tables, please refer to page 152 and 153 of this circular.

For details regarding the breakdown of the Reorganized Target Group's revenue recognized from sales of properties, recognized GFA and recognized ASP by project during the Track Record Period, please refer to the section headed "Additional Financial Information of the Reorganized Target Group – Breakdown of Certain Line Items of the Reorganized Target Group" on page 293 of this circular.

Suppliers and Customers

The Reorganized Target Group outsources the construction work of its projects to external Independent Third Party construction companies through a tender process. The construction companies are generally responsible for the procurement of raw materials used in the construction process, such as concrete and steel, whereas the Reorganized Target Group is responsible for purchasing specific materials and fixtures such as elevators, air conditioners and generators.

The Reorganized Target Group's properties for sale mainly target the mass market and first-home purchasers, and purchasers of its properties are primarily individuals. The Reorganized Target Group engages reputable third-party real estate sales agents to facilitate the marketing and sales of its projects. On the other hand, the Zoll Centers serve a large and diverse tenant base, including domestically and internationally renowned retailers, fast-food chains and cinema operators, and NEO Urban Commercial Complex serves a large range of tenants including banks, telecommunication companies and other national companies. The Reorganized Target Group's LVGEM Hotel is a business hotel conveniently located in the central business district of Futian District of Shenzhen. In addition, the Reorganized Target Group provides comprehensive property management services to the residents and tenants of its residential and commercial properties. Except for three of its properties, all of the properties managed by the Reorganized Target Group were developed by the Reorganized Target Group.

CONNECTED TRANSACTIONS

Currently, there are transactions between the Reorganized Target Group and the Controlling Shareholders and their associates in the ordinary course of business of the respective parties. These transactions are expected to continue after Completion. Further details about the post-Completion continuing connected transactions are set out in the section headed "Connected Transactions" on pages 304 to 308 of this circular.

NON-COMPLIANCE INCIDENTS

During the Track Record Period, the Reorganized Target Group was involved in certain incidents of non-compliance with applicable PRC laws and regulations, including non-compliance related to its property management services and lease registrations. Please refer to the section headed "Business of the Reorganized Target Group — Legal Proceedings and Compliance – Non-Compliance Incidents" on page 219 of this circular for further details.

DIVIDEND AND DISTRIBUTABLE RESERVES

The Target Group did not pay any cash dividends during the Track Record Period. The Target Group's distributable reserves as of December 31, 2012, 2013 and 2014 and April 30, 2015 were nil, nil, nil and RMB504.4 million, respectively. On April 30, 2015, the Target Group declared a dividend of RMB89.1 million to its sole shareholder. The Target Group declared another dividend of RMB504.4 million to its sole shareholder in August 2015. Both of the dividends declared in April 2015 and August 2015 were settled in late August 2015. The Company has no fixed dividend policy and, subject to compliance with the relevant laws of the Cayman Islands and the Articles, the Board has absolute discretion in determining whether to recommend a declaration of any dividend for any period, and the amount of dividend to be paid. In determining any dividend payment, the Board will evaluate the Company's earnings, cash flow, financial condition, capital requirements, prevailing economic conditions and any other factors that the Directors deem relevant. There can be no assurance that dividends will be paid in any amount in the future, or at all. Certain subsidiaries of the Target Group are subject to restrictions on dividend payment under certain outstanding loan agreements. As confirmed by the Directors, none of the dividend declarations and/or payments made by the Target Group during the Track Record Period and up to the Latest Practicable Date were in violation of any restrictions in its loan agreements.

SUMMARY FINANCIAL INFORMATION OF THE TARGET GROUP

The tables below set forth a summary of the Target Group's consolidated results of operations for the periods indicated.

Consolidated Statements of Profit or Loss

	For The Year Ended December 31,			For The Four Months Ended April 30,	
	2012	2013	2014	2014	2015
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (unaudited)	*(RMB'000)*
Revenue[(1)]	485,013	1,970,580	4,850,634	2,277,044	207,936
Cost of sales	(241,746)	(1,160,836)	(2,493,449)	(1,198,838)	(69,962)
Gross profit	243,267	809,744	2,357,185	1,078,206	137,974
Other revenue	2,147	7,804	18,613	11,293	17,409
Other net (loss)/income	(152)	70	–	–	–
Selling expenses	(77,602)	(53,443)	(41,455)	(7,012)	(8,585)
Administrative and other operating expenses	(126,769)	(143,639)	(151,098)	(48,338)	(42,922)
Profit from operations before increase in fair value of investment properties	40,891	620,536	2,183,245	1,034,149	103,876
Increase in fair value of investment properties	651,866	591,353	895,341	550,085	89,064
Profit from operations after increase in fair value of investment properties	692,757	1,211,889	3,078,586	1,584,234	192,940
Finance costs	(231,443)	(205,516)	(217,324)	(87,379)	(82,605)
Share of loss of joint ventures	(137)	(19)	(40)	–	–
Profit before taxation	461,177	1,006,354	2,861,222	1,496,855	110,335
Income tax expense	(129,748)	(326,056)	(1,132,263)	(537,966)	(33,142)
Profit for the year/period[(2)]	331,429	680,298	1,728,959	958,889	77,193
Attributable to:					
Equity shareholders of the Target Company	330,342	680,416	1,728,473	958,249	75,543
Non-controlling interests	1,087	(118)	486	640	1,650
Profit for the year/period	331,429	680,298	1,728,959	958,889	77,193

Notes:

(1) The Target Group's revenue was RMB207.9 million for the four months ended April 30, 2015, representing a decrease of RMB2,069.1 million, or approximately 90.9%, from RMB2,277.0 million for the four months ended April 30, 2014. The decrease was mainly attributable to the decrease in revenue from the property development and sales segment from RMB2,112.7 million for the four months ended April 30, 2014 to RMB12.2 million for the four months ended April 30, 2015, which in turn was mainly due to a decrease in total recognized GFA from approximately 107,602 sq.m. for the four months ended April 30, 2014 to approximately 674 sq.m. for the four months ended April 30, 2015. The decrease in total recognized GFA was primarily due to more properties in LVGEM 1866 Garden being delivered in the four months ended April 30, 2014 than in the four months ended April 30, 2015, from which the Target Group recognized GFA of 90,898 sq.m. for the four months ended April 30, 2014 and only recognized GFA of 587 sq.m. for the four months ended April 30, 2015.

(2) The Target Group's profit was RMB77.2 million for the four months ended April 30, 2015, representing a decrease of RMB881.7 million, or approximately 91.9%, from RMB958.9 million for the four months ended April 30, 2014. The decrease was mainly attributable to the decrease in revenue of the Target Group from RMB2,277.0 million for the four months ended April 30, 2014 to RMB207.9 million for the four months ended April 30, 2015.

For illustrative purpose only, excluding the increases in the fair values of investment properties and the corresponding tax impact, the Target Group would have shown a net profit of RMB236.8 million, RMB1,057.5 million, RMB546.3 million and RMB10.4 million for the years ended December 31, 2013 and 2014 and the four months ended April 30, 2014 and 2015, with a corresponding net profit margin of 12.0%, 21.8%, 24.0%, and 5.0%, respectively, and a net loss of RMB157.5 million for the year ended December 31, 2012, with a corresponding net loss margin of -32.5%.

Consolidated Statements of Financial Position

	As of December 31,			As of April 30,
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	427,663	419,332	391,883	375,043
Intangible assets	1,427	3,041	3,756	3,826
Investment properties	8,588,246	9,770,764	11,143,025	11,294,875
Interests in joint ventures	465,350	505,197	521,757	525,104
Other investments	5,535	297,620	347,767	347,767
Deferred tax assets	195,821	137,441	221,317	239,404
	9,684,042	11,133,395	12,629,505	12,786,019
Current assets				
Inventories	5,268,118	5,311,839	4,934,458	5,599,140
Prepaid tax	101,104	163,579	17,625	34,740
Trade and other receivables	446,891	772,171	825,207	469,180
Restricted cash	43,085	387,898	741,878	1,522,765
Cash and cash equivalents	512,984	652,588	1,099,118	713,547
Other current assets	20,000	150,000	260,710	–
	6,392,182	7,438,075	7,878,996	8,339,372
Current liabilities				
Trade and other payables	5,501,320	5,813,005	2,646,612	3,155,416
Bank loans and other borrowings	1,874,793	1,029,069	1,762,494	1,622,576
Current tax liabilities	153,784	133,015	655,796	701,542
	7,529,897	6,975,089	5,064,902	5,479,534
Net current (liabilities)/assets	(1,137,715)	462,986	2,814,094	2,859,838
Total assets less current liabilities	8,546,327	11,596,381	15,443,599	15,645,857
Non-current liabilities				
Bank loans and other borrowings	2,281,985	4,463,705	6,253,538	6,516,720
Deferred tax liabilities	1,706,825	1,881,495	2,210,221	2,174,315
	3,988,810	6,345,200	8,463,759	8,691,035
NET ASSETS	4,557,517	5,251,181	6,979,840	6,954,822
Capital and reserves				
Share capital	11	11	11	11
Reserves	4,541,871	5,225,653	6,953,826	6,940,312
Total equity attributable to equity holders of the Target Company	4,541,882	5,225,664	6,953,837	6,940,323
Non-controlling interests	15,635	25,517	26,003	14,499
TOTAL EQUITY	4,557,517	5,251,181	6,979,840	6,954,822

Consolidated Statements of Cash Flows

	For The Year Ended 31 December			For The Four Months Ended April 30,	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Operating activities					
Profit before taxation	461,177	1,006,354	2,861,222	1,496,855	110,335
Adjustments for:					
Increase in fair value of investment properties	(651,866)	(591,353)	(895,341)	(550,085)	(89,064)
Depreciation and amortization	30,369	48,749	48,444	15,599	17,584
Loss/(gain) on disposal of property, plant and equipment	152	(70)	–	–	–
Finance costs	231,443	205,516	217,324	87,379	82,605
Interest income	(1,630)	(5,774)	(8,491)	(1,196)	(4,565)
Investment income	(517)	(1,981)	(9,372)	(9,372)	(12,511)
Share of loss of joint ventures	137	19	40	–	–
Changes in working capital:					
(Increase)/decrease in inventories	(1,769,363)	125,971	749,715	1,986,363	(535,318)
Increase in restricted cash	(8,846)	(344,813)	(353,980)	(974,729)	(780,887)
Decrease/(increase) in trade and other receivables	87,467	(325,268)	(53,215)	(205,052)	356,027
Increase/(decrease) in trade and other payables	2,581,150	490,663	(3,117,588)	(2,992,211)	693,485
Cash generated from/(used in) operations	959,673	608,013	(561,242)	(1,146,449)	(162,309)
PRC Corporate Income Tax paid	(39,456)	(34,338)	(190,727)	(16,404)	(2,100)
PRC LAT paid	(128,126)	(141,958)	(27,896)	(8,078)	(56,404)
Net cash generated from/(used in) operating activities	792,091	431,717	(779,865)[1]	(1,170,931)[2]	(220,813)[3]
Investing activities					
Payment for purchase of property, plant and equipment	(136,560)	(39,938)	(20,316)	(5,880)	(451)
Proceeds from disposal of property, plant and equipment	106	90	–	–	–
Proceeds from disposal of other current assets	–	20,000	835	835	273,221
Payment for intangible assets	(1,296)	(2,114)	(1,395)	–	(363)
Advance to a joint venture	(30,632)	(39,866)	(16,600)	(2,541)	(3,347)
Payment for purchases of other investments	(9,492)	(439,965)	(152,485)	(103,453)	–
Payment for expenditure in investment properties	(489,312)	(766,925)	(509,508)	(226,349)	(364,499)
Interest received	1,630	5,774	8,491	1,196	4,565
Net cash used in investing activities	(665,556)	(1,262,944)	(690,978)	(336,192)	(90,874)
Financing activities					
Capital injection by non-controlling interests	–	10,000	–	–	–
Proceeds from bank loans and other borrowings	1,571,001	3,251,000	4,390,000	1,954,000	510,000
Repayments of bank loans and other borrowings	(1,004,134)	(1,915,004)	(1,866,741)	(694,559)	(386,736)
Interest and other borrowing costs paid	(388,445)	(375,208)	(605,929)	(156,297)	(197,145)
Net cash generated from/(used in) financing activities	178,422	970,788	1,917,330	1,103,144	(73,881)
Net increase/(decrease) in cash and cash equivalents	304,957	139,561	446,487	(403,979)	(385,568)
Cash and cash equivalents at January 1	208,027	512,984	652,588	652,588	1,099,118
Effect of foreign exchange rate changes	-	43	43	130	(3)
Cash and cash equivalents at December 31/April 30	512,984	652,588	1,099,118	248,739	713,547

Notes:

(1) The Target Group had a net operating cash outflow of RMB779.9 million in 2014 mainly due to a decrease of RMB3,117.6 million in trade and other payables. Such decrease was primarily attributable to the significant decrease in receipts in advance, which in turn was due to the delivery of LVGEM 1866 Garden in 2014, as a result of which the relevant balances of receipts in advance for the pre-sale of LVGEM 1866 Garden were recognized as revenue in 2014.

(2) The Target Group had a net operating cash outflow of RMB1,170.9 million in the four months ended April 30, 2014 primarily due to (i) a decrease in trade and other payables of RMB2,992.2 million (which was primarily attributable to the significant decrease in receipts in advance, which in turn was due to the delivery of LVGEM 1866 Garden in 2014, as a result of which the relevant balances of receipts in advance for the presale of LVGEM 1866 Garden were recognized as revenue during that period); and (ii) an increase in restricted cash of RMB974.7 million (which was due to an increase in deposits made (which was in relation to the issuance of a letter of credit by the Target Group)), which was partially offset primarily by a decrease in inventories of RMB1,986.4 million (which was primarily due to the completion and delivery of LVGEM 1866 Garden) and profit before taxation of RMB1,496.9 million.

(3) The Target Group had a net operating cash outflow of RMB220.8 million in the four months ended April 30, 2015 primarily due to (i) an increase in restricted cash of RMB780.9 million which was primarily related to a deposit of RMB396.4 million for the issuance of a letter of credit and a pledge of certificates of deposit of RMB382.0 million by the Target Company for obtaining new loans; and (ii) an increase in inventories of RMB535.3 million which was primarily related to the increase in construction progress of Hongwan Garden and Block A2 of LVGEM International Garden, as partially offset primarily by an increase in trade and other payables of RMB693.5 million and a decrease in trade and other receivables of RMB356.0 million.

KEY FINANCIAL RATIOS OF THE TARGET GROUP

	As of/for the year ended December 31,			As of/for the four months ended April 30,
	2012	2013	2014	2015
Gross profit margin (%)[1]	50.2	41.1	48.6	66.4
Net profit margin (%)[2]	68.3	34.5	35.6	37.1
Return on equity (%)[3]	7.3	13.0	24.8	1.1
Current ratio (times)[4]	0.8	1.1	1.6	1.5
Gearing ratio (%)[5]	91.2	104.6	114.8	117.0
Interest coverage ratio (times)[6]	2.2	3.7	5.9	1.5

For details of the notes to the above table, please refer to page 280 of this circular.

PROPERTY INTERESTS AND PROPERTY VALUATION

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has valued the Reorganized Target Group's property interests as of July 31, 2015 and is of the opinion that the aggregate value of the Reorganized Target Group's property interests as of such date was RMB25,339.4 million. In valuing the property interests held by the Reorganized Target Group, the property valuer has adopted various valuation methods, including discounted cash flow analysis, income approach and direct comparison approach, which valuation parameters and assumptions adopted, such as the discount rate, capitalization rate and market yield, are justified with reference to the reasonable market level of different property sectors while due adjustments are allowed to reflect the individual characteristics of the properties. Please refer to Appendix V in this circular for details of the property interests, and pages V1-V3 of Appendix V for details of such valuation methods. Please also refer to "Risk Factors – Risks Relating to the Reorganized Target Group's Business and Industry – The appraised value of the Reorganized Target Group's properties may be different from their actual realizable value and are subject to change, and if the actual realizable value of the Reorganized Target Group's properties is substantially lower than their appraised value, there may be a material adverse effect on the Reorganized Target Group's business, results of operation and financial condition." on pages 105 to 106 of this circular for details of the relevant risks.

RISK FACTORS

There are certain risks relating to the Acquisition, the Reorganized Target Group's business and industry and conducting business in the PRC. In particular, the Reorganized Target Group's operations may be substantially affected by changes in national or local policies relating to the PRC property industry. The Reorganized Target Group's business and prospects are also heavily dependent on the performance of the PRC property market, and particularly on the performance of the markets in Shenzhen and various major cities in Guangdong province. Further, the Reorganized Target Group has primarily obtained and may continue to primarily obtain the land that it develops through urban redevelopment, which involves a number of risks and uncertainties. Please refer to the section headed "Risk Factors" on pages 95 to 130 of this circular for further details.

ACQUISITION EXPENSES

As of April 30, 2015, the estimated total expenses in relation to the Acquisition amounted to approximately RMB38.3 million, which will be charged to the consolidated statements of profit or loss and other comprehensive income of the Enlarged Group for the year ending December 31, 2015, assuming the Acquisition is completed on or before December 31, 2015. These acquisition expenses mainly comprise legal and professional fees for the legal advisors, the reporting accountants, the independent financial advisor and the Sole Sponsor.

RECENT DEVELOPMENTS OF THE REORGANIZED TARGET GROUP

Pursuant to the Reorganization undertaken in preparation for the Acquisition, Green View Holding Company Limited disposed of seven of its subsidiaries after the Track Record Period. The disposal of the Disposed Subsidiaries was completed on June 19, 2015. The disposal of the Disposed Subsidiaries is considered a non-adjusting subsequent event of Green View Holding Company Limited. Please refer to the section headed "Financial Information of the Target Group – Basis of Presentation" on page 225 of this circular for details.

The real estate market has seen a gradual recovery since the PRC government loosened certain restrictions on the property market in the first quarter of 2015, including lowering the minimum down payment requirement from 60% to 40% for second home purchases in March 2015. According to the Market Research Report, Shenzhen ranked first in China in terms of sales price increases for residential properties in the three quarters of 2015, and also ranked first in China in terms of rental price increases for Grade A office space in the first half of 2015.

Based on the unaudited management accounts of the Reorganized Target Group, the revenue and profit of the Reorganized Target Group decreased significantly in the four months ended August 31, 2015, as compared to the same period in 2014. This decrease was primarily due to the decrease in revenue in its property development and sales segment, which in turn was attributable to the fact that the Reorganized Target Group had more recognized GFA for the sales of properties (principally in LVGEM 1866 Garden) in the four months ended August 31, 2014 than the same period in 2015. This was in turn due to the fact that more GFA was completed and delivered in the four months ended August 31, 2014 than the same period in 2015 according to the construction timetable of the Reorganized Target Group's various projects.

Since the total GFA to be delivered by the Target Group in 2015 will be significantly lower than that in 2014, the Target Group expects a significant decrease in revenue for 2015 as compared to 2014, which in turn is expected to have a significant negative impact on the financial performance of the Reorganized Target Group for the year ending December 31, 2015. According to the accounting policy adopted by the Reorganized Target Group as disclosed in this circular, revenue from sales of properties is recognized upon the signing of sale and purchase agreements, the receipt of the deposits and confirmation or arrangement of settlement of remaining sale proceeds or the achievement of status ready for hand-over to customers as stipulated in the sale and purchase agreements, whichever is the latest. As a substantial portion of the properties pre-sold in 2015 are scheduled to be delivered in 2016 according to the timetable of the Reorganized Target Group, the Reorganized Target Group will not recognize much of its pre-sales of the properties in 2015 as revenue, but as and when those pre-sold properties are delivered at a later time.

Despite the decrease in revenue and profit, the pre-sale proceeds of the property development and sales segment of the Reorganized Target Group amounted to RMB1,919.6 million in the four months ended August 31, 2015, which was primarily attributable to the pre-sales of properties in Hongwan Garden and Block A2 of LVGEM International Garden.

The Reorganized Target Group continued to experience stable growth in the revenue and profit of its commercial property investment and operations segment and comprehensive services segment for the four months ended August 31, 2015, as compared to the same period in 2014.

The Reorganized Target Group confirms that, since April 30, 2015 and up to the Latest Practicable Date, there was no material adverse change in its results of operations or financial condition and no event had occurred that would materially and adversely affect its results of operations or financial condition.

RECOMMENDATIONS FROM THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee (comprising all the independent non-executive Directors, namely, Mr. Zhu Jiusheng, Mr. Wang Jing and Ms. Hu Gin Ing) has been formed to consider the Acquisition and the Placing, and to make its recommendations to the Independent Shareholders.

The Independent Board Committee, having considered the terms of the Acquisition and the Placing and the advice and recommendations of the Independent Financial Advisor set out in the section headed "Letter from the Independent Financial Advisor", considers that the Acquisition and the Placing are being carried out on normal commercial terms and in the ordinary and usual course of business of the Company, the terms of which are fair and reasonable and the Acquisition and the Placing are in the interests of the Company and the Shareholders as a whole. As such, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions approving the Acquisition and the Specific Mandate.

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

"Acquisition"	the proposed acquisition of the Sale Shares by the Purchaser pursuant to the terms of the Agreement
"Agreement"	the share purchase agreement dated June 2, 2015 entered into by the Purchaser and the Vendor in respect of the Acquisition
"Announcement"	the announcement of the Company dated June 17, 2015 in relation to the Acquisition
"Articles"	the articles of association of the Company, as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board of Directors" or "Board"	the board of Directors of the Company
"Business Day"	a day (other than a Saturday or Sunday or public holiday in Hong Kong and any day on which a tropical cyclone warning No. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general commercial business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate, a measurement to assess the growth rate of value over time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"China" or the "PRC"	the People's Republic of China, excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of China and Taiwan
"China LVGEM"	China LVGEM Property Holdings Ltd., a company incorporated in the Cayman Islands and wholly owned by Go Great International Limited, which is in turn wholly owned by Mr. Wong and is a controlling shareholder of the Company
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time

"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
"Company"	LVGEM (China) Real Estate Investment Company Limited (綠景(中國)地產投資有限公司), a company incorporated in the Cayman Islands with limited liability on December 23, 2004 under the Companies Law, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 95)
"Completion" or "Closing"	the completion of the Acquisition pursuant to the terms of the Agreement
"Completion Date"	the date on which Completion occurs
"connected person"	has the meaning ascribed to it in the Listing Rules
"Consideration Shares"	not less than 109,342,511 and not more than 5,094,546,345 new Shares to be allotted and issued by the Company to Mr. Wong (or his nominee) as partial settlement of the consideration for the Acquisition
"Controlling Shareholder(s)"	has the meaning ascribed to it in the Listing Rules, and, unless the context requires otherwise, refers to Mr. Wong, Go Great International Limited, China LVGEM, Evergreen Holdings and/or Kinson Group
"Conversion Shares"	new Shares to be issued upon the exercise of the conversion rights under the Convertible Preference Shares
"Convertible Preference Shares"	up to 6,582,405,062 convertible preference shares of HK$0.01 each, carrying the rights to convert into Conversion Shares, that may be issued by the Company as partial settlement of the consideration for the Acquisition
"Director(s)"	Director(s) of the Company

"Disposed Subsidiaries"	the subsidiaries disposed of by the Target Company after the Track Record Period, including Jin Xin Investments (Hong Kong) Limited (金信投資(香港)有限公司), Zhuhai LVGEM Real Estate Development Co., Ltd. (珠海綠景房地產開發有限公司), Zhuhai LVGEM Property Management Co., Ltd. (珠海綠景物業管理有限公司), Shenzhen Wanghaiyikang, Zhuhai Huijing Investment Management Co., Ltd. (珠海市惠景投資管理有限公司), Shenzhen Lvsheng Investment Development Co., Ltd. (深圳市綠晟投資發展有限公司) and Dongguan LVGEM Real Estate Development Co., Ltd. (東莞市綠景房地產開發有限公司)
"EGM"	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Acquisition and the Specific Mandate
"Enlarged Group"	the Group and the Reorganized Target Group
"Evergreen Holdings"	Evergreen Holdings Limited, a company incorporated in the BVI, a single purpose vehicle established by Mr. Wong to hold part or all of the Consideration Shares and/or the Convertible Preference Shares under the Evergreen Trust
"Evergreen Trust"	Evergreen Trust, a trust established by Mr. Wong for the benefits of his family to hold part or all of the Consideration Shares and/or the Convertible Preference Shares
"First Investor"	WKland Investments V Limited, a company incorporated in the BVI and is a wholly owned subsidiary of China Vanke Co., Ltd.
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee comprising Mr. Zhu Jiusheng, Mr. Wang Jing and Ms. Hu Gin Ing, being all the independent non-executive Directors
"Independent Financial Advisor"	Octal Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial advisor to the Independent Board Committee and the Independent Shareholders

"Independent Shareholders"	the Shareholders of the Company, other than the Controlling Shareholders and their associates and other persons with material interests in the Agreement who are required to abstain from voting at the EGM to approve the Acquisition and the Specific Mandate
"Independent Third Party" or "Independent Third Parties"	a person or entity who is not a connected person of the Company under the Listing Rules
"Issue Price"	the issue price of the Consideration Shares and the issue price of the Convertible Preference Shares, which have been fixed at HK$2.06 per Share
"Kinson Group"	Kinson Group Limited, a company incorporated in the BVI, a single purpose vehicle established by Mr. Wong to hold part or all of the Consideration Shares and/or the Convertible Preference Shares under the Evergreen Trust
"Last Trading Day"	May 27, 2015, being the last full trading day in respect of the Shares on the Stock Exchange before the halt in trading of the Shares on May 28, 2015 pending the release of the Announcement
"Latest Practicable Date"	October 23, 2015, being the latest practicable date prior to the date of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"LVGEM Management Group"	Shenzhen LVGEM Entity Management Group Co., Ltd.(深圳市綠景企業管理集團有限公司), a limited liability company established in the PRC which is beneficially owned by Mr. Wong and his associates
"Market Research Report"	a market research report issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the property valuer and industry consultant
"Memorandum"	the memorandum of association of the Company from time to time
"Model Code"	Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)

"Mr. Wong" or "Vendor"	Mr. Wong Hong King, the controlling shareholder of the Company
"Placing"	the placing of the Placing Shares by the Company in conjunction with the Acquisition
"Placing Price"	HK$2.20 per Placing Shares
"Placing Shares"	up to 1,661,734,611 new Shares to be issued by the Company to certain investors at the Placing Price pursuant to the Placing
"PRC Legal Advisor"	Global Law Office, the PRC legal advisors to the Company
"Purchaser"	Urban Thrive Holdings Limited, a company incorporated in the British Virgin Islands on March 30, 2015 with limited liability, and a wholly-owned subsidiary of the Company
"Reorganization"	the reorganization arrangements involving the disposals of the Disposed Subsidiaries under the Target Company to arrive at the Reorganized Target Group, as further described in the section headed "History and Reorganization of the Reorganized Target Group – The Reorganization" in this circular
"Reorganized Target Group"	the Target Company and its subsidiaries as of the date of the completion of the Reorganization
"RMB"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
"SAIC"	State Administration for Industry and Commerce of the PRC (中國國家工商行政管理總局)
"Sale Shares"	10,000 shares of the Target Company, representing the total number of shares of the Target Company in issue
"SAT"	State Administration of Taxation of the PRC (中國國家税務總局)
"Second Investor"	Shenzhen Ping An Dahua Huitong Wealth Management Company Limited (深圳平安大華滙通財富管理有限公司), a company incorporated in the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"Shareholders"	holders of the Shares
"Shares"	ordinary shares of HK$0.01 each in the share capital of the Company
"Shenzhen Wanghaiyikang"	Shenzhen Wanghaiyikang Industrial Development Co., Ltd. (深圳市旺海怡康實業發展有限公司), a company incorporated in the PRC with limited liability on November 9, 1994
"Sole Sponsor"	China Galaxy International Securities (Hong Kong) Co. Limited, a corporation licensed by the SFC to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
"Specific Mandate"	a general authorization to be granted to the Directors to issue Shares in relation to the Placing
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Target Company"	Green View Holding Company Limited, a company incorporated in Hong Kong with limited liability on October 11, 2004
"Target Group"	Green View Holding Company Limited and its subsidiaries as of the respective dates
"Track Record Period"	the three financial years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2015
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"Zoll Center(s)"	community based lifestyle and shopping center(s) developed by the Reorganized Target Group under the "Zoll" brand
"%"	per cent

In this circular:

(a) the terms "associate", "close associate", "core connected person", "connected person", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires;

(b) the English names or descriptions of projects, PRC nationals, entities, government authorities, departments, facilities, certificates, titles, laws and regulations, etc., are translations of their Chinese names. In cases of inconsistency, the Chinese names shall prevail;

(c) unless expressly stated or otherwise required by the context, all data herein are as of the Latest Practicable Date; and

(d) certain amounts and percentage figures included in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

The glossary contains explanations and definitions of certain terms used in this circular in connection with the Target Group, the Reorganized Target Group or the Group and their respective businesses. The terms and their meanings may not correspond to standard industry meanings or usages of these terms.

"ARR"	average daily rate per occupied room for the relevant period, calculated by dividing the total room revenue by the total number of room nights sold including room nights provided to guests on a complimentary basis in a given period
"ASP"	average selling price
"GFA"	gross floor area
"GFA pre-sold"	the GFA that has been sold, but has not been delivered to our customers
"GFA sold"	the GFA that has been sold and delivered to our customers
"LFA"	leasable floor area
"O2O"	online-to-offline
"occupancy rate"	(i) in respect of retail units and office units: the leased GFA of a property divided by the LFA of the property; (ii) in respect of LVGEM hotel: calculated by dividing the number of room nights sold (including room nights provided to guests on a complimentary basis) by the number of room nights available for sale
"recognized ASP"	revenue divided by recognized GFA
"recognized GFA"	GFA from which revenue was recognized during the Track Record Period
"RevPAR"	revenue per available room, calculated by dividing a hotel's total guest room revenue by the room count and the number of days in the period being measured
"saleable GFA"	(i) in respect of completed properties, the GFA that has been designated by us for sale; and (ii) in respect of properties under development, the estimated GFA that is designed by us for sale
"sq.m."	square meter(s)
"villagers-representative company"	a joint-stock company formed by villagers of a urban village to hold land assets, among others, and which is responsible for representing the urban village in village-related decisions

Registered Office in the Cayman Islands	Clifton House 75 Fort Street P.O. Box 1350 GT George Town Grand Cayman Cayman Islands
Head office and principal place of business in Hong Kong	Suites 1701-1703 17/F., Dah Sing Financial Centre 108 Gloucester Road Wanchai Hong Kong
Executive Committee	Miss HUANG Jingshu *(Chairman)* Mr. YIM Chun Leung Mr. YE Xingan Mr. CHEN Tieshen Ms. DENG Chengying
Audit Committee	Mr. ZHU Jiusheng *(Chairman)* Mr. WANG Jing Ms. HU Gin Ing
Remuneration Committee	Ms. HU Gin Ing *(Chairman)* Miss HUANG Jingshu Mr. ZHU Jiusheng
Nomination Committee	Miss HUANG Jingshu *(Chairman)* Mr. ZHU Jiusheng Mr. WANG Jing
Authorized Representatives	Mr. YIM Chun Leung Flat F, 55/F., Block 6, The Belcher's 89 Pokfulam Road, Pok Fu Lam, Hong Kong Mr. LAI Siu Hung Flat 308, Block 24, Heng Fa Chuen Chai Wan, Hong Kong
Company Secretary	Mr. LAI Siu Hung *FCCA, CPA, CA(ANZ.), ACS, ACIS, MBA*
Compliance Advisor	Innovax Capital Limited Office 1, 1st Floor, Lucky Building 39 Wellington Street Hong Kong

Principal Share Registrar	Appleby Corporate Services (Cayman) Limited Clifton House, 75 Fort Street P.O. Box 1350 GT, George Town Grand Cayman Cayman Islands
Branch Share Registrar	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal Banker	Bank of China Limited Wujiang Sub-branch No. 2 Luxiang North Road Songling town, Wujiang Suzhou, China China Construction Bank Corporation Suzhou High and New Technology Industrial Development Zone Sub-branch No. 95 Shishan Road, Suzhou New District, Suzhou, China Chong Hing Bank Limited 15/F, Enterprise Square 9 Sheung Yuet Road Kowloon Bay, Hong Kong Public Bank (Hong Kong) Limited Public Bank Centre 120 Des Voeux Road Central Central, Hong Kong
Company Website	www.lvgem-china.com

DIRECTORS

Name	Address	Nationality
Executive Directors		
Miss Huang Jingshu 黃敬舒小姐	Room 1908, J Residence 60 Johnston Road Wanchai Hong Kong	Chinese
Mr. Yim Chun Leung 嚴振亮先生	Flat F, 55/F, Block 6, the Belcher's 89 Pok Fu Lam Road Pok Fu Lam, Hong Kong	Hong Kong
Mr. Ye Xingan 葉興安先生	Room C, 8/F, Block 7, Chengzhong Yayuan Fuhua Third Road, Futian district Shenzhen, Guangdong PRC	Chinese
Mr. Chen Tieshen 陳鐵身先生	5G, Shui Xuan, Baishida Garden 98 Tai An Road Shenzhen, Guangdong PRC	Chinese
Ms. Deng Chengying 鄧承英女士	B901, Hong Kang Pavilion Hong Rui Garden, Nanshan district Shenzhen, Guangdong PRC	Chinese
Independent Non-executive Directors		
Mr. Zhu Jiusheng 祝九勝先生	Vanke Center 33 Huanmei Road, Dameisha Yantian District Shenzhen, Guangdong PRC	Chinese
Mr. Wang Jing 王敬先生	Room 1205, Block D, Shengshi Jiayuan 98 Jianguo Road Chaoyang district, Beijing PRC	Chinese
Ms. Hu Gin Ing 胡競英女士	10484, 13/F, 220 Jianguo North Road Section 2 Zhongshan district, Taipei Republic of China	Hong Kong

SENIOR MANAGEMENT

Name	Address	Nationality
Ms. Hu Yong 呼勇女士	Room 2D, Building A2, Cuihai Garden Futian District Shenzhen, Guangdong PRC	Chinese
Mr. Ren Hongbing 任紅兵先生	Room 29D, Unit 1, Building 3 Zhongcheng Tianyi Garden Xinzhou 6 Street Shenzhen, Guangdong PRC	Chinese

Sole Sponsor to the Company	China Galaxy International Securities (Hong Kong) Co., Limited Unit 3501-3507 & 3513-3514, 35/F Cosco Tower 183 Queen's Road Central Hong Kong
Independent financial advisor to the Independent Board Committee and to the Independent Shareholders	Octal Capital Limited 801-805, 8/F, Nan Fung Tower 88 Connaught Road Central Hong Kong
Legal advisors to the Company	*As to Hong Kong Law:* Sidley Austin 39/F, Two International Finance Centre 8 Finance Street Central Hong Kong *As to PRC Law:* Global Law Office 1501-1502 Tower 1, Excellence Century Center No. 3 Fuhua Road, Futtan District, Shenzhen 518048, China *As to Cayman Islands Law:* Appleby 2206-19 Jardine House 1 Connaught Place Central Hong Kong

Legal advisors to the Sole Sponsor	*As to Hong Kong Law:* Paul Hastings 21-22/F Bank of China Tower 1 Garden Road Hong Kong *As to PRC Law:* Jingtian & Gongcheng 34/F, Tower 3, China Central Place 77 Jianguo Road, Chaoyang District, Beijing 100025, China
Reporting accountant to the Target Group	KPMG 8/F, Prince's Building 10, Chater Road, Central Hong Kong
Auditor of the Company	Deloitte Touche Tohmatsu 35/F, One Pacific Place 88 Queensway Hong Kong
Property Valuer	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 6/F Three Pacific Place 1 Queen's Road East Hong Kong
Independent Industry Consultant	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 6/F Three Pacific Place 1 Queen's Road East Hong Kong



綠景(中國)地產投資有限公司

LVGEM LVGEM (CHINA) REAL ESTATE INVESTMENT COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(HKSE Stock Code: 95)

Executive Directors:
Miss HUANG Jingshu *(Chairman)*
Mr. YIM Chun Leung *(Chief Executive Officer)*
Mr. YE Xingan
Mr. CHEN Tieshen
Ms. DENG Chengying

Independent Non-executive Directors:
Mr. ZHU Jiusheng
Mr. WANG Jing
Ms. HU Gin Ing

Registered Office:
Clifton House
75 Fort Street
P.O. Box 1350 GT
George Town
Grand Cayman
Cayman Islands

Principal Place of Business in Hong Kong:
Suites 1701-1703
17/F., Dah Sing Financial Centre
108 Gloucester Road
Wanchai
Hong Kong

October 30, 2015

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION (2) REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION (3) PROPOSED PLACING OF SHARES UNDER SPECIFIC MANDATE (4) AMENDMENTS TO THE MEMORANDUM AND ARTICLES (5) INCREASE IN AUTHORISED SHARE CAPITAL AND (6) NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

On June 2, 2015, the Purchaser, a wholly owned subsidiary of the Company, and Mr. Wong entered into the Agreement pursuant to which Mr. Wong conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares for HK$13,785,000,000.

The Sale Shares represent the entire issued share capital of the Target Company. The Reorganized Target Group focuses on the development of urban boutique residences, community-based lifestyle and shopping centers and urban complexes in Shenzhen and the Pearl River Delta.

The purpose of this circular is to provide you with information relating to, amongst other things, (i) further details about the Acquisition, (ii) financial and other information on the Reorganized Target Group, (iii) the Specific Mandate, (iv) the letter of advice from the Independent Financial Advisor on the terms of the Acquisition and the Placing, (v) the amendments to the Memorandum and Articles, (vi) the increase in authorised share capital, and (vii) the notice of the EGM.

THE ACQUISITION

The Agreement

Date

June 2, 2015

Parties

Purchaser: Urban Thrive Holdings Limited, a wholly-owned subsidiary of the Company; and

Vendor: Mr. Wong

As of the date of the Agreement, the Company was owned as to approximately 73.03% by China LVGEM. China LVGEM is an investment holding company which is wholly owned by Go Great International Limited, a company which is in turn wholly-owned by Mr. Wong. Accordingly, Mr. Wong is the controlling shareholder and a connected person of the Company.

Subject matter

The Purchaser has conditionally agreed to acquire from Mr. Wong the Sale Shares and Mr. Wong has conditionally agreed to sell to the Purchaser the Sale Shares. The Sale Shares represent all of the shares in issue of the Target Company. The Target Company is a company incorporated in Hong Kong and is the holding company of the Reorganized Target Group. The Reorganized Target Group focuses its business activities across the Pearl River Delta, and its business operations consist of three principal business segments: (i) property development and sales; (ii) commercial property investment and operations; and (iii) comprehensive services. The acquisition of the Target Company from Mr. Wong is not subject to Circular No. 7 of the PRC with regard to the indirect offshore transfer of equity interests in PRC resident enterprises of the Reorganized Target Group, as Mr. Wong as seller is not a "non-resident enterprise" in the PRC. For the details of Circular No.7, please refer to "Risk Factors".

Consideration

The consideration for the acquisition of the Sale Shares is HK$13,785,000,000. The consideration was determined by the parties after arm's length negotiations with reference to the unaudited combined net assets value of the Reorganized Target Group as adjusted by the preliminary valuation of the properties held by the Reorganized Target Group as of April 30, 2015.

Under the Agreement, the consideration will be settled by either option as set out in paragraph (a) or (b) below:

(a) if the Placing has not been completed at the time of Completion, the Company will allot and issue to Mr. Wong (or to his nominee as he may direct in writing) at the Issue Price 109,342,511 Consideration Shares and 6,582,405,062 Convertible Preference Shares upon Completion; or

(b) if the Placing has been completed in full at the time of Completion, the Company will allot and issue to Mr. Wong (or to his nominee as he may direct in writing) at the Issue Price not more than 5,094,546,345 Consideration Shares and/or by cash, and/or by the allotment and issue of the Convertible Preference Shares at the Issue Price; in this case Mr. Wong will consult the Company at least 3 business days before Completion on the method(s) to settle the consideration for the acquisition of the Reorganized Target Group.

As at the Latest Practicable Date, an aggregate of 600,000,000 Placing Shares have been conditionally placed to two investors. On the assumption that there will not be any further placing of Shares, the consideration will be settled by the Company by allotting and issuing to Mr. Wong (or to his nominee as he may direct in writing) at the Issue Price of 1,909,342,511 Consideration Shares and 4,205,706,033 Convertible Preference Shares, with the balance payment of HK$1,188.0 million to be settled in cash.

Under all circumstances, the allotment and issue of the Consideration Shares, the Convertible Preference Shares and the Placing Shares (as the case may be) upon Completion will not result in the Company being unable to meet the minimum public float requirement under the Listing Rules. To the extent that after the allotment and issue of the Consideration Shares the Company would not be able to meet the minimum public float requirement under Rule 8.08 of the Listing Rules, the Company shall have the right to reduce the number of Consideration Shares that may be issued by such amount to enable the Company to meet the public float requirement and such amount of reduction shall be satisfied by the Company either in cash or by the issue of Convertible Preference Shares.

Consideration Shares

The Consideration Shares will rank equally among themselves and pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares. The Consideration Shares are not subject to any restriction on subsequent sale upon issue. To the extent that the issue and allotment of the Consideration Shares to Mr. Wong would result in the Company not being able to meet the public float

requirement under Rule 8.08 of the Listing Rules, the number of the Consideration Shares to be issued will be reduced to such an amount to enable the Company to meet its public float requirement and such reduction will be satisfied by either cash and/or the issue of the Convertible Preference Shares.

On the basis that the consideration of HK$13,785,000,000 is to be settled entirely by the issue of new Shares at the Issue Price, an aggregate of 6,691,747,573 new Shares would be issued. Such number of Shares represents approximately 483.4% of the existing issued share capital of the Company or approximately 82.9% of the enlarged issued share capital of the Company. Without taking into consideration the Shares already held by Mr. Wong, the Company would not be able to meet the requirement of having at least 25% of its Shares held by the public as required under Rule 8.08 of the Listing Rules for the number of new Shares issued. In this connection, a combination of Consideration Shares and/or Convertible Preference Shares and/or cash is used to settle the consideration for the Acquisition. The Company considers that it is appropriate to use Convertible Preference Shares to settle part of the consideration for the Acquisition.

Proposed Placing under Specific Mandate

The Company is proposing a placing of new Shares to raise fund to settle part of the consideration for the Acquisition and for its general working capital and project development funding purposes. In this connection, the Company has on October 13, 2015 and October 26, 2015 entered into placing agreements with the First Investor and the Second Investor in relation to the placing, at the Placing Price, of an aggregate of 600,000,000 Placing Shares. The Company will also engage placing agents (the "**Placing Agents**") to procure purchasers to subscribe the remaining Placing Shares at the Placing Price. None of the Placing Agents will be a connected person of the Company. Details of the Placing are set out below:

Placing Agreements

First Placing Agreement

Date: October 13, 2015

Investor: WKland Investments V Limited (the "**First Investor**").

The First Investor is a company established in the British Virgin Islands and is principally engaged in investment holding. The First Investor is a wholly owned subsidiary of 萬科企業股份有限公司 (China Vanke Co., Ltd.*), which is a leading property developer in China, with its H shares listed on the Stock Exchange and its A shares listed on the Shenzhen Stock Exchange. To the best knowledge of the Directors, the First Investor and its ultimate beneficial owners are independent of and not connected with the Company and its connected persons.

Number of Placing Shares: 300,000,000 Shares

The First Investor has undertaken to the Company that it will not dispose of, sell or otherwise transfer the Placing Shares it held within one year of the completion date of the Placing, and that it will not pledge, charge, or create any liens or third party rights in relation to such shares within six months from the completion date of the Placing.

Second Placing Agreement

Date:	October 26, 2015
Investor:	Shenzhen Ping An Dahua Huitong Wealth Management Company Limited (the "**Second Investor**").

The Second Investor is a company established in the PRC and is a wholly-owned subsidiary of 平安大華基金管理有限公司 (Ping An Dahua Fund Management Company Limited*). The Second Investor is a member of 中國平安集團 (Ping An Group of the PRC*), a leading insurance, banking and investment services financial institution in the PRC. The Second Investor is principally engaged in asset management. To the best knowledge of the Directors, the Second Investor and its ultimate beneficial owners are independent of and not connected with the Company and its connected persons.

Number of Placing Shares:	300,000,000 Shares

The Second Investor has undertaken to the Company that it will not dispose of, sell or otherwise transfer the Placing Shares it held within one year of the completion date of the Placing, and that it will not pledge, charge, or create any liens or third party rights in relation to such shares within six months from the completion date of the Placing.

Placing Shares

Up to 1,661,734,611 Shares (including the 600,000,000 Placing Shares conditionally placed to the First Investor and the Second Investor), representing approximately 120.0% of the Company's issued share capital as at the Latest Practicable Date, and approximately 54.6% of the Company's issued share capital as enlarged by the issue of the Placing Shares, and approximately 20.4% of the Company's issued share capital as enlarged by the issue of the Placing Shares and the Consideration Shares (assuming that an aggregate of 5,094,546,345 Consideration Shares is issued).

On the assumption that the maximum of 1,661,734,611 Placing Shares will be placed under the Placing, the Placing Shares will have a nominal value of HK$16,617,346.11 and a market value of approximately HK$4,254 million, based on the closing price of HK$2.560 per Share on the Latest Practicable Date.

Placing Price

The Placing Price has been set at HK$2.20 per Placing Share, which was determined after arm's length negotiations with the investors by reference to the prevailing market price of the Shares. The Placing Price represents:

(i) a discount of approximately 27.39% to the closing price of the Shares of HK$3.030 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 12.35% to the closing price of HK$2.51 per Share as quoted on the Stock Exchange on October 13, 2015, the date of the First Placing Agreement;

(iii) a discount of approximately 10.42% to the average closing price of HK$2.456 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including October 13, 2015, the date of the First Placing Agreement;

(iv) a discount of approximately 7.37% to the average closing price of HK$2.375 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including October 13, 2015, the date of the First Placing Agreement;

(v) a discount of approximately 14.06% to the closing price of HK$2.560 per Share as quoted on the Stock Exchange on October 23, 2015, the last trading day prior to the date of the Second Placing Agreement;

(vi) a discount of approximately 14.13% to the average closing price of HK$2.562 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including October 23, 2015, the last trading day prior to the date of the Second Placing Agreement;

(vii) a discount of approximately 13.35% to the average closing price of HK$2.539 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including October 23, 2015, the last trading day prior to the date of the Second Placing Agreement;

(viii) a premium of approximately 209.8% to the net assets value per Share of HK$0.71 as of December 31, 2014.

The Directors consider that the terms of the Placing and the Placing Price are on normal commercial terms and are fair and reasonable based on market conditions, and the Placing is in the interests of the Company and the Shareholders as a whole.

Conditions of the Placing

The Placing is conditional upon, among other things, the Completion, the Specific Mandate having been granted by the Independent Shareholders at the EGM and the approval of the listing of, and permission to deal in, the Placing Shares on the Stock Exchange having been granted by the Stock Exchange (and such approval not subsequently being revoked prior to the completion of the Placing) and the Company being able to meet the public float requirement under Rule 8.08 of the Listing Rules. The Placing will complete simultaneously with the Completion.

In the event that the Acquisition is not approved by the Independent Shareholders at the EGM or Completion does not occur due to other reasons, the Placing will not proceed to completion.

Reasons for the Placing

The Placing is being conducted for the Company to raise fund to settle part of the consideration for the Acquisition, and for the Enlarged Group's working capital and project development funding purposes. It will also serve to broaden the shareholder base of the Company and maintaining the minimum public float requirements under the Listing Rules immediately following Completion.

Use of proceeds

Assuming completion of the Placing on the basis that only 600,000,000 Placing Shares have been successfully placed, the aggregate gross proceeds raised from the Placing are approximately HK$1,320 million and the net proceeds from the Placing are estimated to be approximately HK$1,320 million, which will be allocated as to:

(a) approximately HK$1,188 million (representing approximately 90% of the net proceeds) for settling the consideration of the Acquisition; and

(b) the balance of approximately HK$132 million (representing approximately 10% of the net proceeds) for funding the offshore project development work and as general working capital of the Enlarged Group.

Should the Placing of the remaining Placing Shares can be completed in full, additional net proceeds of up to approximately HK$2,277.4 million will be received by us. We intend to apply such additional net proceeds to the above uses in the proportions stated above.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the unused net proceeds into short-term demand deposits and/or money market instruments. We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

Specific Mandate

The Company will seek from the Shareholders a specific mandate to issue the Placing Shares. Unless extended by the Shareholders in a general meeting, the Specific Mandate shall be valid for a period of three months from the date of approval of the Specific Mandate at the EGM. As the proceeds from the Placing is intended to be used partly to settle the consideration for the Acquisition, Mr. Wong is considered to be interested in the Placing. As such, Mr. Wong and his associates will abstain from voting for the resolution to be proposed at the EGM to approve the Placing.

Equity raising activities of the Company for the past 12 months

Save and except for the Placing, the Company has not conducted any equity fund raising activities in the 12 months immediately before the Latest Practicable Date.

As of the Latest Practicable Date, save for the First Placing Agreement and the Second Placing Agreement, no definitive agreement in respect of the Placing of the remaining Placing Shares have been entered into. The Company will make further announcement as and when required if definitive agreement in respect of the Placing of the remaining Placing Shares has been entered into.

Principal terms of the Convertible Preference Shares

Nominal value	Non-redeemable convertible preference shares of HK$0.01 each to be created as a new class of shares in the share capital of the Company upon Completion.
Issue price	The issue price per Convertible Preference Share is HK$2.06.
Conversion ratio and right	Holders of the Convertible Preference Shares have the right to convert each Convertible Preference Share at any time after issuance into one Conversion Share without the payment of any additional consideration. The holders may not exercise the conversion right if upon the conversion, the percentage of Shares held by the public will fall below the minimum public float requirement under Rule 8.08 of the Listing Rules. The Conversion Shares that are issued upon the exercise of the conversion right of the Convertible Preference Shares are not subject to any restriction on subsequent sale upon issue.
Redemption	The Convertible Preference Shares may not be redeemed by the Company or their holders.
Transferability	The Convertible Preference Shares may be transferable in whole or in part to any third party (including connected person of the Company) subject to compliance with the conditions of the Articles and the conditions, approvals, requirements and any other provisions of or under the Listing Rules (including any approval(s) that may be required from the Stock Exchange in case the Convertible Preference Shares is transferred to a connected person of the Company), and all applicable laws and regulations.
Ranking	The Convertible Preference Shares will form a new class of shares of the Company and will rank in priority to the Shares as to dividends.
Voting rights	Holders of the Convertible Preference Shares will be entitled to receive notices of and to attend the general meetings of the Company but are not permitted to vote unless a resolution is proposed to vary the rights of holders of the Convertible Preference Shares or a resolution is proposed for the winding up of the Company.

Adjustment	The number of Shares that may be issued under the Convertible Preference Shares is subject to adjustment in accordance with the terms of the Convertible Preference Shares including, among other things, subdivision or consolidation of Shares, the making of a free distribution of Shares, bonus issue, the declaration of a dividend in Shares, capital distribution, issuance of options, rights or warrants, and other dilutive events such as issue of new Shares at less than 90% of the average closing price of the Shares for 10 consecutive trading days ending on and including the trading date last preceding such date.
Listing	No application will be made for the listing of the Convertible Preference Shares on the Stock Exchange or any other securities exchange. However, an application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.
Dividend	Subject to compliance with all applicable laws and the Articles, each Convertible Preference Share shall confer on its holder the right to receive a preferred distribution from the date of the issue of the Convertible Preference Shares at a rate of 0.2% per annum on the Issue Price, payable annually in arrear. Each preferred distribution is non-cumulative. The Board may, in its sole discretion, elect to defer or not to pay a preferred distribution. No interest accrues on any unpaid preferred distribution. If the Board elects to defer or not to pay a preferred distribution, the Company may not pay any dividends, distributions or make any other payment on any Shares, unless at the same time it pays to the holders of the Convertible Preference shares any deferred or unpaid preferred distribution which was scheduled to be paid on a day falling in the same financial year in respect of which payment of such dividends, distributions or other payments is made.
Distribution of assets	Holders of Convertible Preference Shares will have priority over the Shareholders on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding-up or dissolution of the Company.

Upon Completion, the Company's issued share capital may have two classes of shares, comprising the Shares and the Convertible Preference Shares, with the Convertible Preference Shares not carrying any voting rights except in cases where the rights to the Convertible Preference Shares may be altered or in the liquidation of the Company. The Convertible Preference Shares will not be listed on the Stock Exchange.

Given that the Convertible Preference Shares is a different class of shares that does not carry any voting rights and has a priority and fixed rate of pay out, the priority on distribution of assets on liquidation, winding-up or dissolution of the Company, the Directors are of the view that the terms of the Convertible Preference Shares are in all material respects more akin to that of debt securities than equity securities. In

addition, the terms of Convertible Preference Shares provide that the holders of the Convertible Preference Shares may not convert the Convertible Preference Shares if the conversion would result in the public float of the Company falling below the minimum 25% as required by Rule 8.08 of the Listing Rules. The Company is therefore of the view that there would be an open market in the securities for which listing is sought and that the Company will be able to meet the requirement of having at least 25% of the total number of Shares in issue being held by the public as required by Rule 8.08 of the Listing Rules.

Issue Price

The issue price of the Consideration Shares and the conversion price for the Convertible Preference Shares have been fixed at HK$2.06 per Share. The Issue Price represents:

(i) a discount of approximately 32.0% to the closing price of the Shares of HK$3.030 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 26.9% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day of approximately HK$2.818 per Share;

(iii) a discount of approximately 26.7% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of approximately HK$2.810 per Share;

(iv) a discount of approximately 24.7% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day of approximately HK$2.737 per Share;

(v) a discount of approximately 19.5% to the closing price of the Shares as quoted on the Stock Exchange as at the Latest Practicable Date of HK$2.560 per Share; and

(vi) a premium of approximately 190.1% to the net assets value per Share of HK$0.71 as of 31 December 2014.

The Issue Price was determined after arm's length negotiations between Mr. Wong and the Company with reference to the average closing price of the Shares for the last 30 trading days up to and including the Last Trading Day and a discount of about 25%.

Application for listing

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares, the Placing Shares and the Conversion Shares.

Conditions precedent

Completion will be conditional upon the satisfaction or (as the case may be) waiver of the following conditions:

(a) all necessary approvals and consents required to be obtained by any of the members of the Reorganized Target Group and/or Mr. Wong from any government authority or other third party in respect of the Agreement and/or the transactions contemplated thereunder, if any, being obtained unconditionally and irrevocably;

(b) all necessary approvals and consents required to be obtained by any of Purchaser and/or the Company from any government authority or other third party in respect of the Agreement and/or the transactions contemplated thereunder, if any, being obtained unconditionally and irrevocably;

(c) the Independent Shareholders approving (i) the purchase of the Sale Shares provided for in the Agreement and the transactions contemplated thereunder, and (ii) the allotment and issue of the Consideration Shares and the Conversion Shares and the issue of the Convertible Preference Shares in accordance with the terms thereof, in a general meeting of the Company held in compliance with the Listing Rules;

(d) the Stock Exchange granting the listing of, and permission to deal in, on the Stock Exchange of the Consideration Shares and the Conversion Shares and such approval not having been revoked or withdrawn, and the Company being able to meet the public float requirement under Rule 8.08 of the Listing Rules;

(e) approval having been obtained from the Listing Committee for the new listing application by the Company pursuant to Rule 14.54 of the Listing Rules in relation to the Acquisition and such approval not having been revoked or withdrawn;

(f) the Purchaser, being satisfied with the results of the due diligence on each member of the Reorganized Target Group;

(g) the Purchaser having received, in respect of each member of the Reorganized Target Group established in the PRC, PRC legal opinions in form and substance satisfactory to the Purchaser as to the legal establishment and valid existence of such company;

(h) the warranties of Mr. Wong remaining true and accurate in all material respects and not misleading in any respect as of the Completion Date and Mr. Wong having performed all his obligations under the Agreement; and

(i) there having occurred since April 30, 2015 (1) no material adverse effect with respect of the Reorganized Target Group, and (2) there having been promulgated, put into effect, commenced, granted or issued since April 30, 2015 and subsisting or pending as of the

Completion Date, no statute, regulation, proceeding, or order pertaining to the Group which would or could reasonably be expected to prohibit or restrict the consummation of the transactions contemplated under the Agreement.

The Purchaser may, in its absolute discretion, waive conditions (f), (h) and (i) at any time by specific notice in writing to such effect to the Vendor. The Purchaser has no present intention in waiving any of the conditions precedent to the Agreement.

If the conditions other than conditions (f), (h) and (i) above have not been fulfilled or waived by the Purchaser as the case may be by December 31, 2015 (or such later time or date as may be agreed among the parties to the Agreement in writing), the Agreement will become null and void and of no effect, except for clauses relating to costs and other matters, and for any antecedent breach of the Agreement.

Completion

Completion will take place on the date falling on the fifth business day next following the date on which all the conditions having been satisfied or waived (as the case may be), or such other day or time as the parties may agree in writing.

INFORMATION ON THE REORGANIZED TARGET GROUP

The Reorganized Target Group was established in 1995 and Mr. Wong gained control of the Reorganized Target Group in 1997. With its roots in Shenzhen and close to 20 years of development, the Reorganized Target Group has developed a diverse portfolio of 16 completed projects spanning across Shenzhen and the Pearl River Delta, including urban boutique residences, the Zoll Centers, the NEO Urban Commercial Complex and a hotel with an aggregate site area of approximately 438,167 sq.m. and an aggregate GFA of approximately 1,854,290 sq.m.. The Reorganized Target Group was ranked sixth among the Top 10 Shenzhen Real Estate Developer Enterprises in 2014.

For details of the business and financial information of the Reorganized Target Group, please refer to the sections headed "Business of the Reorganized Target Group" and "Additional Financial Information of the Reorganized Target Group" in this circular.

INFORMATION ON THE GROUP

The Group is principally engaged in property development and property investment in the PRC.

As of April 30, 2015, the Group was interested in the following property projects:

Investment properties

Properties	Approx Interest attributable to the Group	Approx GFA *Sq.m.*	Type	Lease term
The Shopping arcade of Phase 1 and all shops on Level 1 at Zone A of Phase 5, Suzhou Garden Villa, Suzhou	95%	11,023	Commercial	70 years from 19 October 1992 to 18 October 2062
Shops on Levels 1, 2 and 3 of Block 11 and the basement, Suzhou Garden Court, Suzhou	95%	4,481	Commercial	70 years from 16 January 1995 to 15 January 2065
Villa J101, Suzhou Garden Villa, Phase 1, Suzhou	95%	270	Residential	70 years from 19 October 1992 to 18 October 2062
Flat 1A of Jin Guo Tower, Flats 1A, 2D, 6C, 7C, 8C, 9C, 10B to 10D, 11C, 11D, 12A to 12D, 15B, 16D, 17A to 17D, 18B to 18D, 19A, 19C, 19D, 20C and 20D of Jin Sing Tower, Suzhou Garden Villa, Phase 2, Suzhou	95%	4,756	Residential	70 years from 19 October 1992 to 18 October 2062
Flats 1B, 1D and 1F of Jin Bon Tower, Suzhou Garden Villa, Phase 3, Suzhou	95%	484	Residential	70 years from 19 October 1991 to 18 October 2061

Properties held for sales

Properties	Approx Interest attributable to the Group	Approx total site area *Sq.m.*	Approx GFA *Sq.m.*	Type	Date of completion	Progress
Taihu Garden Court, Suzhou	61%	131,445	88,889	Residential	Phase 1 June 2009	Completed
					Phase 2 December 2011	Completed
					Phase 3 September 2013	Completed
Lakeside Garden Court, Suzhou	100%	86,236	152,373	Residential/ commercial	Phase 1 December 2010	Completed
					Phase 2 December 2011	Completed
					Phase 3 November 2012	Completed
					Phase 4 October 2014	Completed

Properties held under development

Properties	Approx Interest attributable to the Group	Approx total site area *Sq.m.*	Approx GFA *Sq.m.*	Type	Date of completion	Progress
Office, SOHO and retail arcade, Suzhou	100%	14,592	58,368	Commercial/ office	the end of 2017	Redesigning stage

No single property interest of the Group has a carrying amount of 1% or more of the value of the Enlarged Group's total assets and the total carrying amount of the Enlarged Group's property interests not valued is less than 10% of the value of the Enlarged Group's total assets. As such, the Group is not required to prepare a valuation report for its property interests under Chapter 5 of the Listing Rules.

REASONS FOR THE ACQUISITION

Since the change in control of the Company, the Company has been exploring opportunities to be more involved in the property development business in the PRC. Mr. Wong is also interested in injecting his property development business in the PRC into the Company in order to have all of his property development interests in the PRC under one entity, which would serve to pool resources, project a uniform image, create a larger organisation to provide a stronger platform for further development and eliminate potential competition with the Company. Given the well established market position of the Reorganized Target Group in the property development sector in Shenzhen, Mr. Wong and the Board considers that the Acquisition and the injecting of the Reorganized Target Group into the Company would provide a more established property development platform for the Group to expand in the PRC and enable the Enlarged Group to achieve geographical coverage to the Pearl River Delta and the Yangtze River Delta. The Acquisition will also substantially enhance the property profile, net asset value and revenue base of the Enlarged Group upon Completion.

Given (i) the Reorganized Target Group's strong financial position, (ii) the Reorganized Target Group's established track record in property development in prime locations spanning across Shenzhen and the Pearl River Delta in the PRC, and (iii) the Reorganized Target Group's sizeable property profile, the Directors consider that the Acquisition will raise the Enlarged Group's profile and provide a strong platform for the Enlarged Group's further development and the Enlarged Group will also be in a much enhanced position and better capacity to raise funds and obtain equity financing through the Company for future projects and development so as to increase the overall profitability of the Group and create value for its Shareholders. The Directors are of the view that the terms of the Agreement, which have been reached after arm's length negotiations among the parties, are on normal commercial terms, fair and reasonable and in the interest of the Company and its Shareholders as a whole.

The Directors also consider that setting the Issue Price at a discount to the current trading price of the Shares is fair and reasonable and in the interest of the Company and its Shareholders as a whole, taking into account, among other things, the terms of the Agreement, the location, quality and scale of the property portfolio of the Reorganized Target Group. Notwithstanding that the Issue Price was set at a discount to the current trading price of the Shares, the Issue Price represents a premium of approximately 190.1% to the net assets value per Share as of December 31, 2014. The Shares have been trading within the range of HK$2.59 to HK$2.88 from April 15, 2015 to May 26, 2015, the day before the Last Trading Day. The Directors (excluding the independent non-executive Directors) consider that the sudden surge in the trading price on the Last Trading Day and on May 28, 2015, the date on which trading in the Shares was suspended, appeared to lack correlation with the average trading price of the Shares prior to the Last Trading Day and should not be taken as to reflect the true value of the Shares spanning a longer and yet sufficiently recent period, which would be a more appropriate reference of the true value of the Shares. In this connection, the parties have taken the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day as the reference when negotiating the Issue Price.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following chart sets out the effects of the Acquisition and the Placing on the shareholding structure of the ordinary shares that carry the right to vote at the general meetings of the Company:

			Assuming Placing of only 600,000,000 new Shares was conducted						
	As of the Latest Practicable Date		Immediately upon Completion *(Note 1)*			Immediately upon Completion and assuming all Convertible Preference Shares have been converted *(Note 2)*		Assuming completion of the Placing of an aggregate of 1,661,734,611 new Shares *(Note 3)*	
Shareholder	Number of Shares	Approximate percentage of total issued Shares	Number of Shares	Number of Convertible Preference Shares	Approximate percentage of total issued Shares	Number of Shares	Approximate percentage of total issued Shares	Number of Shares	Approximate percentage of total issued Shares
Mr. Wong and his associates	1,010,844,583	73.03	2,920,187,094	4,205,706,033	75.00	7,125,893,127	87.98	6,105,390,928	75.00
First Investor	–	–	300,000,000	–	7.70	300,000,000	3.70	300,000,000	3.69
Second Investor	–	–	300,000,000	–	7.70	300,000,000	3.70	300,000,000	3.69
Placees	–	–	–	–	–	–	–	1,061,734,611	13.04
Other public shareholders	373,395,698	26.97	373,395,698	–	9.60	373,395,698	4.61	373,395,698	4.59
Total	1,384,240,281	100.00	3,893,582,792	4,205,706,033	100.00	8,099,288,825	100.00	8,140,521,237	100.00

Notes:

(1) This represents the shareholding structure of the Company upon Completion where only 600,000,000 Placing Shares have been placed. The shareholding percentage of Mr. Wong and his associates in the Company only takes into account the Shares held but not the Convertible Preference Shares held. The relevant Shares are held by China LVGEM. China LVGEM is wholly owned by Go Great International Limited, which is in turn wholly owned by Mr. Wong.

(2) This represents the shareholding structure of the Company upon Completion where only 600,000,000 Placing Shares have been placed and assuming that all 4,205,706,033 Convertible Preference Shares issued to Mr. Wong are converted into Conversion Shares. The figure is for illustration purpose only. Holders of the Convertible Preference Shares may not exercise the conversion rights if upon conversion, the percentage of Shares held by the public would fall below the minimum public float requirement under Rule 8.08 of the Listing Rules.

(3) This represents the shareholding structure of the Company upon Completion where the Company has completed the Placing in full.

FINANCIAL EFFECT OF THE ACQUISITION

Following Completion, the Target Company will become a wholly owned subsidiary of the Company and the financial results of the Reorganized Target Group will be consolidated into the financial statements of the Group.

Based on the audited financial results of the Group as at December 31, 2014 and the audited financial results of the Reorganized Target Group as at December 31, 2014 and assuming that Completion had taken place on December 31, 2014, the revenue of the Enlarged Group is expected to significantly increase from approximately RMB419.4 million to approximately RMB5,235.6 million while the profit attributable to owners of the Enlarged Group is expected to significantly increase from approximately RMB13.1 million to approximately RMB1,718.8 million.

Assuming the Acquisition had taken place on June 30, 2015, and assuming that only 600,000,000 Placing Shares have been placed upon Completion, it is expected that net assets of the Enlarged Group would have increased from approximately RMB869.7 million to approximately RMB7,609.5 million mainly due to the inclusion of the Reorganized Target Group's property projects in the Enlarged Group's accounts, with total assets amounting to approximately RMB21,933.9 million and total liabilities amounting to approximately RMB14,324.4 million.

The Acquisition will be satisfied partly by the Consideration Shares and partly by the proceeds from the Placing and/or the issuance of Convertible Preference Shares and hence there will be no material negative impact on the cashflow of the Group in this regard.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the Acquisition are more than 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. Mr. Wong is the controlling shareholder and a connected person of the Company. Accordingly, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the approval by the Independent Shareholders at the EGM by way of poll. Mr. Wong and his associates are required to abstain from voting on the relevant resolutions to be proposed at the EGM to approve the Acquisition and the Specific Mandate.

The Acquisition also constitutes a reverse takeover of the Company under Rule 14.06(6)(b) of the Listing Rules for the reason that the Acquisition constitutes a very substantial acquisition from Mr. Wong made within 24 months of his gaining control of the Company. Accordingly, the Company is being treated as if it is a new listing applicant under Rule 14.54 of the Listing Rules. The Acquisition is subject to the approval by the Listing Committee of the new listing application to be made by the Company. The new listing application is required to comply with all the requirements of the Listing Rules.

Miss. Huang Jingshu is the daughter of Mr. Wong and is considered to be interested in the Acquisition and the Specific Mandate. Accordingly, Miss. Huang Jingshu has abstained from voting for the resolution proposed at the Board meeting to approve the Acquisition and the Specific Mandate.

SOLE SPONSOR, INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISOR

China Galaxy International Securities (Hong Kong) Co. Limited has been appointed as the Sole Sponsor of the Company for the deemed new listing application of the Company.

The Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Acquisition and the Specific Mandate. Octal Capital Limited has been appointed as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders on the terms of the Acquisition and the Placing.

AMENDMENTS TO THE MEMORANDUM AND ARTICLES

As a result of the anticipated issue of the Convertible Preference Shares at Completion as part consideration for the Acquisition, the Memorandum and Articles would need to be amended for the purpose of creating and issuing the Convertible Preference Shares. The amendments to the Memorandum and Articles will be subject to the approval of the Shareholders.

Details of the amendments to the Memorandum and Articles are set out below:

(a) Clause 1 of the Memorandum will be deleted in its entirety and replacing it with a new clause 1 of "1. The name of the Company is LVGEM (China) Real Estate Investment Company Limited 綠景(中國)地產投資有限公司.";

(b) Clause 7 of the Memorandum will be deleted in its entirety and replacing it with a new clause 7 of "7. The authorised share capital of the Company is HK$366,000,000 consisting of 30,000,000,000 shares of par value HK$0.01 each and 6,600,000,000 convertible preference shares of par value HK$0.01 each with the power for the Company to increase or reduce the said capital and to issue any part of its capital, original or increased, with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions; and so that, unless the condition of issue shall otherwise expressly declare, every issue of shares, whether declared to be preference or otherwise, shall be subject to the power hereinbefore contained.";

(c) The words "2004 Revision" in the existing article 1.(a) of the Articles will be replaced with the words "as revised";

(d) The words "2004 Revision" in the existing definition of "Companies Law" in article 1.(b) of the Articles will be replaced them with the words "as revised";

(e) A new definition of "CPS Holder" will be added in article 1.(b) of the Articles;

(f) A new definition of "Preference Share(s)" will be added in article 1.(b) of the Articles;

(g) The existing article 6 of the Articles will be deleted in its entirety and replacing it with a new article 6 of "6. The authorised share capital of the Company on the date of the adoption of these Articles is HK$366,000,000 divided into 30,000,000,000 shares of par value HK$0.01 each (the "Ordinary Shares") and 6,600,000,000 Preference Shares of par value HK$0.01 each.";

(h) The existing article 42 of the Articles will be deleted in its entirety and replacing it with a new article 42 of "42. Fully paid Shares shall be free from any restriction with respect to the right of the holder thereof to transfer such Shares (except when permitted by the HK Stock Exchange) and shall also be free from all liens. The Board however, may, in its absolute discretion, refuse to register (a) a transfer of any Share which is not fully paid to a person of whom it does not approve or any Share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists; (b) a transfer of any Share (whether fully paid up or not) to more than 4 joint holders or a transfer of any Shares (not being a fully paid up Share) on which the Company has a lien; and (c) a transfer of any Preference Share which does not comply with the Listing Rules.";

(i) The words "all Shareholders and" will be inserted immediately before the words "such persons as are" in existing article 65 of the Articles;

(j) The existing article 189 of the Articles will be deleted in its entirety and replacing it with a new article 189 of "189. If the Company shall be wound up, the surplus assets remaining after payment to all creditors shall be applied in the following manner and order of priority:

(a) first, an amount up to aggregate paid-up share capital of the total issued Preferred Shares to the CPS Holders in proportion to their respective shareholding in Preference Shares;

(b) second, an amount up to aggregate paid-up share capital of the total issued Ordinary Shares to the holders of Ordinary Shares in proportion to their respective shareholding in the Ordinary Shares; and

(c) third, with regard to the balance, to the CPS Holders and the holders of Ordinary Shares in proportion to their respective shareholding in the Ordinary Shares calculated on the assumption that all Preference Shares held by the CPS Holders have been converted into Ordinary Shares pursuant to these Articles." ;

(k) A new article 197 immediately following the existing article 196 of the Articles:–

"197. Notwithstanding any provisions of these Articles:–

(a) CPS Holders have no right to vote on any resolutions of the Company except for (i) the variation of rights of CPS Holders under Article 5 and (ii) the Special Resolutions referred to under Articles 188 and 190;

(b) at any general meeting and in respect of any resolution which a CPS Holder is entitled to vote, on a show of hands every CPS Holder who is present in person (or, in the case of a CPS Holder being a corporation, by its duly authorised representative) or by proxy, shall have one vote, and on a poll every CPS Holder present in person (or, in the case of a CPS Holder being a corporation, by its duly authorised representative) or by proxy,

shall have one vote for every Preference Share of which he is the holder. On a poll a CPS Holder entitled to more than one vote need not use all his votes or cast all his votes in the same way;

(c) the Preference Shares may not be redeemed by the Company or the CPS Holders;

(d) subject to the Listing Rules, a CPS Holder has the right to convert any number of Preference Share held by such CPS Holder into Ordinary Share(s) ("Conversion") by providing not less than 5 clear days written notice to the Board and such notice shall be a form prescribed by the Board from time to time;

(e) a Conversion shall be effected in such manner as the Board may, subject to the Articles and as the Companies Law or other applicable laws or regulations may allow, from time to time determine. Without prejudice to the generality of the foregoing, any Preference Shares to be converted under a Conversion may be effected by the repurchase of such Preference Shares on the relevant date of Conversion and the repurchase price consideration be applied as payment in full for the subscription of the new Ordinary Shares to be issued under the Conversion;

(f) each Preference Share is convertible into one Ordinary Share; and

(g) if and whenever the Ordinary Shares are consolidated or sub-divided into share(s) with a different par value, then the same consolidation or sub-division shall be effected on the Preference Shares.".

INCREASE IN AUTHORISED SHARE CAPITAL

In anticipation of the issue of the Convertible Preference Shares at Completion, the Directors proposed to increase the authorised share capital from HK$300,000,000 divided into 30,000,000,000 Shares of par value HK$0.01 each to HK$366,000,000 divided into 30,000,000,000 Ordinary Shares and 6,600,000,000 Convertible Preference Shares of par value HK$0.01 each by the creation of 6,600,000,000 new Convertible Preference Shares.

EXTRAORDINARY GENERAL MEETING

The notice convening the EGM to approve the Acquisition, the Specific Mandate, the amendments to the Memorandum and Articles and the increase in authorised share capital of the Company is set out on pages N-1 to N-6 of this circular.

The voting at the EGM will be conducted by way of poll. China LVGEM was beneficially interested in 1,010,844,583 Shares, representing approximately 73.03% of the total number of Shares in issue as of the Latest Practicable Date. China LVGEM is wholly owned by Go Great International Limited, which is in turn wholly owned by Mr. Wong. Accordingly, each of China LVGEM, Go Great International Limited and Mr. Wong is deemed to be interested in and entitled to exercise control over the voting rights in the

1,010,844,583 Shares held by China LVGEM, and each of China LVGEM, Go Great International Limited and Mr. Wong and their respective associates will abstain from voting for the resolutions proposed to approve the Acquisition and the Specific Mandate.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the share registrar of the Company at Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and, in any event, not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

An announcement of the poll results will be made after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

RECOMMENDATION

On the basis of the information set out in this circular, the Directors (including the independent non-executive Directors) consider that the Acquisition, the Specific Mandate, the amendments to the Memorandum and Articles and the increase in authorised share capital fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders to vote in favour of the resolutions proposed at the EGM.

FURTHER INFORMATION

Your attention is drawn to the other sections and appendices in this circular, which contain further information about the Reorganized Target Group, the Enlarged Group and other information that need to be disclosed in accordance with the Listing Rules. You should consider carefully all the information set out in the section headed "Risk Factors" of this circular before making a decision in relation to the resolutions proposed at the EGM or dealing in the securities of the Company.

SUBSEQUENT ACQUISITION

On July 30, 2015, Jianmai Limited, a 75%-owned subsidiary of the Company, as purchaser entered into an acquisition agreement with Hanison Construction Holdings (BVI) Limited as vendor and Sanney Limited as vendor's guarantor pursuant to which Jianmai Limited agreed to acquire from the vendor the entire issued share capital in Wisdom Concept Development Limited and the benefits of the loan extended by the vendor to Wisdom Concept Development Limited for an aggregate consideration of HK$710,000,000.

10% of the consideration, equivalent to HK$71,000,000, was paid upon the signing of the acquisition agreement, with the balance of the consideration payable at completion. As at the Latest Practicable Date, this acquisition had not been completed.

Wisdom Concept Development Limited is a company which was incorporated in Hong Kong in 1999. The principal assets of Wisdom Concept Development Limited are certain properties in Lau Fau Shan, Yuen Long, New Territories, Hong Kong, which are currently for agricultural use. The vendor and/or Wisdom

Concept Development Limited are in the process of applying to the Hong Kong Government for an in-situ land exchange. Such in-situ land exchange will involve a surrender to the Government of the land held by Wisdom Concept Development Limited and a regrant of the land back to Wisdom Concept Development Limited.

Set out below is certain audited financial information of Wisdom Concept Development Limited for the two financial years ended March 31, 2015:

	For the year ended March 31	
	2014	**2015**
	HK$	*HK$*
	Approximately	*Approximately*
Net loss before tax	8,400	12,100
Net loss after tax	8,400	12,100

The net asset value of Wisdom Concept Development Limited as at March 31, 2015 was approximately HK$55,500,000.

As it is intended that the current usage of the properties will be changed from agricultural use to residential use, the Board believes that the acquisition will present the Group with a good opportunity to engage in property development in Hong Kong.

For details of the acquisition, please refer to the announcement of the Company dated July 30, 2015.

WARNING

Shareholders and potential investors should note that the Completion is subject to the fulfillment of the conditions under the Agreement. In the event that approval of the new listing application of the Company is not granted, the Agreement will not become unconditional and the Acquisition will not proceed. As the Acquisition may or may not proceed to Completion, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

Yours faithfully,
By Order of the Board
LVGEM (China) Real Estate Investment Company Limited
HUANG Jingshu
Chairman



綠景(中國)地產投資有限公司

LVGEM LVGEM (CHINA) REAL ESTATE INVESTMENT COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(HKSE Stock Code: 95)

October 30, 2015

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION AND PROPOSED PLACING OF SHARES UNDER SPECIFIC MANDATE

We refer to the circular issued by the Company to Shareholders dated October 30, 2015 of which this letter forms a part. Terms defined in the circular shall have the same meanings in this letter unless the context otherwise requires.

The Independent Board Committee has been formed to advise you in relation to the Acquisition and the Placing, details of which are set out in the section headed "Letter from the Board" contained in the circular. Octal Capital Limited has been appointed as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in this regard. The text of the letter of advice from the Independent Financial Advisor containing its recommendations and the principal factors it has taken into account in arriving at its recommendations are set out on pages 50 to 92 of the circular.

Having considered the terms and conditions of the Agreement and the Placing and the advice and recommendations of Octal Capital Limited set out in its letter of advice, we consider that the transactions under the Agreement and the Placing are being carried out on normal commercial terms and in the ordinary and usual course of business of the Company, the terms of which are fair and reasonable and the Acquisition and the Placing are in the interests of the Company and the Shareholders as a whole.

On the basis above, we recommend that the Independent Shareholders vote in favour of the ordinary resolutions approving the Acquisition and the Specific Mandate at the EGM.

Yours faithfully,
For and on behalf of
Independent Board Committee
LVGEM (China) Real Estate Investment Company Limited
Mr. ZHU Jiusheng Mr. WANG Jing Ms. HU Gin Ing
Independent Non-executive Directors



Octal Capital Limited
801-805, 8th Floor, Nan Fung Tower
88 Connaught Road Central
Hong Kong

October 30, 2015

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company (together with its subsidiaries, the "**Group**") dated 30 October, 2015 (the "**circular**"), of which this letter forms a part. Capitalized terms used in this letter shall have the same meaning as those defined in the circular unless the context otherwise requires.

As set out in the Letter from the Board, on June 2, 2015, the Purchaser, a wholly owned subsidiary of the Company, and Mr. Wong entered into the Agreement pursuant to which Mr. Wong conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares. The Sale Shares represent the entire issued capital of the Target Company. As the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) in respect of the Acquisition are more than 100%, the Acquisition constitutes a very substantial acquisition for the Company. In addition, Mr. Wong is the controlling shareholder and a connected person of the Company. Accordingly, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the approval by the Independent Shareholders at the EGM by way of poll. Mr. Wong and his associates are required to abstain from voting on the relevant resolutions to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

Further, the Acquisition constitutes a reverse takeover of the Company under Rule 14.06(6)(b) of the Listing Rules for the reason that the Acquisition constitutes a very substantial acquisition from Mr. Wong made within 24 months of Mr. Wong gaining control of the Company. Accordingly, the Company is being treated as if it is a new listing applicant under Rule 14.54 of the Listing Rules. The Acquisition is subject to the approval by the Listing Committee of the new listing application to be made by the Company.

An independent board committee comprising all independent non-executive Directors of the Company, namely Mr. Zhu Jiusheng, Mr. Wang Jing and Ms. Hu Gin Ing, has been established to consider and advise the Independent Shareholders on whether the Acquisition and the transactions contemplated

under the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The advice of the Independent Board Committee as regards the Acquisition is contained in its letter included in the circular.

We, Octal Capital Limited, have been appointed as the independent financial advisor to advise the Independent Board Committee and the Independent Shareholders on the Acquisition and the transactions contemplated under the Agreement in this regard. We are not connected with the directors, chief executive and substantial shareholders of the Company, the Target Company or Mr. Wong or any of their respective subsidiaries or their respective associates and do not have any shareholding, directly or indirectly, in any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group as of the Latest Practicable Date and therefore is considered suitable to give independent advice to the Independent Shareholders. During the last two years, there was no engagement between the Company, the Target Company or Mr. Wong or any of their respective subsidiaries or their respective associates and us. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Enlarged Group or the directors, chief executive and substantial shareholders of the Enlarged Group or any of its subsidiaries or their respective associates.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the circular and have assumed that all information and representations made or referred to in the circular as provided by the management of the Enlarged Group were true at the time they were made and continue to be true as of the date of the circular. We have also relied on our discussion with the management of the Enlarged Group regarding the Acquisition including the information and representations contained in the circular. We have also assumed that all statements of belief, opinion and intention made by the management of the Enlarged Group in the circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Enlarged Group or Mr. Wong or their respective associates, nor have we carried out any independent verification of the information supplied to us.

THE ACQUISITION

Principal factors and reasons considered

In arriving at our opinion regarding the terms of the Acquisition, we have considered the following principal factors and reasons:

1. Information on the Group

1.1. Business of the Group

The Group is principally engaged in property development and property investment businesses in the PRC. As of 31 December 2014, the Group's property development projects were located in Suzhou, the PRC and comprise (i) the Taihu Garden Court at Guangfu Town, Wuzhong, Suzhou; (ii) the Lakeside Garden Court at Shengze Town, Wuzhong, Suzhou and (iii) the Wuzhong Office Building at Wuzhong District, Suzhou. The Group's investment properties were located in the prime business district of the Suzhou New District which comprise (i) the SGV Plaza; (ii) the Garden Court Plaza; and (iii) the SGV Apartments. On 30 April 2015, the Company announced its intention to enter the property market of Shenzhen, the PRC by acquiring 75% interest in a property project company whose principal asset is a land located at Baoan District, Shenzhen and the buildings erected thereon. The land has an aggregate area of approximately 22,892 sq.m. and the buildings have an aggregate GFA of approximately 38,365 sq.m.

1.2. Financial information of the Group

As extracted from the Company's interim report for the six months ended 30 June 2015, ("**2015 Interim Report**") annual report for the year ended 31 December 2014 (the "**2014 Annual Report**") and the year ended 31 December 2013 (the "**2013 Annual Report**"), the following table summarizes the financial performance of the Group for the year ended 31 December 2012, 2013 and 2014 respectively:

	For the year ended 31 December			For the six months ended 30 June	
	2012	**2013**	**2014**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	272,102	212,402	524,305	91,121	44,671
Gross profit	48,900	31,709	108,472	24,697	16,409
Profit/(Loss) before tax	31,228	21,569	42,273	(913)	(986)
Profit/(Loss) for the year attributable to owners of the Company	8,208	(14,739)	16,326	(9,941)	(2,400)

For the six months ended 30 June 2015

The Group's revenue mainly comprised of revenue from sales of properties held for sale and leasing of investment properties. The Group's revenue for the six months ended 30 June 2015 was approximately HK$91.1 million, representing an increase of 104% as compared with the same period last year. The increase in the Group's revenue was mainly due to the increase in revenue from sales of properties held for sale.

The revenue from sales of properties held for sale included the disposal of 14 low-density townhouses in Taihu Garden Court Phases 2 and 3, 2 low density townhouses and 44 residential apartment units in Lakeside Garden Court Phases 3 and 4 of approximately HK$41.1 million, approximately HK$5.9 million and approximately HK$34.2 million respectively. The Group's total gross floor area of properties held for sale sold during the six months ended 30 June 2015 was approximately 7,500 sq.m.

Revenue from leasing of investment properties for the six months ended 30 June 2015 was approximately HK$9.9 million. The revenue generated from leasing of investment properties at Suzhou Garden Villa and two retail centres in Suzhou as well as investment properties in Shenzhen which were acquired by the Group in the period under review were approximately HK$1.3 million, approximately HK$6.0 million and approximately HK$2.6 million respectively.

For the six months ended 30 June 2015, the Group's gross profit amounted to approximately HK$24.7 million. The gross profit margin for the six months ended 30 June 2015 was approximately 27% as compared to approximately 37% for the same period last year.

For the year ended 31 December 2014

During the year ended 31 December 2014, the Group's revenue mainly comprised of revenue from sales of properties and leasing of investment properties. The Group's revenue for the year ended 31 December 2014 was approximately HK$524.3 million, representing an increase of approximately 147% when compared with the year ended 31 December 2013. The increase in the Group's revenue was mainly due to the increase in revenue from sales of properties. The revenue from sales of properties included the disposal of 18 low-density townhouses in Taihu Garden Court Phase 1, 2 and 3, 6 low-density townhouses and 558 residential apartment units in Lakeside Garden Court Phase 3 and 4 as well as 1 residential apartment unit in Suzhou Garden Towers of approximately HK$54.0 million, approximately HK$16.3 million, approximately HK$433.6 million and approximately HK$5.9 million respectively. The Group's total gross floor area of development properties sold for the year ended 31 December 2014 was approximately 53,300 sq.m. Revenue from leasing of investment properties for the year ended 31 December 2014 was approximately HK$14.5 million. The revenue generated from leasing of investment properties in Suzhou Garden Villa and two retail centres were approximately HK$2.6 million and approximately HK$11.9 million respectively.

For the year ended 31 December 2014, the Group's gross profit amounted to approximately HK$108.5 million. The gross profit margin for the year ended 31 December 2014 was approximately 21% as compared to approximately 15% for the year ended 31 December 2013. Profit attributable to the owners of the Company was approximately HK$16.3 million for the year ended 31 December 2014 which represented a turnaround from a net loss of approximately HK$14.7 million for the year ended 31 December 2013, primarily due to the significant increase in revenue for the year ended 31 December 2014.

For the year ended 31 December 2013

The Group's revenue for the year ended 31 December 2013 was approximately HK$212.4 million, representing a decrease of approximately 22% when compared with the year ended 31 December 2012. The decrease in the Group's revenue was mainly due to decrease in revenue from recognized property development sales. The revenue from recognized property development sales for the year included the disposal of 45 low-density townhouses in Taihu Garden Court Phases 1 and 2, 2 residential apartment units and 25 low-density townhouses in Lakeside Garden Court Phases 2 and 3 of approximately HK$129.8 million, approximately HK$1.6 million and approximately HK$68.1 million respectively. The Group's total gross floor area of development properties sold for the year ended 31 December 2013 was approximately 16,100 sq.m. Leasing revenue from investment properties for the year ended 31 December 2013 was approximately HK$12.9 million which was generated from investment properties in Suzhou Garden Villa and two retail centres being approximately HK$2.6 million and HK$10.3 million respectively.

For the year ended 31 December 2013, the Group's gross profit amounted to approximately HK$31.7 million. The gross profit margin for the year ended 31 December 2013 was approximately 15% as compared to approximately 18% for the year ended 31 December 2012. The decrease in gross profit margin was mainly caused by the impairment loss on car parks under properties held for sale of approximately HK$14.8 million. The loss attributable to the owners of the Company was approximately HK$14.7 million for the year ended 31 December 2013, which represented a significant decline from the net profit of approximately HK$8.2 million for the period ended 31 December 2012.

As extracted from the 2013 Annual Report, the 2014 Annual Report and 2015 Interim Report, the table below summaries the consolidated financial position of the Group as of 31 December 2012, 2013, 2014 and 30 June 2015 respectively:

	As of 31 December			As of 30 June
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)
Assets				
Non-current assets	528,570	533,854	312,630	597,869
Property, plant and equipment	49,359	47,611	9,588	9,831
Investment properties	304,594	318,899	301,738	586,734
Interests in associates	137,402	137,922	–	–
Goodwill	37,048	29,249	–	–
Deferred tax assets	167	173	1,304	1,304
Current assets	1,088,053	1,343,022	1,000,424	842,529
Properties held under development	418,816	457,085	105,465	111,142
Properties held for sale	294,334	343,501	359,633	299,424
Other inventories	65	67	24	26
Accounts receivable	139	166	10	39
Deposits paid, prepayments and other receivables	32,486	47,543	24,400	22,268
Tax recoverable	12,338	22,648	4,419	20,417
Restricted bank deposits	38,876	36,230	23,335	14,525
Bank balances and cash	290,999	435,782	483,138	374,634
Total assets	1,616,623	1,876,876	1,313,054	1,440,398
Liabilities				
Non-current liabilities	141,468	150,202	141,801	64,751
Borrowings	19,771	96,455	89,448	11,375
Convertible notes	74,350	–	–	–
Deferred tax liabilities	47,347	53,747	52,353	53,376
Current liabilities	447,534	655,737	136,935	288,486
Accounts payable	92,197	112,179	71,664	43,429
Accruals, deposits received and other payables	135,810	416,245	52,518	121,687
Tax payable	–	–	3,700	4,547
Convertible notes	–	42,140	–	–
Borrowings	219,527	85,173	9,053	118,823
Total liabilities	589,002	805,939	278,736	353,237
Net assets attributable to owners of the Company	930,967	973,325	988,845	977,339

The total assets of the Group amounted to approximately HK$1,616.6 million, HK$1,876.9 million, HK$1,313.1 million and HK$1,440.4 million as of 31 December 2012, 2013, 2014 and 30 June 2015 respectively. As of 31 December 2014, the total assets of the Group primarily comprised investment properties, properties held for sale and bank balances and cash, which respectively accounted for approximately 23.0%, 27.4% and 36.8% of the total assets of the Group as of 31 December 2014.

The total liabilities of the Group amounted to approximately HK$589.0 million, HK$805.9 million, HK$278.7 million and HK$353.2 million as of 31 December 2012, 2013, 2014 and 30 June 2015 respectively. As of 31 December 2014, long-term and short-term borrowings were the major items of liabilities of the Group, which together accounted for approximately 35.3% of the total liabilities of the Group as of 31 December 2014.

The net assets attributable to the owners of the Company were approximately HK$988.8 million as of 31 December 2014. The net asset value per Share was approximately HK$0.71 as of 31 December 2014.

The gearing ratio of the Group (measured as total liabilities divided by total assets) was approximately 36.4%, 42.9%, 21.2% and 24.5% as of 31 December 2012, 2013, 2014 and 30 June 2015 respectively. The decrease in gearing from 2013 to 2014 is primarily attributable to the decrease in short-term borrowings and payables of the Group.

2. Information of the Reorganized Target Group

2.1. Business of the Reorganized Target Group

The Reorganized Target Group was established in 1995 and Mr. Wong took control of the Reorganized Target Group in 1997. With its roots in Shenzhen, the Reorganized Target Group was a pioneer in the redevelopment of urban villages of Shenzhen. With close to 20 years of development, the Reorganized Target Group has developed a diverse portfolio of 16 completed projects spanning across Shenzhen and the Pearl River Delta region. The Reorganized Target Group focuses on the development of urban boutique residences, community-based lifestyle and shopping centers and urban complexes in Shenzhen and the Pearl River Delta region, one of the most economically prosperous and vibrant regions in China. The Reorganized Target Group's property portfolio is classified as follows:

- *Urban boutique residences* – the Reorganized Target Group's urban boutique residences are located in urban areas which are commercially prosperous with scenic surroundings and convenient access to transportation facilities. Examples of the Reorganized Target Group's boutique residences include LVGEM Chanson Garden (綠景香頌花園), LVGEM 1866 Garden (公館1866花園), Hongwan Garden (虹灣花園), Mangrove Luxury Garden (紅樹華府), City Garden (城市立方花園) and Phase II of LVGEM Garden (綠景花園二期).

- *Zoll Centers* – the Reorganized Target Group develops community-based lifestyle and shopping centers under the "Zoll" (佐玲) brand. The Zoll Centers are primarily located in mature communities in downtown areas, and typically neighbor the Reorganized Target Group's urban boutique residences. As of 30 April 2015, the Reorganized Target Group owned and operated two Zoll Centers including Chanson Zoll Center (香頌佐玲中心) and 1866 Zoll Center (1866佐玲中心), and had two Zoll Centers under construction, namely Hongwan Zoll Center (虹灣佐玲中心) and Mangrove Luxury Garden Zoll Center (紅樹華府佐玲中心).

- *NEO Urban Commercial Complex* – the NEO Urban Commercial Complex (NEO都市商務綜合體) is located at the central business district of Shenzhen and consists of Tower A, Tower B and Tower C. A substantial portion of Tower A, a skyscraper which offers Grade-A office spaces, and all retail spaces of Tower B and Tower C are owned by the Reorganized Target Group.

- *Hotel* – the Reorganized Target Group's LVGEM Hotel (綠景錦江酒店) is a business hotel conveniently located in the central business district in Shenzhen.

During the Track Record Period, the property portfolio of the Reorganized Target Group consisted of 14 completed projects, five projects under development, two projects with land held for future development and two projects planned to be redeveloped or contracted to be acquired for future development. The completed projects have an aggregate site area of approximately 422,549 sq.m. and an aggregate GFA of approximately 1,785,732 sq.m., and the projects under development have an aggregate site area of approximately 112,241 sq.m. and an aggregate GFA of approximately 884,662 sq.m. The projects held for future development have an aggregate site area of approximately 741,905 sq.m.. The projects planned to be redeveloped or contracted to be acquired by the Reorganized Target Group have an aggregate site area of approximately 285,067 sq.m. Of these Reorganized Target Group's projects for the three years ended 31 December 2014 and the four months ended 30 April 2015, 18 projects are located in Shenzhen, three projects in Maoming and two projects in Yiyang.

As of 30 April 2015, the Reorganized Target Group also had three residential property projects and two commercial property projects under development with a total site area of 112,241 sq.m. and planned GFA of 884,662 sq.m., and had acquired, or had planned to redevelop or contracted to acquire, land for four property projects with a total site area of 1,026,972 sq.m. The table below sets forth an overview of the GFA of the Reorganized Target Group's completed projects and projects under development during the Track Record Period at each development stage by geographic region:

Location	**Number of projects**	**GFA completed**	**GFA under development**
Shenzhen	16	1,615,960	672,823
Maoming	2	38,456	211,839
Yiyang	1	131,317	N/A
Total	19	1,785,732	884,662

The tables below set forth summary information of the Reorganized Target Group's property portfolio since commencement of its operations up to 30 April 2015:

Completed projects

Project name[(1)]	**Location**	**Site area**[(2)] *(sq.m.)*	**Total GFA attributable to the Reorganized Target Group**[(3)] *(sq.m.)*	**Total commercial LFA held for investment**[(4)] *(sq.m.)*	**Construction completion**
LVGEM Garden Estate (綠景山莊)	Shenzhen	42,813	72,500	3,820	April 2000
Phase I of LVGEM New Garden (綠景新苑一期)	Shenzhen	8,858	37,320	0	January 2002
Phase II of LVGEM New Garden (綠景新苑二期)	Shenzhen	6,760	27,021	4,864	February 2004
Lanwan Peninsula Community (藍灣半島社區)	Shenzhen	39,304	215,343	5,293	August 2004
Phase II of LVGEM Garden (綠景花園二期)	Shenzhen	20,677	149,708	20,987	June 2005
Zhongcheng Tianyi Garden (中城天邑花園)	Shenzhen	19,682	118,738	0	December 2008
LVGEM Hotel[(10)] (綠景錦江酒店)	Shenzhen	4,978	25,751	4,412	December 2008
Phase I Zhonghe Tixiang Famous Garden (中核緹香名苑一期)	Yiyang	70,180	131,317	0	April 2009
NEO Urban Commercial Complex (NEO都市商務綜合體) (including Tower A, Tower B and Tower C)	Shenzhen	19,295	223,279	105,870	May 2011
City Garden (城市立方花園)	Shenzhen	47,372	132,669	4,886	November 2010

Project name[1]	Location	Site area[2] *(sq.m.)*	Total GFA attributable to the Reorganized Target Group[3] *(sq.m.)*	Total commercial LFA held for investment[4] *(sq.m.)*	Construction completion
LVGEM Chanson Garden[5] (綠景香頌花園)	Shenzhen	26,117	142,903	23,368	December 2012
LVGEM Chanson Meilu Garden[5] (綠景香頌美廬園)	Shenzhen	5,540	18,702	313	May 2013
LVGEM 1866 Garden[6] (公館1866花園)	Shenzhen	77,795	384,504	43,335[4]	August 2013
Block A1 of LVGEM International Garden (綠景國際花城(A1區))	Maoming	48,795	38,456	–	December 2014
Total		**438,167**	**1,718,209**	**217,147**	

Projects under development

Project name[1]	Location	Site area[2] *(sq.m.)*	Total GFA attributable to the Reorganized Target Group[3] *(sq.m.)*	Estimated total LFA held for investment *(sq.m.)*	Expected construction completion	Pre-sale commencement
Hongwan Garden[7] (虹灣花園)	Shenzhen	32,785	295,009	34,481[4]	December 2015	October 2014
Block A2 of LVGEM International Garden (綠景國際花城(A2區))	Maoming	55,032	211,839	25,199	December 2015	August 2014
Mangrove Luxury Garden[8] (紅樹華府)	Shenzhen	24,424	231,450	20,500[4]	March 2017	Fourth quarter of 2015[9]
Total		**112,241**	**738,298**	**80,180**		

Projects held for future development

Project name[(1)]	Location	Site area[(2)] *(sq.m.)*	Expected construction commencement
Land Lot of LVGEM International Garden (綠景國際花城地塊)	Maoming	714,534	2016
Phase II of Zhonghe Tixiang Famous Garden (中核緹香名苑二期)	Yiyang	27,371	2016
Total		**741,905**	

Projects planned to be redeveloped or contracted to be acquired by the Reorganized Target Group

Project name[(1)]	Location	Site area[(2)] *(sq.m.)*
Meijing Project (美景項目)	Shenzhen	13,865
Liguang Project (黎光項目)	Shenzhen	271,202
Total		**285,067**

Notes:

(1) Project names used are names the Reorganized Target Group has used, or intends to use, to market its properties. Some of the project names are still subject to the approval of the relevant authorities and may differ from the names registered with the relevant authorities as the Reorganized Target Group may have subsequently renamed its projects to better suit its marketing needs.

(2) The site area data above have been derived from the data contained in the relevant land use rights certificates and real estate title certificates.

(3) Total GFA attributable to the Reorganized Target Group consists of saleable GFA and non-saleable GFA and such data have been calculated by deducting the following from the total GFA: (i) GFA used for resettlement compensation according to the relevant land grant contracts; and/or (ii) GFA required to be transferred to the government pursuant to the relevant land grant contracts (such as GFA used as garbage stations) (where applicable).

(4) LFA refers to space currently available to generate rental income.

(5) Data of LVGEM Chanson Garden and LVGEM Chanson Meilu Garden include data of Chanson Zoll Center.

(6) Data of LVGEM 1866 Garden includes data of 1866 Zoll Center.

(7) Data of Hongwan Garden includes data of Hongwan Zoll Center.

(8) Data of Mangrove Luxury Garden includes data of Mangrove Luxury Garden Zoll Center.

(9) The Reorganized Target Group expects the conditions precedent for pre-sales of properties in this project will be satisfied in the fourth quarter of 2015. However, the actual pre-sale commencement date will depend on market conditions.

(10) LVGEM Hotel is part of Zhongcheng Tianyi Garden. The site area data of LVGEM Hotel has been derived from the data contained in land use rights certificate of Zhongcheng Tianyi Garden.

In addition to the above, the Reorganized Target Group owns and operates a substantial portion of the commercial properties it developed for long-term investment purposes. These commercial properties include the Zoll Centers, NEO Urban Commercial Complex and other retail spaces. The Reorganized Target Group holds these commercial properties for capital appreciation and leases them to generate rental income. In addition, the Reorganized Target Group charges certain tenants with promotion fees, and site use fees and advertising space use fees. As of 30 April 2015, the Reorganized Target Group held a total of eight properties as investment properties with an aggregate LFA of 212,735 sq.m.

The Zoll Centers are series of community-based lifestyle and shopping centers. As of 30 April 2015, the Reorganized Target Group owned and operated two Zoll Centers, including Chanson Zoll Center (香頌佐玲中心) and 1866 Zoll Center (1866佐玲中心), which commenced operations in May 2013 and May 2014, respectively, and had two Zoll Centers under construction, namely Hongwan Zoll Center (虹灣佐玲中心) and Mangrove Luxury Garden Zoll Center (紅樹華府佐玲中心), which are expected to commence operations in May 2016 and May 2017, respectively. The table below sets forth certain operational data regarding the Zoll Centers as of 30 April 2015:

	LFA	**Occupancy rate**
	(sq.m.)	*(%)*
Chanson Zoll Center	23,681	96
1866 Zoll Center	43,335	96

On the other hand, the NEO Complex, which commenced operations in May 2011, is a large urban complex primely located at the junction of Shennan Boulevard and Xiangmihu Road at the central business district of Futian District, Shenzhen. The NEO Complex, developed and operated by the Reorganized Target Group, has a site area of 19,295 sq.m. and comprises three main buildings, namely Tower A, a skyscraper which offers Grade A office spaces, and Tower B and C which offer office, retail and residential spaces.

Tower A, a Grade A office building, is one of the tallest skyscrapers in Shenzhen. It had a total GFA of approximately 130,613 sq.m. and an aggregate LFA of approximately 94,226 sq.m. as of 30 April 2015. Tower B and Tower C had a total GFA of approximately 121,926 sq.m. and an aggregate LFA of approximately 11,644 sq.m. as of 30 April 2015. As of 31 December 2012, 2013 and 2014 and 30 April 2015, the NEO Complex enjoyed an occupancy rate of 91%, 97%, 98% and 98%, respectively. Currently, the NEO Complex serves a large range of tenants including banks, telecommunication companies and other national companies.

The Reorganized Target Group commenced operating its LVGEM Hotel in April 2011. LVGEM Hotel is conveniently located in the central business district of Futian District of Shenzhen. LVGEM Hotel occupies a total site area of 4,978 sq.m. and has an aggregate GFA of 25,751 sq.m. The LVGEM Hotel is well equipped with two multi-functional halls, a banquet hall and a video conference meeting room, as well as two restaurants which serve Chinese and Western cuisines, a physical fitness center, a spa, a yoga room and a chess room to meet the business, recreational and social needs of business guests and travelers. It has a total of over 330 rooms offering five room types that cater to the needs of different customers.

2.2. Financial information of the Target Group

The financial information of the Target Group is set out in the section headed "Financial Information of the Target Group" in the circular. In line with the disclosure in the section headed "Financial Information of the Target Group" in the circular, the financial information below include operating results of the Disposed Subsidiaries for the respective periods. We summaries as follows the financial performance of the Target Group for the three years ended 31 December 2014 and the four months ended 30 April, 2014 and 2015:

	For the year ended 31 December			**For the four months ended 30 April**	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	485,013	1,970,580	4,850,634	2,277,044	207,936
Cost of sales	(241,746)	(1,160,836)	(2,493,449)	(1,198,838)	(69,962)
Gross profit	243,267	809,744	2,357,185	1,078,026	137,974
Profit before taxation	461,177	1,006,354	2,861,222	1,496,855	110,335
Profit for the year	331,429	680,298	1,728,959	958,889	77,193

Revenue

The Target Group derives its revenue primarily from property development and sales, commercial property investment and operations and comprehensive services. Revenue from property development constitutes substantially all of the Target Group's revenue. For the four months ended 30 April 2015, the Target Group's revenue was approximately RMB207.9 million, representing a decrease of approximately 90.9% from the four months ended 30 April 2014. The decrease was mainly attributable to the decrease in revenue from property development and sales segment, from approximately RMB2,112.7 million during the four months ended 30 April 2014 to approximately RMB12.2 million during the four months ended 30 April 2015.

The Target Group's revenue was approximately RMB4,850.6 million for the year ended 31 December 2014, representing an increase of approximately 146.2% from the year ended 31 December 2013. The increase was mainly attributable to the increase in revenue from the Target Group's property development and sales segment from approximately RMB1,523.9 million in 2013 to approximately RMB4,300.5 million in 2014. The increase in revenue was mainly due to an increase in total recognized GFA, from approximately 102,682 sq.m. in 2013 to approximately 207,297 sq.m. in 2014. The increase in total recognized GFA was primarily attributable to the sales of properties of the LVGEM 1866 Garden project, from which the Target Group recognized GFA of approximately 190,347 sq.m. in 2014.

For the year ended 31 December 2013, the Target Group's revenue was approximately RMB1,970.6 million, representing an increase of approximately 306.3% from 2012. The increase was mainly attributable to the increase in revenue from the Target Group's property development and sales segment, from approximately RMB138.8 million in 2012 to approximately RMB1,523.9 million in 2013, which in turn was mainly due to an increase in total recognized GFA, from approximately 12,429 sq.m. in 2012 to approximately 102,682 sq.m. in 2013. The increase in total recognized GFA was primarily attributable to the sales of properties in the LVGEM Chanson Garden and the LVGEM Chanson Meilu Garden (residential properties) from which the Target Group recognized GFA of approximately 86,032 sq.m. and 10,768 sq.m., respectively, in 2013.

Cost of sales

The Target Group's cost of sales primarily consists of the costs it incurs directly in relation to its property development and sales activities, commercial property investment and operations, and its comprehensive services. For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April, 2014 and 2015, the Target Group's cost of sales was approximately RMB241.7 million, RMB1,160.8 million, RMB2,493.4 million, RMB1,198.8 million and RMB70.0 million respectively, representing approximately 49.8%, 58.9%, 51.4%, 52.6% and 33.6% of its revenue for the respective periods.

Gross profit and gross profit margin

The Target Group's gross profit for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April, 2014 and 2015 was RMB243.3 million, RMB809.7 million, RMB2,357.2 million, RMB1,078.2 million and RMB138.0 million respectively. The Target Group's gross profit margin for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April, 2014 and 2015 was 50.2%, 41.1% and 48.6%, 47.4% and 66.4% respectively.

Profit for the year and net profit margin

For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April, 2014 and 2015, the Target Group had profit of approximately RMB331.4 million, RMB680.3 million, RMB1,729.0 million, RMB958.9 million and RMB77.2 million respectively. The Target Group's net profit margin for the year ended 31 December 2012, 2013, 2014 and the four months ended 30 April 2014 and 2015 was approximately 68.3%, 34.5%, 35.6%, 42.1% and 37.1%, respectively.

Set out below is a summary of the combined statements of financial position of the Target Group as of 31 December 2012, 2013 and 2014 and 30 April 2015 respectively:

	As of 31 December			As of 30
	2012	2013	2014	April 2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Non-current assets	9,684,042	11,133,395	12,629,505	12,786,019
Property, plant and equipment	427,663	419,332	391,883	375,043
Intangible assets	1,427	3,041	3,756	3,826
Investment properties	8,588,246	9,770,764	11,143,025	11,294,875
Interest in joint ventures	465,350	505,197	521,757	525,104
Other investments	5,535	297,620	347,767	347,767
Deferred tax assets	195,821	137,441	221,317	239,404
Current assets	6,392,182	7,438,075	7,878,996	8,339,372
Inventories	5,268,118	5,311,839	4,934,458	5,599,140
Prepaid tax	101,104	163,579	17,625	34,740
Trade and other receivables	446,891	772,171	825,207	469,180
Restricted cash	43,085	387,898	741,878	1,522,765
Cash and cash equivalents	512,984	652,588	1,099,118	713,547
Other current assets	20,000	150,000	260,710	–
Total assets	16,076,224	18,571,470	20,508,501	21,125,391
Liabilities				
Non-current liabilities	3,988,810	6,345,200	8,463,759	8,691,035
Bank loans and other borrowings	2,281,985	4,463,705	6,253,538	6,516,720
Deferred tax liabilities	1,706,825	1,881,495	2,210,221	2,174,315
Current liabilities	7,529,897	6,975,089	5,064,902	5,479,534
Trade and other payables	5,501,320	5,813,005	2,646,612	3,155,416
Bank loans and other borrowings	1,874,793	1,029,069	1,762,494	1,622,576
Current tax liabilities	153,784	133,015	655,796	701,542
Total liabilities	11,518,707	13,320,289	13,528,661	14,170,569
Net assets	4,557,517	5,251,181	6,979,840	6,954,822
Capital and reserves				
Total equity attributable to owners of the Reorganized Target Group	4,541,882	5,225,664	6,953,837	6,940,323
Non-controlling interests	15,635	25,517	26,003	14,499
Total equity	4,557,517	5,251,181	6,979,840	6,954,822

The assets of the Target Group primarily comprise investment properties and inventories. Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the "**Valuer**"), an independent property valuer, valued the Target Group's investment properties at approximately RMB8,588.2 million, RMB9,770.8 million, RMB11,143.0 million and RMB11,294.9 million as of 31 December 2012, 2013 and 2014 and as of 30 April 2015 respectively.

The liabilities of the Target Group primarily comprise bank loans and other borrowings. The Target Group's outstanding current and non-current secured bank loans, guaranteed bank loans and secured other borrowings in aggregate amounted to approximately RMB4,156.8 million, RMB5,492.8 million, RMB8,016.0 million and RMB8,139.3 million as of 31 December 2012, 2013 and 2014 and as of 30 April 2015, respectively.

The net assets of the Target Group attributable to equity holders of the Target Group as of 31 December 2014 and 30 April 2015 was approximately RMB6,953.8 million and RMB6,940.3 million respectively.

3. Reasons for the Acquisition

As stated in the Letter from the Board, since the change in control of the Company, the Company has been exploring opportunities to be more involved in the property development business in the PRC. Given the well established market position of the Reorganized Target Group in the property development business in Shenzhen, the Board considers that the Acquisition would provide a more established property development platform for the Group to expand in the PRC and enable the Enlarged Group to achieve geographical coverage to the Pearl River Delta and the Yangtze River Delta. The Acquisition will also substantially enhance the property profile, net asset value and revenue base of the Enlarged Group upon Completion.

Given (i) the Reorganized Target Group's strong financial position, (ii) the Reorganized Target Group's established track record in property development in prime location spanning across Shenzhen and the Pearl River Delta in the PRC, and (iii) the Reorganized Target Group's sizeable property profile, the Directors consider that the Acquisition will raise the Group's profile and provide a strong platform for the Enlarged Group's further development and the Enlarged Group will also be in a much enhanced position and better capacity to raise funds and obtain equity financing through the Company for future projects and development so as to increase the overall profitability of the Group and create value for its Shareholders.

Overview of the property market in China

As a result of China's rapid economic growth and strong disposable income growth, China's property market has been developing significantly in the past years. The amount of property investment in China rose from approximately RMB3,624 billion in 2009 to approximately RMB9,504 billion in 2014, and the total GFA of properties sold per year increased from 948 million sq.m. in

2009 to 1,206 million sq.m. in 2014. Supply and demand for properties for commercial uses, office buildings and hotels have seen a steady increase over the same period. According to the National Bureau of Statistics of China, there was an increase in the GFA of properties completed and GFA of properties sold for commercial properties and office buildings between 2009 and 2014.

Overview of the property market in Shenzhen

With a total population of 10.6 million in 2014, Shenzhen is the second largest city in Guangdong province. The city covers an area of 1,991.64 square kilometers and consists of six districts and four new districts. Located at the forefront of the Pearl River Delta and connected to Hong Kong in the south and Daya Bay in the east, Shenzhen is an important coastal communication hub in southern China, and it ranked fourth among all cities in China in terms of the economic output in 2014. Shenzhen has maintained a sustainable growth on its GDP over the past 6 years, with an average growth rate of 14.3% from 2009 to 2014. Moreover, the GDP per capital increased at an average rate of 12.2% from RMB84,147 in 2009 to RMB149,500 in 2014. The economic growth has led to an increase in the consumption power of Shenzhen residents, as evidenced by the increase in the retail sales of consumer goods with an average growth rate of 13.5% from 2009 to 2014.

As a rapidly growing metropolis, Shenzhen has seen a growth of investment in the city's fixed assets, especially in the real estate sector. The total real estate investment in Shenzhen increased from RMB43.8 billion in 2009 to approximately RMB88.8 billion in 2013, representing a CAGR of 19.4%. In the real estate sector, focus has been particularly placed on the retail properties segment. The total area of retail properties newly completed reached 0.5 million sq.m. in 2013 from 0.32 million sq.m. in 2009 and representing a CAGR of 13.5%. Due to limited land resources, the total GFA of residential properties completed in Shenzhen decreased from 2.7 million sq.m. in 2009 to 2.0 million sq.m. in 2014. On the other hand, the average selling price increased from RMB14,858 per sq.m. in 2009 to RMB21,808 per sq.m. in 2013, representing a CAGR of 10.1%. According to the Market Research Report, Shenzhen ranked first in China in terms of sales price increases for residential

properties in the three quarters of 2015, and also ranked first in China in terms of rental price increases for Grade A office space in 2014 and the first half of 2015. The table below sets out selected property market statistics of Shenzhen for the periods indicated:

	2009	2010	2011	2012	2013	2009-2013 CAGR
Fixed asset investment (RMB' billion)	170.9	194.5	206.1	219.4	240.2	8.9%
Real estate investment (RMB' billion)	43.8	45.9	51.5	73.7	88.8	19.4%
GFA of residential properties completed (million sq.m.)	2.7	2.5	2.3	2.9	2.0	-7.6%
GFA of office properties completed (million sq.m.)	0.25	0.32	0.21	0.12	0.31	5.3%
GFA of retail properties completed (million sq.m.)	0.32	0.25	0.36	0.40	0.53	13.5%
GFA of residential properties sold (million sq.m.)	7.2	4.1	4.7	4.9	5.3	-7.4%
GFA of office properties sold (million sq.m.)	0.20	0.15	0.10	0.06	0.21	2.1%
GFA of retail properties sold (million sq.m.)	0.18	0.22	0.17	0.21	0.19	1.3%

	2009	2010	2011	2012	2013	2009-2013 CAGR
Average price of residential properties (RMB per sq.m.)	14,858	20,297	19,038	18,848	21,808	10.1%
Average price of office properties (RMB per sq.m.)	23,919	24,797	39,481	37,814	36,402	11.1%
Average selling price of retail properties (RMB per sq.m.)	20,826	23,346	31,654	29,859	18,059	-3.5%
Number of hotels (5-star)	14	17	18	18	20	9.3%
Number of hotels (4-star)	31	30	32	27	26	-4.3%

Source: Shenzhen Statistics Bureau

Note: 2014 data is not available

The core area residential property market in Shenzhen comprised the property markets of Luohu District, Futian District and Nanshan District. As of the first quarter of 2015, there were a total of 62 residential projects available for sale in the core areas of Shenzhen, with a total GFA of approximately 13,131,738 sq.m. Since the core areas of Shenzhen are already well-developed, available land for property development in the core areas has become limited in the past few years. This is evidenced by the absence of residential land plots auctioned in Luohu District and Futian District between 2010 and 2014. Consequently, it is believed that urban redevelopment will become a growingly significant source of land for residential development in the core areas in the future.

Based on the foregoing, we consider that the Acquisition represents a valuable opportunity which enables the Group to rapidly diversify its property portfolio by entering into the property business in the Pearl River Delta region and particularly Shenzhen where the Reorganized Target Group has well established market position. Given the sustainable historical economic growth and the increasing consumption power of Shenzhen residents, we consider that the diverse property portfolio of the Reorganized Target Group, coupled with the Reorganized Target Group's prominent presence in the Pearl River Delta region and the sound historical financial performance and financial position of the Reorganized Target Group, create considerable additional value and return to Shareholders upon Completion and is also expected to substantially enhance the Enlarged Group's profitability and net assets. The enlarged asset base of the Enlarged Group with quality assets and the growth potential of the Reorganized Target Group's projects will enable the Enlarged Group to obtain equity and debt financing to support its future business expansions and developments.

In addition, we noted the projects under development of the Reorganized Target Group are expected to be completed from 2015 to 2017 and the projects held for future development are expected to commence construction beginning from 2016. Having discussed with the management of the Reorganized Target Group regarding the development plan and the financials of such projects, and taking into account the optimistic property market outlook in Shenzhen and the PRC as abovementioned, we are of the view that the Reorganized Target Group's projects under development are capable to generate additional growth momentum and revenue streams to support the sustainable development of the Enlarged Group following Completion. We also consider the recent cancellation or lifting of the house-purchase-quota policies in a number of cities in the PRC will continue to support the market demand for residential properties nationwide in the PRC in the years ahead.

As such, we consider that the Acquisition is in line with the current business strategy of the Group to further expand its existing PRC property business fueled by the additional growth momentum of the Reorganized Target Group and we consider that there is a strong commercial rationale for the Company to enter into the Agreement as the Acquisition represents a valuable opportunity for the Company to expand its property portfolio, which in turn will increase its market share and enhance the profitability of the Company. In this regard we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Sale and Purchase Agreement

4.1. Consideration

The consideration for the Acquisition is HK$13,785,000,000, which was determined by the parties after arm's length negotiations with reference to the unaudited combined net assets value of the Reorganized Target Group as adjusted by the preliminary valuation of the properties held by the Reorganized Target Group as of 30 April 2015 as illustrated below:

	RMB million	*HK$ million*
Unaudited combined net assets value of the Reorganized Target Group as of 30 April 2015	6,966.9	8,718.4
Add: Appreciation of properties attributable to the Reorganized Target Group based on the preliminary valuation of the properties held by the Reorganized Target Group as of 30 April 2015	8,332.7	10,427.5
Adjusted NAV of the Reorganized Target Group (the "**Adjusted NAV**")	15,299.6	19,145.9
Less: 28% discount to the Adjusted NAV	(4,283.9)	(5,360.9)
Consideration	11,015.7	13,785.0

The appreciation of properties attributable to the Reorganized Target Group is based on the preliminary valuation by the Valuer, as of 30 April 2015. We note that the in arriving the consideration for the properties held by the Reorganized Target Group, the Purchaser and the Vendor Mr. Wong have disregarded certain taxes in relation to the investment properties held by the Reorganized Target Group which will be payable by the Reorganized Target Group upon the sale of such investment properties, based on the fact that it is the Enlarged Group's intention to retain such properties in the future for rental income. We consider that making reference to the net asset value is a commonly adopted approach for valuations of property businesses and companies and we are of the view that adopting such approach is fair and reasonable.

For the purpose of assessing the fairness and reasonableness of the consideration, the following analyses are further taken into consideration:

The valuation of the properties held by the Reorganized Target Group

In assessing the fairness and reasonableness of the consideration, we have considered and reviewed, among others, the valuation of the properties held by the Reorganized Target Group as detailed in the valuation report prepared by the Valuer as set out in Appendix V to the circular (the "**Valuation Report**") and discussed with the Valuer regarding the methodology of and the principal bases and assumptions adopted for the valuation of the properties held by the Reorganized Target Group. As part of our due diligence, we have

assessed the qualification and experience of the responsible person of the Valuer for its engagement as the independent professional valuer for the properties held by the Reorganized Target Group. We noted that he has 21 years of experience in valuation of properties in Hong Kong and the PRC and we are of the view that the Valuer possesses sufficient experience in performing the valuation. The Valuer also confirmed that it is independent from the Company and all relevant material information provided by the Company had been incorporated in the Valuation Report and there were no other material relevant information or representations relating to the properties provided or made by the Company to the Valuer not having been included in the valuation. We also understand from the Valuer that it has carried out on-site inspections and made relevant enquiries and searches for the purpose of the valuation and no irregularities were noted during the course of the valuation. In addition, we reviewed the terms of the Valuer's engagement and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuation Report.

For the property interests in Group I which are held and operated by the Reorganized Target Group, we noted that it is valued as fully operated entity by discounted cash flow analysis. The market value is derived by discounting the future net incomes generated from the hotel with regard to the trading potential, operation revenues and expenses during the assumed holding period with an appropriate discount rate. The resale value at the end of the holding period is estimated by capitalizing the estimated net incomes by an appropriate terminal capitalization rate for the remaining tenure of the property. Then the resale value is discounted to its present value as of the valuation date.

For the property interests in Group II which are held by the Reorganized Target Group for sale and property interests in Group V which are held by the Reorganized Target Group for future development, we noted that it is valued by direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. Appropriate adjustments and analysis are considered given the differences in location, size and other characters between the comparable properties and the subject properties.

For the property interests in Group III which are held for investment by the Reorganized Target Group, we noted that it is valued by income approach by taking into account the net rental income of property interests derived from its existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the fair value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market.

For the property interests in Group IV which are currently under development, we noted that the Valuer has assumed that they will be developed and completed in accordance with the latest development proposals provided to us by the Reorganized Target Group. In arriving at the appraised values, the Valuer has adopted the comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account

the accrued construction cost and professional fees relevant to the stage of construction as of the valuation date and the remainder of the cost and fees expected to be incurred for completing the development.

For the property interests in Group VI which is to be acquired by the Reorganized Target Group, the Reorganized Target Group has entered into agreement with the relevant parties. Since the Reorganized Target Group has not yet obtained the State-owned Land Use Rights Certificates and/or the payment of the land premium has not yet been fully settled as of the valuation date, we noted that the Valuer has attributed no commercial value to the property interest.

We noted that the Valuer's valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests. It is also assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value. Further details of the valuation of the properties of the Reorganized Target Group are contained in the Valuation Report set out in Appendix V to the circular.

After considering the reasons for adopting the above valuation methodologies for valuing the Properties by the Valuer, we are of the opinion that the valuation methodologies and the basis and assumptions used are reasonable and acceptable in establishing the market values of the properties held by the Reorganized Target Group.

Based on our review and analysis of the Valuation Report and our discussion with the Valuer, we considered that the valuation approaches adopted are common valuation methodologies in appraising the properties and the basis and assumptions adopted by the Valuer for the valuation are fair and reasonable. Upon comparison to the net asset value of the Reorganized Target Group adjusted for the valuation, we note that the consideration represents a discount of approximately 28% to the Adjusted NAV.

Analysis of comparable very substantial transactions

As the Reorganized Target Group is principally engaged in property development, the analysis on the ratio of the consideration to the adjusted net asset value of the target group (the "**price-to-book ratio**") is a commonly used assessment approach for this type of asset based companies. We consider as the earnings of property development companies are likely to fluctuate widely depending on the timing of completion and sales of the property development projects which may lead to possible distortions on the results of a price-to-earnings ratio analysis. Accordingly, we consider the price-to-book ratio analysis a more appropriate approach to assess the valuation of the properties companies. We have identified an exhaustive list of 17 comparable very substantial acquisitions (the "**Transaction Comparables**") conducted during the period from 1 June 2014 up to the Last Trading Day (being approximately the 12-month period prior to the Last Trading Day) for comparison purpose. In selecting the Transaction Comparables, we have focused on very substantial acquisitions which involved the acquisition of property projects where consideration for which was arrived at with

reference to the adjusted net asset value of the target company or target group. We consider that the analysis of the Transaction Comparables is appropriate for the purpose of considering whether the consideration is fair and reasonable by comparing to the Transaction Comparables as it allows the Shareholders to appraise whether, on a relative basis, the consideration is at reasonable discounts compared to the Transaction Comparables.

To the best of our knowledge, the Transaction Comparables below represent all comparable very substantial acquisitions involving the acquisition of the property projects based on our selection criteria described above. We summarize details of the Transaction Comparables in the following table:

Date	Stock code	Company	Consideration *(HK$)*	Adjusted net asset value of Reorganized Target Group *(HK$)*	Premium/ (Discount) of consideration over/(to) adjusted net asset value
16/6/2014	1215	Kai Yuan Holdings Limited	282,500,000	403,750,000	-30.0%
15/8/2014	1329	Beijing Capital Juda Limited	1,963,400,000	2,607,436,919	-24.7%
18/8/2014	263	China Yunnan Tin Minerals Group Co. Ltd.	370,000,000	502,134,070	-26.3%
2/9/2014	147	Chaoyue Group Limited	350,000,000	363,900,000	3.8%
30/10/2014	616	Easyknit Enterprises Holdings Limited	169,500,000	240,000,000	29.4%
3/11/2014	207	Joy City Property Limited	12,459,785,272	20,001,000,000	-37.7%
7/11/2014	727	Crown International Corp Limited	1,008,000,000	1,568,700,000	-35.7%
30/11/2014	618	Peking University Resources (Holdings) Company Limited	1,934,000,000	2,855,368,000	-32.3%
1/12/2014	232	AVIC International Holding	325,881,324	733,966,947	-55.6%
4/12/2014	162	Century Ginwa Retail Holdings Limited	2,080,402,065	2,901,780,000	-28.3%
6/1/2015	260	AVIC Joy Holdings Limited	1,957,541,113	1,987,500,000	-1.5%
29/1/2015	8212	Celebrate International Holdings Limited	160,650,000	165,750,000	-3.1%
18/2/2015	997	Chinlink International Holdings Limited	800,000,000	1,582,000,000	-49.4%
9/3/2015	108	GR Properties Limited	195,687,500	193,750,000	1.0%
19/3/2014	616	Easyknit Enterprises Holdings Limited	183,000,000	185,000,000	-1.1%
25/3/2015	253	Shun Ho Resources Holding Limited	2,413,000,000	2,569,160,000	-6.1%
17/4/2015	2327	U-Home Group Holdings Limited	197,900,000	207,235,479	-4.5%
				Mean	-21.7%
				Median	-26.3%
				Max	1.0%
				Min	-55.6%
		The Acquisition	13,785,000,000	19,145,833,333	-28.0%

Source: Website of Stock Exchange

Based on the analysis of the Transaction Comparables set out in the table above, we note that the discount of consideration for all the Comparable Transactions to the adjusted net asset value of their respective target companies represent a mean of approximately 21.7% and a median of approximately 26.3%. Given the 28.0% discount of the consideration to the Adjusted NAV of the Reorganized Target Group is deeper than both the mean and median of the Transaction Comparables, we consider that the consideration is fair and reasonable so far as the Independent Shareholders are concerned.

As the consideration of HK$13,785,000,000 represents a discount of approximately 28.0% to the Adjusted NAV of the Reorganized Target Group being HK$19,145.9 million, and given (i) the valuation methodologies and assumptions adopted by the Valuer are fair and reasonable as discussed; and (ii) the discount of the consideration to the Adjusted NAV is deeper than the mean and median of the Transaction Comparables; we consider the consideration is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

4.2. Mode of settlement of the consideration

The consideration of HK$13,785,000,000 shall be settled and discharged by the Purchaser by either option as set out in paragraph (a) or (b) below:

(a) if the Placing has not been completed at the time of Completion, the Company will allot and issue to Mr. Wong (or to his nominee as he may direct in writing) at the Issue Price of 109,342,511 Consideration Shares and 6,582,405,062 Convertible Preference Shares upon Completion; or

(b) if the Placing has been completed at the time of Completion, the Company will allot and issue to Mr. Wong (or to his nominee as he may direct in writing) at the Issue Price of not more than 5,046,146,308 Consideration Shares and/or by cash, and/or by the allotment and issue of the Convertible Preference Shares at the Issue Price.

As at the Latest Practicable Date, an aggregate of 600,000,000 Placing Shares have already been conditionally placed to two investors. Details of the placing are set out in the Letter from the Board contained in this circular. On the assumption that there will not be any further placing of Shares, the consideration will be settled by the Company by allotting and issuing to Mr. Wong (or to his nominee as he may direct in writing) at the Issue Price of 1,909,342,511 Consideration Shares and 4,205,706,033 Convertible Preference Shares and balance payment of HK$1,148.4 million in cash.

The issue price of the Consideration Shares and the Convertible Preference Shares is HK$2.06 per Share. The Consideration Shares will rank equally among themselves and pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares. The Consideration Shares are not subject to any restriction on subsequent sale upon issue. Under all circumstances, the allotment and issue of the Consideration Shares, the Convertible Preference Shares and the Placing Shares (as the case may be) upon Completion will not result in the Company being unable to meet the minimum public float requirement under the Listing Rules. To the extent that after the allotment and issue of the Consideration Shares the Company would not be able to meet the

minimum public float requirement under Rule 8.08 of the Listing Rules, the Company shall have the right to reduce the number of Consideration Shares that may be issued by such amount to enable the Company to meet the public float requirement and such amount of reduction shall be satisfied by the Company either in cash or by the issue of Convertible Preference Shares.

The principal terms of the Convertible Preference Shares are summarized as follows:

Nominal value	Non-redeemable convertible preference shares of HK$0.01 each to be created as a new class of shares in the share capital of the Company upon Completion.
Issue price	HK$2.06
Conversion ratio and right	Holder of the Convertible Preference Shares has the right to convert each Convertible Preference Share at any time after issuance into one Share. The holders may not exercise the conversion right if upon the conversion, the percentage of Shares held by the public will fall below the minimum public float requirement under Rule 8.08 of the Listing Rules. The Shares that are issued upon the exercise of the conversion right of the Convertible Preference Shares are not subject to any restriction on subsequent sale upon issue.
Voting rights	Holders of the Convertible Preference Shares will be entitled to receive notices of and to attend the general meetings of the Company but are not permitted to vote unless a resolution is proposed to vary the rights of holders of the Convertible Preference Shares or a resolution is proposed for the winding up of the Company.
Adjustments	The number of Shares that may be issued under the Convertible Preference Shares is subject to adjustment in accordance with the terms of the Convertible Preference Shares including, among other things, subdivision or consolidation of Shares, the making of a free distribution of Shares, bonus issue, the declaration of a dividend in Shares, capital distribution, issuance of options, rights or warrants, and other dilutive events such as issue of new Shares at less than 90% of the average closing price of the Shares for 10 consecutive trading days ending on and including the trading date last preceding such date.
Dividend	Subject to compliance with all applicable laws and the Articles, each Convertible Preference Share shall confer on its holder the right to receive a preferred distribution from the date of the issue of the Convertible Preference Shares at a rate of 0.2% per annum on the Issue Price, payable annually in arrear. Each preferred distribution is non-cumulative.

The Issue Price of HK$2.06 per Share represents:

- a discount of approximately 32.0% to the closing price of HK$3.03 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a discount of approximately 26.9% to the average of the closing prices of HK$2.818 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to and including the Last Trading Day;
- a discount of approximately 26.7% to the average of the closing prices of HK$2.810 per Share as quoted on the Stock Exchange for the last ten trading days immediately prior to and including the Last Trading Day;
- a discount of approximately 24.7% to the average of the closing prices of HK$2.737 per Share as quoted on the Stock Exchange for the last 30 trading days immediately prior to and including the Last Trading Day;
- a discount of approximately 19.5% to the closing price of HK$2.560 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- a premium of approximately 190.1% over the net asset value per Share as of 31 December 2014 of approximately HK$0.71.

As advised by the Company, the Issue Price was determined after arm's length negotiations between Mr. Wong and the Company with reference to the average closing price of the Shares for the last 30 trading days up to and including the Last Trading Day and a discount of about 25%. For the purpose of assessing of the fairness and reasonableness of the Issue Price, the following analyses are further taken into consideration:

On 13 October, 2015 and 26 October, 2015, the Company entered into placing agreements in relation to the placing, at the Placing Price, of an aggregate of 600,000,000 Placing Shares.

The First Investor is a wholly owned subsidiary of 萬科企業股份有限公司 (China Vanke Co., Ltd.*), which is a leading property developer in China, with its H shares listed on the Stock Exchange and its A shares listed on the Shenzhen Stock Exchange. Number of Placing Shares to the First Investor is 300,000,000 Shares.

The Second Investor is a company established in the PRC and is a wholly-owned subsidiary of 平安大華基金管理有限公司 (Ping An Dahua Fund Management Company Limited). The Second Investor is a member of 中國平安集團 (Ping An Group of the PRC), a leading insurance, banking and investment services financial institution in the PRC. The Second Investor is principally engaged in asset management. Number of Placing Shares to the Second Investor is 300,000,000 Shares.

Placing Price

The Placing Price has been set at HK$2.20 per Placing Share, which was determined after arm's length negotiations with the investors by reference to the prevailing market price of the Shares. The Placing Price represents:

(i) a discount of approximately 27.39% to the closing price of the Shares of HK$3.030 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 12.35% to the closing price of HK$2.51 per Share as quoted on the Stock Exchange on October 13, 2015, the date of the First Placing Agreement;

(iii) a discount of approximately 10.42% to the average closing price of HK$2.456 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including October 13, 2015, the date of the First Placing Agreement;

(iv) a discount of approximately 7.37% to the average closing price of HK$2.375 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including October 13, 2015, the date of the First Placing Agreement;

(v) a discount of approximately 14.06% to the closing price of HK$2.560 per Share as quoted on the Stock Exchange on October 23, 2015, the last trading day prior to the date of the Second Placing Agreement;

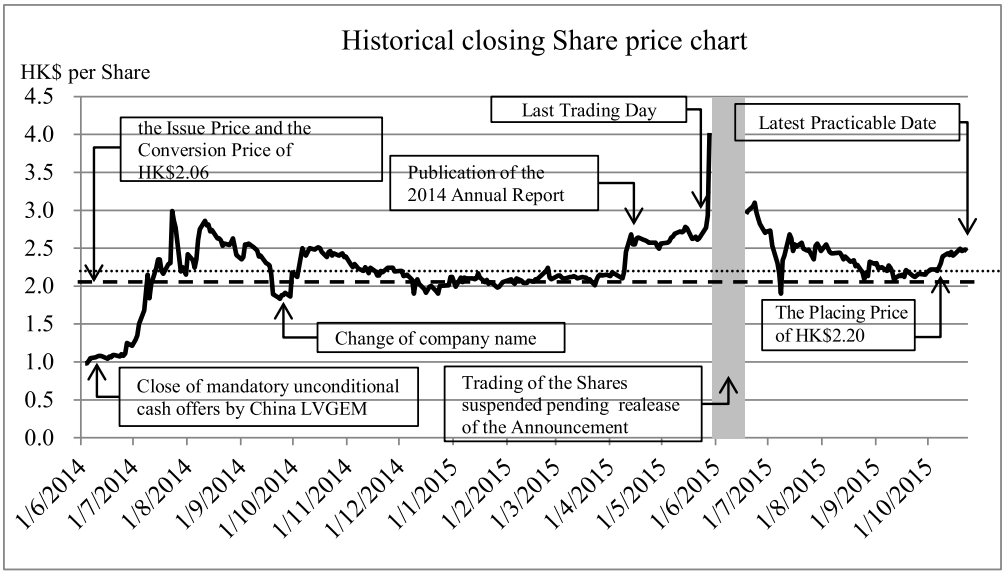
(vi) a discount of approximately 14.13% to the average closing price of HK$2.562 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including October 23, 2015, the last trading day prior to the date of the Second Placing Agreement;

(vii) a discount of approximately 13.35% to the average closing price of HK$2.539 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including October 23, 2015, the last trading day prior to the date of the Second Placing Agreement;

Given that the Placing Price was set with reference to the market price of the Shares, the Directors consider that the Placing Price is fair and reasonable under the present market conditions. The Directors are also of the view that the Placing is in the interest of the Company and the Shareholders as a whole.

(a) Historical Share price performance

For the purpose of comparing the Issue Price with the market price of the Shares, we plot the closing price levels of the Shares traded on the Stock Exchange from 1 June 2014 to the Last Trading Day (being approximately the 12-month period prior to the Last Trading Day) (the "**Pre-announcement Period**") and further up to the Latest Practicable Date (the "**Review Period**") as follows:



Source: Infocast

During the Pre-announcement Period, the Issue Price had been generally below the closing prices of the Shares in the Pre-announcement Period, which ranged from the lowest of HK$1.08 per Share on 3 June 2014 and 4 June 2014 to the highest of HK$3.09 per Share on 23 July 2014. During the Pre-announcement Period, the Issue Price represents (i) a premium of approximately 90.7% over the lowest closing price of HK$1.08; (ii) a discount of approximately 33.3% to the highest closing price of HK$3.09; and (iii) a discount of approximately 9.3% to the 12-month average closing price of approximately HK$2.27 during the Pre-announcement Period.

We noticed that the closing price of the Shares surged significantly during the morning trading session on 28 May 2015, from HK$3.03 per Share to HK$4.12 per Share that represented an increase of approximately 36.0%. Trading of the Shares was then suspended since the afternoon trading session on 28 May 2015 until the release of the Announcement on 17 June 2015.

Following the release of the Announcement on 17 June 2015, the closing price of the Shares decreased to HK$3.05 per Share on 18 June 2015. The closing prices of the Shares during the period from 18 June 2015, being the first trading day after the Announcement was published to the Latest Practicable Date (the "**Post-announcement Period**") ranged from the lowest of HK$2.00 per Share to the highest of HK$3.15 per Share. The Issue Price represents a

premium of approximately 3% over the lowest closing price of the Shares and a discount of approximately 34.6% to the highest closing price of the Shares during the Post-announcement Period.

(b) Net asset value of industry comparables

As previously discussed, we consider the net asset value and price-to-book ratio analysis is an appropriate approach to assess the valuation of the property development companies and by the same token, we consider comparing to the respective premium/discount against the net assets of the companies listed on the Main Board of the Stock Exchange which are principally engaged in property development and property investment in the PRC would be relevant and appropriate in assessing the fairness and reasonableness of the Issue Price. We understand that the net asset values of such property development companies recorded in its financial results represent mainly historical book values which may not fully reflect the latest market values of their relevant property projects or investments. We also reckon that (i) the revaluated net asset values of other listed companies are not readily available and (ii) in view of the historical upward trend in property prices in the PRC, the respective net asset value per share of the property development companies would have to be adjusted upward in general should any fair value adjustments were made. Therefore, we consider such net asset value would be a close proxy or parameter for estimating the asset value of a property development company.

Based on the above, we identified a total of 193 companies listed on the Main Board of the Stock Exchange which are principally engaged in property development and property investment and we shortlisted 31 companies (the "**Industry Comparables**") whose business are primarily conducted in the PRC and with a market capitalization of HK$10 billion or above at as the Last Trading Day for closer comparison. We are of the view that eliminating those non-PRC based listed companies and those with a market capitalization of less than HK$10 billion can result in a more representative and comparable sample given the properties held by the Reorganized Target Group were all located in the PRC and valued at approximately HK$24.4 billion by the Valuer and therefore we consider is a reasonable approach. We consider the list of Industry Comparables is exhaustive based on the above criteria and the

closing prices of the Industry Comparables as of the Last Trading Day over/(to) their respective net asset value as reported in their latest published financial reports are set forth as follows:

Stock code	Company	Market capitalization as of the Last Trading Day *(HK$ million)*	Closing price as of the Last Trading Day *(HK$)*	Latest published net asset value per share *(HK$)*	Premium/(discount) of the closing price as of the Last Trading Day over/ (to) the latest published net asset value per share
81	China Overseas Grand Oceans Group Limited	10,064.68	4.41	5.68	-22.4%
119	Poly Property Group Company Limited	17,062.76	4.66	8.13	-42.7%
123	Yuexiu Property Company Limited	23,190.44	1.87	1.61	16.4%
207	Joy City Property Limited	34,012.39	2.39	2.60	-8.0%
272	Shui On Land Limited	20,066.58	2.50	5.91	-57.7%
283	Goldin Properties Holdings Limited	81,344.64	22.80	4.69	386.6%
337	Greenland Hong Kong Holdings Limited	19,563.52	7.78	2.79	178.5%
410	SOHO China Limited	28,805.36	5.54	9.46	-41.5%
563	Shanghai Industrial Urban Development Group Limited	13,327.92	2.77	2.59	6.8%
604	Shenzhen Investment Limited	27,180.67	4.05	4.58	-11.6%
607	Fullshare Holdings Limited	15,741.20	1.16	0.12	906.8%
715	China Oceanwide Holdings Limited	15,389.33	1.43	0.47	204.6%
754	Hopson Development Holdings Limited	19,885.64	8.87	24.80	-64.2%
813	Shimao Property Holdings Limited	60,422.74	17.4	16.87	3.1%
817	Franshion Properties (China) Limited	26,714.63	2.95	4.15	-29.1%
846	Mingfa Group (International) Company Limited	13,222.79	2.17	2.27	-4.6%
884	CIFI Holdings (Group) Company Limited	14,817.53	2.19	1.89	16.2%
917	New World China Land Limited	45,178.19	5.2	6.65	-21.8%
960	Longfor Properties Company Limited	78,422.79	13.46	10.25	31.4%
1109	China Resources Land Limited	178,125.15	25.7	13.93	84.5%
1813	KWG Property Holding Limited	23,049.46	7.82	8.66	-9.7%
1918	Sunac China Holdings Limited	33,168.42	9.76	6.01	62.3%
2007	Country Garden Holdings Company Limited	85,608.59	3.79	3.14	20.8%

Stock code	Company	Market capitalization as of the Last Trading Day *(HK$ million)*	Closing price as of the Last Trading Day *(HK$)*	Latest published net asset value per share *(HK$)*	Premium/(discount) of the closing price as of the Last Trading Day over/ (to) the latest published net asset value per share
2202	China Vanke Company Limited	27,666.66	21.04	83.81	-74.9%
2329	Guorui Properties Limited	13,472.17	3.04	1.98	53.6%
3333	Evergrande Real Estate Group Limited	102,409.59	6.91	4.31	60.3%
3377	Sino-Ocean Land Holdings Limited	44,096.92	5.86	7.15	-18.0%
3380	Logan Property Holdings Company Limited	16,850.00	3.37	2.80	20.3%
3383	Agile Property Holdings Limited	25,225.79	6.44	10.74	-40.0%
3699	Dalian Wanda Commercial Properties Company Limited	43,424.43	66.55	318.36	-79.1%
3900	Greentown China Holdings Limited	24,510.00	11.34	13.67	-17.1%
				Mean	48.7%
				Median	-4.6%
				Max	906.8%
				Min	-79.1%
				Excluding extremities: (Note)	
				Mean	12.0%
				Median	-0.7%
				Max	178.5%
				Min	-42.7%
	The Company (the Issue Price)		2.06	0.71	190.1%
	(the Placing Price)		2.20	0.71	209.9%

Source: Website of Stock Exchange

Note: Excluding extremeties of premium of over 200% or discount of over 50%

From the above, we noted that the premium/discount of the closing price on the Last Trading Day over/to the respective net assets value per share of the Industry Comparables equals to a mean of a premium of approximately 48.7% and a median of a discount of approximately 4.6% respectively. Upon comparison, we noted that both the premium of approximately 190.1% as represented by the Issue Price and 209.9% as represented by the Placing Price, over the net asset value per Share of approximately HK$0.71 as of 30 June 2015 lies significantly above the mean and median of the Industry Comparables, implying that the Company is issuing the Consideration Shares/Convertible Preference Shares at a premium

much larger than the market averages which is favorable to the Company. We also noted that the range of premium/discount of the Industry Comparables is fairly wide which ranges from a discount of approximately 79.1% to a premium of approximately 906.8%. Upon further comparison where the extremities of the Industry Comparables (i.e. premium of over 200% or discount of over 50%) are excluded, the premium of the Issue Price and the Placing Price over the net asset value per Share being approximately 190.1% and 209.9% respectively is still significantly above the adjusted mean and median of the Industry Comparables being approximately 12.0% and -0.7% respectively. Furthermore, in the event of any fair value adjustments arising from revaluation of investment properties held are to be made to the books of the Industry Comparables, their respective net asset value per share would increase while the resulting mean premium/discount of the analysis would decrease, which would only result in the price-to-book ratio analysis being more favorable to the Company given the Issue Price represents a significant premium of approximately 190.1% over the net asset value per Share and the Placing Price represents a significant premium of approximately 209.9% over the net asset value per Share. Based on the above and notwithstanding the moderate discount of the Issue Price and the Placing Price to the closing prices of the Shares, we consider that the Issue Price and the Placing Price are fair and reasonable so far as the Independent Shareholders are concerned.

(c) Analysis of comparable transactions with the issuance of consideration shares

In order to assess the fairness and reasonableness of the issue price of the Consideration Shares, we have conducted a research on all issues of consideration shares by listed companies in the Stock Exchange from 1 January 2015 up to and including the Last Trading Day in relation to acquisitions by companies listed on the Main Board of the Stock Exchange involving the issue of consideration shares as part of the consideration (the "**CS Comparables**"). The purpose of this analysis is to compare the issue price of the Consideration Shares with those of the CS Comparables in the recent stock market environment. We note that during 1 January 2015 up to and including the Last Trading Day, companies listed on the Main Board of the Stock Exchange with business similar to the Company has no consideration shares issuance. We consider the CS Comparables appropriate although the business, operation and prospects of the Company are not the same as the CS Comparables and we have not conducted any in-depth investigation into the business and operation of the issuers of the CS Comparables. Based on our research conducted according to

the abovementioned criteria, we have identified a list of 32 CS Comparables as follows and we consider that the CS Comparables is an exhaustive list under the above criteria for comparison purpose:

					Premium/(discount) of the issue price of over/(to)	
Date of announcement	**Stock code**	**Company**	**Issue price** *(HK$)*	**Closing price prior to announcement** *(HK$)*	**Closing price prior to announcement**	**Respective latest published net asset value per share**
11/1/2015	876	Wing Tai Investment Holdings Limited	0.4000	0.51	-21.6%	400.0%
12/1/2015	1717	Ausnutria Dairy Corporation Ltd	2.5100	2.46	2.0%	107.4%
22/1/2015	1094	China Public Procurement Limited	0.1370	0.128	7.0%	197.9%
23/1/2015	686	United Photovoltaics Group Limited	1.0300	1.01	-1.9%	266.7%
25/1/2015	1253	Broad Greenstate International Company Limited	3.5740	3.61	-1.0%	1,075.8%
3/2/2015	381	Kiu Hung International Holdings Limited	0.2200	0.27	-18.5%	331.4%
4/2/2015	559	Guocang Group Limited	0.3600	0.445	-19.1%	73.1%
16/2/2015	1808	Enterprise Development Holdings Limited	0.1300	0.146	-11.0%	-37.5%
18/2/2015	997	Chinlink International Holdings Limited	0.5025	0.5	0.5%	141.6%
27/2/2015	445	China Fire Safety Enterprise Group Limited	0.4000	0.61	-34.4%	-13.0%
6/3/2015	1326	Pegasus Entertainment Holdings Limited	1.2600	1.32	-4.6%	392.9%
10/3/2015	231	Madex International (Holdings) Limited	0.2000	0.226	-11.5%	86.0%
13/3/2015	3344	Addchance Holdings Limited	1.3566	1.41	-3.8%	-34.5%
25/3/2015	1682	Highlight China IoT International Limited	2.8700	4.11	-30.2%	3,324.3%

Date of announcement	Stock code	Company	Issue price *(HK$)*	Closing price prior to announcement *(HK$)*	Premium/(discount) of the issue price of over/(to) Closing price prior to announcement	Premium/(discount) of the issue price of over/(to) Respective latest published net asset value per share
31/3/2015	1225	Lerado Group (Holding) Company Limited	0.5000	0.6	16.7%	-39.9%
1/4/2015	1194	China Precious Metal Resources Holdings Company Ltd	0.7600	0.64	18.8%	-43.7%
10/4/2015	412	Heritage International Holdings Limited	0.6600	1.23	-46.3%	74.4%
10/4/2015	7	Hoifu Energy Group Limited	1.2500	1.06	17.9%	525.0%
13/4/2015	1366	Jiangnan Group Limited	2.0500	1.98	3.5%	71.8%
14/4/2015	1450	Century Sage Scientific Holdings Limited	2.0000	2.5	-20.0%	315.2%
15/4/2015	431	Greater China Holdings Limited	3.2500	4.34	-25.1%	983.3%
15/4/2015	241	Alibaba Health Information Technology Limited	5.2800	6.78	-22.1%	2,413.0%
21/4/2015	332	Yuan Heng Gas Holdings Limited	0.6000	0.6	0.0%	28.2%
24/4/2015	850	PetroAsian Energy Holdings Limited	0.3240	0.25	29.6%	170.0%
26/4/2015	559	Guocang Group Limited	0.4000	0.445	-10.1%	92.4%
27/4/2015	340	China Mining Resources Group Limited	0.1000	0.203	-50.7%	248.5%
28/4/2015	698	Tongda Group Holdings Limited	1.2880	1.35	-5.2%	195.2%
4/5/2015	1237	Merry Garden Holdings Limited	0.7500	0.733	2.3%	29.3%
8/5/2015	2280	HC International, Inc.	8.5000	10.6	-19.8%	288.1%
15/5/2015	1020	Sinoref Holdings Limited	0.3200	0.425	-24.7%	-23.8%
15/5/2015	764	Eternity Investment Limited	0.7000	0.73	-4.1%	-62.0%
26/5/2015	1225	Lerado Group (Holding) Company Limited	0.6000	0.66	-9.1%	-27.9%
				Mean	-9.3%	360.9%
				Median	-7.1%	124.5%
				Max	29.6%	3,324.3%
				Min	-50.7%	-62.0%
		The Company	2.0600		-32.0%	190.1%

Source: Website of Stock Exchange

Based on the above, we noted that the premium/discount of issue prices of the CS Comparables over/to their respective closing price prior to the announcement range from a discount of approximately 50.7% to a premium of approximately 29.6% with the mean and median at a discount of approximately 9.3% and 7.1% respectively. Upon comparison, the Issue Price represents a discount of approximately 32.0% to the closing price on the Last Trading Day which is deeper than the mean and median yet within the range of the CS Comparables. Meanwhile, we noted that the Issue Price represents a premium of approximately 190.1% to the net asset value per Share which is higher than the median of the CS Comparables which is approximately 124.5%. In such regard, we are of the view that the Issue Price is acceptable.

(d) Analysis of comparable transactions with the issuance of convertible preference shares and/or convertible bonds

Given the Company may also issues the Convertible Preference Shares upon Completion, to further assess the fairness and reasonableness of the conversion price of the Convertible Preference Shares (which equals the issue price of the Consideration Shares), we have also conducted a search on all issuance of convertible preference shares as part of the consideration by companies listed on the Main Board of Stock Exchange from 1 January 2015 up to and including the Last Trading Day (the "**CPS Comparables**"). The purpose of the CPS Comparables is to provide reference on the recent market practice in determining the fairness and reasonableness of the conversion price of the Convertible Preference Shares. Upon searching, we noted that there were very limited convertible preference share issuances within such timeframe and thus we expanded our comparables selection criteria to also cover issuance of convertible bonds as part of the consideration due to the similarities between convertible preference shares and convertible bonds which being the convertibility into ordinary shares upon the exercise of the conversion rights attached thereto, the non-voting nature of such convertible securities and the fixed interest/dividend payments the holders are entitled to receive.

Based on the above criteria, we identified a total of 10 CPS Comparables that issued convertible preference shares or convertible bonds as part of the consideration. We noted that companies listed on the Main Board of Stock Exchange with business similar to the Company during the period have no convertible preference share/bonds issuance. We consider the CPS Comparables appropriate although (i) the business, operation and prospects of the Company are not the same as the issuers of the CPS Comparables; (ii) we consider they are comparable as the principal terms of the convertible securities issuance (i.e. principal amount, term to maturity, interest/dividend rate and conversion price) should be considered in whole rather than

in isolation. Based on our search conducted according to the above criteria, we consider that the following list of the CPS Comparables is an exhaustive list of those fair and representative comparables for comparison purpose:

Date of announcement	Stock code	Company	Type of convertible security	Conversion price *(HK$)*	Maturity *(years)*	Interest/ Dividend *(per annum)*	Premium/(discount) of the issue price of over/(to) Closing price prior to announcement	Premium/(discount) of the issue price of over/(to) Respective latest published net asset value per share
10/3/2015	231	Madex International Limited	Convertible bond	0.20	5.0	0.0%	-9.9%	117.4%
2/4/2015	61	North Asia Resources Holdings Limited	Convertible preference share	0.17	perpetual	0.0%	-3.4%	N/A
1/4/2015	1194	China Precious Metal Resources Limited	Convertible bond	0.76	0.5	0.0%	26.7%	-40.6%
15/4/2015	431	Greater China Holdings Limited	Convertible bond	3.25	3.0	0.0%	-20.2%	983.3%
15/4/2015	241	Alibaba Health Information Technology Limited	Convertible bond	5.808	5.0	2.0%	-14.3%	2,664.3%
17/4/2015	2366	SMI Culture Group Holdings Limited	Convertible bond	0.60	3.0	0.0%	1.7%	40.5%
20/4/2015	378	CIAM Group Limited	Convertible bond	1.70	3.0	8.0%	16.4%	22.2%
27/4/2015	30	ABC Communications Limited	Convertible bond	0.1875	2.0	2.0%	-25.0%	-3.2%
27/4/2015	1050	Karrie International Holdings Limited	Convertible bond	0.465	3.0	1.0%	19.2%	-3.1%
7/5/2015	1046	Universe International Holdings Limited	Convertible bond	0.75	2.0	5.0%	7.1%	-47.2%
				Mean	2.9	1.8%	-0.2%	414.8%
				Median	3.0	0.5%	-0.9%	22.2%
				Max	5.0	8.0%	26.7%	2,664.3%
				Min	0.5	0.0%	-25.0%	-47.2%
		The Company		2.06	perpetual	0.2%	-32.0%	190.1%

Source: Website of Stock Exchange

As illustrated from the table above, we noted that the discount of the Issue Price to the closing price of the Shares on the Last Trading Day being approximately 32.0% is below the mean and the median of the CPS Comparables. On the other hand, the Issue Price represents a premium of approximately 190.1% to the net asset value per Share which is considerably higher than the median of the CPS Comparables which is approximately 22.2%. Considering the other terms of the convertible securities, we noted that the Convertible Preference Shares

carry a dividend rate of 0.2% per annum which is at the low end of the range of interest/ dividend rate for the CPS Comparables from 0.00% to 8.00% per annum. We consider the issue of the Convertible Preference Shares allows the Group to acquire the properties of the Reorganized Target Group at minimal finance cost. Further, the maturity of the Convertible Preference Shares is perpetual and non-redeemable which in our opinion can minimize the financial burden of the Enlarged Group upon Completion. Given the foregoing, we consider the terms of the Convertible Preference Shares are fair and reasonable.

Based on the above analyses regarding the Issue Price, in particular the following:

(i) the Issue Price represents a premium of approximately 190.1% over the net asset value per Share as of 31 December 2014 which was significantly above the mean and median of the Industry Comparables and the median of the CS Comparables and CPS Comparables;

(ii) the consideration of the Acquisition represents a discount of approximately 28% to the Adjusted NAV of the Reorganized Target Group, which is at a similar level compared to the discounts of the Issue Price to the closing prices of the Shares;

(iii) the terms of the Convertible Preference Shares can minimize the financial burden to the Group under the Acquisition;

(iv) the consideration of the Acquisition in our opinion is fair and reasonable based on the analysis of the Transaction comparables and the independent valuation of the properties held by the Reorganized Target Group by the Valuer; and

(v) the benefits of the Acquisition to the Group as discussed in the paragraph headed "Reasons for the Acquisition" above, in particular, the sound financial performance of the Reorganized Target Group and the diverse property portfolio the Reorganized Target Group possesses;

we consider the Issue Price, albeit represents a discount of approximately 32.0% to the closing price of the Shares on the Last Trading Day, is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Independent Shareholders as a whole.

5. Financial effects of the Acquisition

Note: Assuming no Placing was conducted.

5.1. Earnings

Following completion, the Reorganized Target Group will become a wholly owned subsidiary of the Company and the financial results of the Reorganized Target Group will be consolidated to the Enlarged Group's accounts. Taking into account the historical financial performance of the

Reorganized Target Group as illustrated in the sub-paragraph headed "Financial information of the Reorganized Target Group" above and the fact that the Convertible Preference Shares carry a slim dividend rate of 0.2%, we consider that there will be substantial improvements to the future profitability of the Enlarged Group given the market position of the Reorganized Target Group in the Pearl River Delta region. Pursuant to the unaudited pro forma consolidated statement of profit or loss of the Enlarged Group in Appendix VI to the circular, the revenue of the Enlarged Group is expected to significantly increase from approximately RMB419.4 million to approximately RMB5,235.6 million while the profit attributable to owners of the Enlarged Group is expected to significantly increase from approximately RMB13.1 million to approximately RMB1,718.8 million.

5.2. Net assets

As set out in the unaudited pro forma consolidated statement of financial position of the Enlarged Group in Appendix VI to the circular, assuming the Acquisition had taken place on 31 December 2014, it is expected that net assets attributable to owners of the Enlarged Group will increase from approximately RMB791.1 million to approximately RMB7,338.0 million mainly due to the inclusion of the Reorganized Target Group's property projects in the Enlarged Group's accounts.

5.3. Gearing

As of 31 December 2014, the gearing ratio of the Group (measured as total liabilities divided by total assets) was approximately 21.2%. According to Appendix VI to the circular, the pro forma total liabilities of the Enlarged Group will increase to approximately RMB13,814.2 million and the pro forma total assets of the Enlarged Group will increase to approximately RMB21,204.6 million. Hence, the pro forma gearing ratio of the Enlarged Group will increase to approximately 65.1% following the Acquisition. Considering the substantial increase in the profitability of the Enlarged Group upon Completion as abovementioned, we are of the view that the increase of gearing ratio is acceptable.

5.4. Cashflow

The Acquisition will be satisfied partly by the Consideration Shares and partly by the proceeds from the Placing or the issuance of Convertible Preference Shares and hence there will be no material negative impact on the cashflow of the Group in this regard. The pro forma combined cash and bank balances of the Enlarged Group will increased from approximately RMB386.5 million to approximately RMB1,495.7 million after consolidated with that of the Reorganized Target Group as set out in the Appendix VI to the circular.

Based on the foregoing, we are of the view that the financial effects of the Acquisition are favorable to the Group and accordingly we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

6. Possible dilution effect on the shareholding of the Company

The following chart sets out the effects of the Acquisition and the Placing on the shareholding structure of the ordinary shares that carry the right to vote at the general meetings of the Company:

			Assuming Placing of only 600,000,000 new Shares was conducted						
	As of the Latest Practicable Date		Immediately upon Completion *(Note 1)*			Immediately upon Completion and assuming all Convertible Preference Shares have been converted *(Note 2)*		Assuming completion of the Placing of an aggregate of 1,661,734,611 new Shares *(Note 3)*	
Shareholder	Number of Shares	Approximate percentage of total issued Shares	Number of Shares	Number of Convertible Preference Shares	Approximate percentage of total issued Shares	Number of Shares	Approximate percentage of total issued Shares	Number of Shares	Approximate percentage of total issued Shares
Mr. Wong and his associates	1,010,844,583	73.03	2,920,187,094	4,205,706,033	75.00	7,125,893,127	87.98	6,105,390,928	75.00
First Investor	–	–	300,000,000	–	7.70	300,000,000	3.70	300,000,000	3.69
Second Investor	–	–	300,000,000	–	7.70	300,000,000	3.70	300,000,000	3.69
Placees	–	–	–	–	–	–	–	1,061,734,611	13.04
Other public shareholders	373,395,698	26.97	373,395,698	–	9.60	373,395,698	4.61	373,395,698	4.59
Total	1,384,240,281	100.00	3,893,582,792	4,205,706,033	100.00	8,099,288,825	100.00	8,140,521,237	100.00

Notes:

(1) This represents the shareholding structure of the Company upon Completion where only 600,000,000 Placing Shares have been placed. The shareholding percentage of Mr. Wong and his associates in the Company only takes into account the Shares held but not the Convertible Preference Shares held. The relevant Shares are held by China LVGEM. China LVGEM is wholly owned by Go Great International Limited, which is in turn wholly owned by Mr. Wong.

(2) This represents the shareholding structure of the Company upon Completion where only 600,000,000 Placing Shares have been placed and assuming that all 4,205,706,033 Convertible Preference Shares issued to Mr. Wong are converted into Conversion Shares. The figure is for illustration purpose only. Holders of the Convertible Preference Shares may not exercise the conversion rights if upon conversion, the percentage of Shares held by the public would fall below the minimum public float requirement under Rule 8.08 of the Listing Rules.

(3) This represents the shareholding structure of the Company upon Completion where the Company has completed the Placing in full.

On the basis of the consideration of HK$13,785,000,000 is to be settled entirely by the issue of new Shares at the Issue Price, an aggregate of 6,691,747,573 new Shares would be issued which represents approximately 483.4% of the existing issued share capital of the Company or approximately 82.86% of the enlarged issued share capital of the Company. Given the Company would not be able to meet the requirement of having at least 25% of its Shares held by the public as required under Rule 8.08 of the Listing Rules for such number of new Shares issued, the Company considers that it is appropriate to use the Convertible Preference Shares to settle the consideration in conjunction with the Consideration Shares.

Accordingly, immediately upon Completion and assuming the placing of 600,000,000 new Shares was conducted, the shareholding of the public Shareholders will be diluted from approximately 26.97% to approximately 9.60%. Immediately upon Completion and assuming the placing of an aggregate of 1,661,734,611 new Shares was conducted, the shareholding of the public Shareholders will be diluted from approximately 26.97% to approximately 4.59%.

Taking into account the above factors, in particular the following:

(i) the fairness and reasonableness of the Issue Price and the Placing Price as discussed in the sub-paragraph headed "Mode of settlement of the consideration" above;

(ii) the consideration of the Acquisition in our opinion is fair and reasonable based on the analysis of the Transaction comparables and the valuation of the properties held by the Reorganized Target Group by the Valuer;

(iii) the benefits of the Acquisition to the Group, in particular, the sound financial performance of the Reorganized Target Group and the diverse property portfolio the Reorganized Target Group possesses;

(iv) the settlement of the consideration by way of issue of the Consideration Shares and the Convertible Preference Shares can serve to preserve the cash resources of the Group; and

(v) the favorable financial impacts to the Enlarged Group as discussed in the paragraph headed "Financial effects of the Acquisition" above,

we are of the opinion that the dilution to the shareholding interests of the public Shareholders in the event that the Consideration Shares being issued and the Placing being completed is acceptable so far as the Independent Shareholder are concerned.

We noted that the terms of Convertible Preference Shares include the holders of the Convertible Preference Shares may not convert the Convertible Preference Shares if the conversion would result in the public float of the Company falling below the minimum 25% as required by Rule 8.08 of the Listing Rules. Therefore, we consider although the maximum dilution to the existing public Shareholders in the event that the Consideration Shares being issued and the Placing being completed will be from 26.97% decreasing to approximately 4.59%, the conversion of the Convertible Preference Shares into ordinary Shares is subject to the public float constraints and thus the shareholding of the Independent Shareholders shall not be diluted in the short term.

7. Other considerations

Although we consider the Acquisition would bring benefits to the Company as mentioned in the paragraph headed "Reasons for the Acquisition" above, we wish to draw the Shareholders' attention to the inherited risks of the Acquisition which are set out in the section headed "Risk Factors" in the circular, in particular, the risks in relation to the Reorganized Target Group's business and industry being *(i) the Reorganized Target Group's operations may be substantially affected by changes in national or local policies relating to the PRC property industry and (ii) the Reorganized Target Group's business and*

prospects are heavily dependent on the performance of the PRC property market, and in particular on the performance of the markets in various major cities in Shenzhen and other parts of Guangdong province and therefore any potential decline in property sales or prices or demand for properties in the PRC generally, or in the major cities in this region, could have a material adverse effect on the Reorganized Target Group's business, financial condition and results of operations. We are of the view that given a substantial portion of the Reorganized Target Group's projects are located in Shenzhen, the future profitability of the Reorganized Target Group will largely hinge on the property market policies of Shenzhen, which appears to be rather stringent as Shenzhen currently remains as one of the few PRC cities where the housing purchase restriction is still imposed yet it has been lifted in many other cities. Comparing to the existing business of the Group where the property development projects are mostly located in Suzhou, the Reorganized Target Group's primary property development business in Guangdong province will be subject to a higher degree of uncertainties and risks that may not guarantee the future continued high profitability of the Reorganized Target Group.

In addition, the historical high gearing of the Reorganized Target Group (being approximately 66.0% as measured by as total liabilities divided by total assets as at 31 December 2014) indicates the Reorganized Target Group utilized a higher level of debt financing to support its business developments as compared to that of the Group. The current ratio of the Reorganized Target Group as at 31 December 2014 and 30 April 2015 being approximately 1.4 times is also considerably lower than that of the Group being approximately 7.3 times. Both findings imply that the Reorganized Target Group is less capable to pay off its financial obligations. We consider the higher gearing of the Reorganized Target Group (or the Enlarged Group after completion of the Acquisition) may hinder the Enlarged Group to obtain additional financing at a timely fashion and at a reasonable cost which may in turn delay the property development project completion schedule in the coming years. Further, the capital commitments of the Target Group amounted to a substantial level of approximately RMB498.6 million as at 30 April 2015 and the estimated capital expenditures of the Target Group in 2015 of approximately RMB729.8 million indicate the cash resources of the Enlarged Group will have to be primarily channeled towards the property development projects and we consider it is less likely that the Enlarged Group will be able to declare dividend to Shareholders in the short run.

We also wish to remind the Independent Shareholders that the consideration of the Acquisition will be settled by way of issuance of the Consideration Shares, the Convertible Preference Shares and/or the Placing Shares which would result in a significant dilution where the shareholding of public Shareholders shall be diluted from approximately 26.97% to approximately 4.61% upon issuance of the 600,000,000 placing Shares and the Consideration Shares and after all the Convertible Preference Shares are fully converted into ordinary Shares. However, Independent Shareholders should note that such dilution shall not take place immediately after the completion of the Acquisition due to the public float constraints as discussed in the paragraph headed "Possible dilution effect on the shareholding of the Company" above.

Nevertheless, although we are unable to quantify the impact from the above considerations, we consider that the potential benefits and merits of the Acquisition to be brought to the Group and the terms of the Acquisition would be able to outweigh the potential negative impacts arising from the above considerations.

RECOMMENDATION

Having considered the principal factors and reasons above, we are of the view that, on balance, the Acquisition and the transactions contemplated under the Agreement are in the ordinary and usual course of business of the Group, on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to approve the Acquisition and the transactions contemplated under the Agreement at the upcoming EGM.

Yours faithfully,
For and on behalf of
Octal Capital Limited

Alan Fung	**Wong Wai Leung**
Managing Director	*Executive Director*

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Wong Wai Leung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Wong has more than 15 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

This circular contains forward-looking statements that state the intentions, beliefs, expectations or predictions of the Group, the Reorganized Target Group and the Enlarged Group for the future that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this circular. These forward-looking statements include all statements in this circular that are not historical fact, including, without limitation, statements relating to:

- the Enlarged Group's operations and business prospects;
- the future developments, trends and competition in the industry and markets in which we operate;
- the Enlarged Group's strategies, plans, objectives and goals and its ability to implement such strategies and achieve its plans, objectives and goals;
- the Enlarged Group's future capital needs and capital expenditure plans;
- the amount and nature of, and potential for, future development of the Enlarged Group's business;
- the regulatory environment relating to, and the general industry outlook for the industry in which we operate;
- prospective financial matters regarding the Enlarged Group's business, results of operations and financial conditions;
- the Enlarged Group's financial conditions and results of operations;
- the amount and nature of, and potential for, future development of the Enlarged Group's; and
- the general political and economic environment in the PRC.

When used in this circular, the words "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and similar expressions or the negative thereof, as they relate to the Group, the Reorganized Target Group and/or the Enlarged Group, are intended to identify forward-looking statements. However, all statements in this circular other than statements of historical facts are forward-looking statements. Such forward-looking statements reflect the views of the management of the Group, the Reorganized Target Group and/or the Enlarged Group (as the case may be) as of the date of this circular with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this circular. Although the Directors believe that the expectations reflected in such forward-looking statements are reasonable, actual results and events may differ materially from information contained in the forward-looking statements as a result of a number of factors, including:

- the performance of the PRC property markets;
- the Enlarged Group's ability to successfully complete and realize benefits from its business;

- the Enlarged Group's ability to obtain adequate financing on terms acceptable to it;
- the Enlarged Group's levels of indebtedness and interest payment obligations;
- the Enlarged Group's ability to effectively manage its planned expansion;
- the Enlarged Group's ability to stay abreast of market trends;
- the Enlarged Group's ability to continue to use certain properties in an undisrupted manner;
- the Enlarged Group's ability to effectively manage its operational and research and development costs;
- the Enlarged Group's ability to retain core team members and attract qualified and experienced personnel;
- the Enlarged Group's ability to liquidate assets in response to changes in economic and financial conditions, as necessary;
- the Enlarged Group's ability to maintain and renew the permits and licences it requires to undertake its business operations;
- prospective financial information of the Enlarged Group; and
- other factors beyond the Company's control.

Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove to be incorrect, the results of operations and financial condition of the Group, the Reorganized Target Group and/or the Enlarged Group may be adversely affected and may vary materially from those described herein as anticipated, believed or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by the Company that its plans and objectives will be achieved or realized.

The forward-looking statements in this circular reflect the views of the management of the Group as of the date of this circular and are subject to change in light of future developments. Subject to the requirements of the Listing Rules, the Company does not intend to update or otherwise revise the forward-looking statements in this circular, whether as a result of new information, future events or otherwise.

You should carefully consider the following risk factors together with all other information contained in this circular in considering the Acquisition. If any of the possible events described below occurs, the business, financial condition, results of operations and prospects of the Enlarged Group could be materially and adversely affected. The risks and uncertainties described below may not be the only ones that are faced by the Enlarged Group. Additional risks and uncertainties that the Company is not aware of or that the Company currently believes are immaterial may also adversely affect the Enlarged Group's business, financial condition, results of operations and prospects.

RISKS RELATING TO THE ACQUISITION

Completion is subject to conditions precedent set out in the Agreement having been fulfilled and there is no assurance that all of the conditions precedent can be fulfilled.

A number of the conditions precedent to the Completion as set out in the section headed "Letter from the Board – The Acquisition – Conditions precedent" in this circular involve the decisions of third parties, including approvals by the Independent Shareholders at the EGM and the approval of the Listing Committee of the Stock Exchange for the new listing application of the Company and for the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares. As fulfillment of these conditions precedent are not within the control of the parties involved in the Acquisition, there is no assurance that they can be fulfilled and/or the Acquisition will be completed as contemplated. If the Acquisition cannot be completed, the Company will not be able to inject the Reorganized Target Group as its new operations but will remain responsible for the fees relating to the Acquisition, which may have a material adverse effect on the Company.

RISKS RELATING TO THE REORGANIZED TARGET GROUP'S BUSINESS AND INDUSTRY

The Reorganized Target Group's operations may be substantially affected by changes in national or local policies relating to the PRC property industry.

The PRC property industry is subject to extensive government regulations and the Reorganized Target Group's operations therefore may be substantially affected by changes in the national or local policies relating to the PRC property sector. PRC national and local governments exert considerable direct and indirect influence on the development of the property sector by imposing industry policies and other economic measures, such as controls over the supply of land available for development, controls (through bank reserve requirements) over the supply of credit, controls over project financing, capping the total amount of bank loans available for property developers, capping the number of properties an individual may buy and capping the proportion of the purchase price which individuals can pay by bank mortgages. Furthermore, the PRC government may impose additional taxes and levies on property sales and further restrict foreign investment in the PRC property sector and the availability of land.

From 2004 to 2013, the PRC government introduced a series of regulations and policies designed to generally control the growth of the property market, including, among others:

- requiring strict enforcement of idle land related laws and regulations;

- restricting the granting of new credit facilities for property developers holding large amounts of idle land and vacant commodity properties;
- forbidding commercial banks from lending to property developers with internal capital ratios of less than a certain prescribed percentage;
- forbidding commercial banks from granting loans to property developers for the purpose of paying land grant premiums;
- imposing a business tax levy on the sales proceeds from the transfer of certain types of properties within a number of years of the purchase;
- increasing the minimum down payment required for the purchase of residential properties;
- placing restrictions on the availability of loans to families with outstanding mortgages on multiple residential properties;
- placing restrictions on the availability of individual housing provident fund loans for the purchase of residential properties by families owning multiple residential properties;
- since 2010, imposing restrictions on housing purchases in Beijing, Shanghai, Guangzhou and Shenzhen, including the restrictions on the eligibility of non-local residents to purchase local properties and increased minimum down payment ration required for the purchase of second properties; and
- since early 2011, imposing property taxes in Shanghai and Chongqing.

In particular, following a downturn in the PRC property market in late 2008 and early 2009, property prices and transaction volumes increased sharply commencing in the second half of 2009. This has led to the imposition of a series of regulations and policies by the PRC and local governments to slow down the property market and the increase in property prices, as well as to combat property speculation. These policies impose additional requirements for pre-sales and restrict the use of funds raised by pre-sales to the development of the respective projects. They may limit the Reorganized Target Group's ability to obtain financing, acquire land for future development, sell properties at a profit and to generate sufficient operating cash flows from contracted sales. Such measures resulted in downward pressure on the PRC property market starting in the second half of 2011 and reduced transaction volumes in the first quarter of 2012. In addition, since January 2010, policies implemented by the PRC government with regard to bank loans and trust financing arrangements for property development projects have had, and may continue to have, a dampening effect on the property markets in which the Reorganized Target Group operates.

Moreover, on February 20, 2013, the State Council announced that it would implement a series of policies to limit property speculation. Such policies include setting price control targets for newly developed properties, requiring provincial governments to impose purchase limits and credit restrictions, expanding the scope of property tax pilot programs, increasing the supply of land and residential units and tightening market regulations. On March 1, 2013, the General Office of the State Council further announced the Notice on Further Regulation of the Real Estate Market (《國務院辦公廳關於繼續做好房地產市場調控工作的通

知》). This notice requires provincial and municipal governments to strengthen their administration of the property market, including increasing the supply of properties and setting price control targets in cities with rapidly increasing property prices. The notice requires local governments to strictly implement existing purchase restrictions. If the property prices of any city rise too quickly and there is no purchase limit policy in place, the relevant provincial government must require the city to promptly adopt purchase restrictions. Financial institutions are required by the notice to strictly implement credit policies with regard to the down payment ratios and interest rates for mortgages and to give increased scrutiny when reviewing the background of mortgage applicants. The local offices of the PBOC may also increase the interest rates and the down payment ratios for mortgages for second properties if the property prices in any city rise too quickly. The tax, building and construction authorities are required to coordinate to ensure that the 20% individual income tax on the income from the sale of second-hand properties is implemented. Besides the above restrictive measures, the notice also encourages governments to increase the supply of land for construction of residential units and affordable housing. The relevant authorities are required to speed up the approval processes for property developments with small-to medium-sized units. Financial institutions are required to prioritize the property development loan applications for projects where small- to medium- sized units account for more than 70% of the total units.

Although the PRC government has loosened certain restrictions on the property market, including lowering the minimum down payment requirement for second home purchases from 60% to 40% in March 2015, there can be no assurance that the PRC national or local governments will not adopt new or more stringent industry policies, regulations and measures in the future. The Company cannot predict the extent to which the Reorganized Target Group's sales volume and turnover may be affected by such measures. If the Reorganized Target Group fails to adapt its operations to new policies, regulations or measures that come into effect from time to time with respect to the PRC property industry, or if the Reorganized Target Group's marketing and pricing strategies are ineffective, such policy changes may result in a decrease in the Reorganized Target Group's contracted sales and require the Reorganized Target Group to lower its selling prices and/or incur additional costs, and the Reorganized Target Group's operating cash flows, gross profit margin, business prospects, results of operations and financial condition may be materially and adversely affected. Please refer to the section headed "Regulatory Overview" of Appendix II to this circular for details. Please also refer to the paragraph headed "– Risks Relating to Conducting Business in the PRC" in this section for more risks and uncertainties relating to the extensive PRC regulations.

The Reorganized Target Group's business and prospects are heavily dependent on the performance of the PRC property market, and in particular on the performance of the markets in Shenzhen and various major cities of Guangdong province, and therefore any potential decline in property sales or prices or demand for properties in the PRC generally, or in the major cities in this region, could have a material adverse effect on the Reorganized Target Group's business, financial condition and results of operations.

The Reorganized Target Group principally develops and sells properties in Shenzhen and other parts of Guangdong province. As of April 30, 2015, the Reorganized Target Group had five property projects in the PRC in various stages of development, which were located in Shenzhen and Maoming. The Reorganized Target Group's business continues to be heavily dependent on the property markets in the Guangdong province. These property markets may be affected by local, regional, national and global factors, including economic and financial developments, speculative activities in local markets, demand for and supply of properties, availability of alternative investment choices for property buyers, inflation, government policies,

interest rates and the availability of capital. Any adverse developments in the PRC property market generally or in this region in particular, could materially and adversely affect the Reorganized Target Group's business, financial condition, results of operations and prospects.

Furthermore, private ownership of property in China is still at a relatively early stage of development. Demand for private residential property has been increasing rapidly in recent years, which has often been coupled with volatile market conditions and fluctuations in prices. Numerous factors may affect the development of the market and, accordingly, it is very difficult to predict when and how significantly demand will develop. Limited availability of accurate financial and market information and the general low level of transparency in China's property industry contribute to overall market uncertainty. Investors may be discouraged from acquiring new properties due to the lack of a liquid secondary market for residential properties. In addition, the limited amounts and types of mortgage financing available to individuals, together with the lack of long-term security of legal title and enforceability of property rights, may also inhibit demand for residential property. The risk of over-supply is also increasing in parts of China where property investment, trading and speculation have become more active. If as a result of any one or more of these or similar factors, demand for residential property or market prices decline significantly, the Reorganized Target Group's business, results of operations, financial condition and prospects could be materially and adversely affected.

The Reorganized Target Group has primarily obtained and may continue to primarily obtain the land that it develops through urban redevelopment, which involves a number of risks and uncertainties.

Historically, a majority of the Reorganized Target Group's completed projects were developed on land obtained through urban redevelopment. Going forward, although the Enlarged Group plans to obtain land through a variety of sources, urban redevelopment will likely be one of its major sources of land acquisition for development. The Reorganized Target Group is currently involved in four urban redevelopment projects under development in Shenzhen, namely Hongwan Zoll Center, Mangrove Luxury Garden Zoll Center, Hongwan Garden and Mangrove Luxury Garden, and has two land parcels planned to be redeveloped or contracted to be acquired through urban redevelopment, namely Meijing Project and Liguang Project.

The Reorganized Target Group faces a number of risks from these arrangements including but not limited to the following:

- In order to successfully obtain an urban redevelopment project, the Reorganized Target Group needs to incur certain costs and expenses before it obtains the land use rights and is able to commence development. Such costs and expenses normally include (i) fees paid to design firms for the designing of the urban redevelopment project; (ii) labor costs incurred during the negotiation process; and (iii) a deposit fee paid to the relevant villagers-representative company when the Reorganized Target Group enters into the master agreements or letters of intent for the urban redevelopment project. During the Track Record Period, the Reorganized Target Group did not pay any deposit fee to the villagers-representative companies from which it obtained land for urban redevelopment. However, historically the deposit fees that the Reorganized Target Group paid for a single urban redevelopment project generally ranged from RMB2 million to RMB20 million, depending on the size of the project. Such deposit fees were used to offset the resettlement compensation where the Reorganized Target Group

developed the project in accordance with the master agreements or the letter of intent. Please refer to the section headed "Business of the Reorganized Target Group – Property Development and Sales Process – Urban Redevelopment" of this circular for further details.

- Negotiations with the local governments and the relevant villagers-representative companies on an urban redevelopment project can be time consuming. It typically takes two to five years from the time that the Reorganized Target Group enters into a master development agreement/plan or a letter of intent with the relevant villagers-representative company until the time that the Reorganized Target Group obtains the land use rights. There can be no assurance that these timetables will not be further delayed. The long execution period may expose the Reorganized Target Group to greater market risk compared to other real estate developers who obtain land for development through other means. Any property market downturn in the regions where the Reorganized Target Group is arranging or developing an urban redevelopment project could lead to potential decline in demand or selling prices of the Reorganized Target Group's properties and may materially and adversely affect the Reorganized Target Group's business, financial condition and operating results.

- There can be no assurance that the Reorganized Target Group will be successful in securing the land grant contracts or obtaining the relevant land use rights certificates in relation to its urban redevelopment projects, notwithstanding the entering into of any master development agreement/plan or letter of intent with local governments, their affiliated entities and/or the relevant villagers-representative companies, and regardless of the incurrence of initial costs associated with any preliminary discussions and negotiations, initial deposits and/or project planning and design proposals. As of the Latest Practicable Date, the Reorganized Target Group had not obtained the land use rights certificates with respect to two of its urban redevelopment projects.

- Part of the Reorganized Target Group's urban redevelopment costs consist of compensation that the Reorganized Target Group pays existing residents for resettlement, which is calculated in accordance with certain formulas published by the relevant local authorities. These formulas take into account the location, GFA and the type of building to be demolished, local income levels and many other factors. There can be no assurance that local authorities will not change or adjust their formulas without prior notice in a manner that will materially increase the costs of the Enlarged Group.

- There can be no assurance that the Reorganized Target Group will be able to reach agreements for compensation and resettlement for the Reorganized Target Group's current resettlement projects on satisfactory terms, or at all. Existing owners or residents may disagree with the compensation arrangements or refuse to relocate. An unfavorable final determination or settlement regarding the amount of compensation payable by the Reorganized Target Group may increase the cost of the development and materially and adversely affect its cash flow, business, results of operations and financial condition.

- There can be no assurance that the master development agreements/plans or letters of intent will be implemented as agreed or will not be terminated and there are risks with respect to the enforcement of these agreements and plans, particularly in light of their relatively long

execution periods. If the Reorganized Target Group has performed its obligations under the relevant master development agreements/plans or letters of intent, including but not limited to paying the agreed compensation to and arranging the resettlement for the existing residents, but the other parties fail to perform their corresponding obligations, the Reorganized Target Group's business, financial condition, results of operations and prospect would be materially and adversely affected.

The Reorganized Target Group has not encountered any material difficulties with respect to the execution of these agreements/plans or the urban redevelopment projects that it has participated in the past. Nevertheless, PRC government policies related to the Reorganized Target Group's projects may change in the future and there may be changes in the implementation of these agreements. If any of these master agreements/plans or letters of intent are not implemented as agreed, the Reorganized Target Group's business, financial condition, results of operations and prospects could be materially and adversely affected.

The Reorganized Target Group may not be able to acquire land reserves in desirable locations that are suitable for development at commercially acceptable prices in the future, which may affect the Reorganized Target Group's business, financial condition, results of operations and prospects.

The growth and success of the Reorganized Target Group's business depend on its ability to continue acquiring land reserves located in desirable locations at commercially reasonable prices. The Reorganized Target Group's ability to acquire land depends on a variety of factors that the Reorganized Target Group cannot control, such as general economic conditions, the Reorganized Target Group's effectiveness in identifying and acquiring land parcels suitable for development and the competition for such land parcels. During the Track Record Period, a majority of the Reorganized Target Group's completed projects were developed on land obtained through urban redevelopment, and the Reorganized Target Group may continue to acquire land for its property development projects through urban redevelopment. The availability and price of land acquired through urban redevelopment depend on factors beyond the Reorganized Target Group's control, including government land policies and competition. The PRC government and relevant local authorities control the supply and price of new land parcels and approve the planning and use of such land parcels. Local governments control the availability of land acquisition by urban redevelopment. Specific regulations are in place to control the methods and procedures by which land parcels are acquired and developed in the PRC. Please refer to the section headed "Regulatory Overview" of Appendix II to this circular for details. Furthermore, the rapid development of the cities in Shenzhen and other parts of the Guangdong province in recent years has resulted in a shortage in the supply of undeveloped land in desirable locations and increased land acquisition costs, which is one of the largest components of the Reorganized Target Group's cost of sales. Any increase in the Reorganized Target Group's land costs resulting from shortages of supply, the Reorganized Target Group's inability to procure new urban redevelopment projects or other factors, could have a material and adverse effect on the Reorganized Target Group's business, financial condition, results of operations and prospects.

The Reorganized Target Group's investment in its joint venture may not achieve the benefits as anticipated; the Reorganized Target Group cannot control the joint venture at its discretion and the joint venture partner may not always act in the Reorganized Target Group's interest; and the Reorganized Target Group's shareholder loan to the joint venture may not be repaid to the Reorganized Target Group in full or at all.

The Reorganized Target Group has a 40% shareholding in Shenzhen Anyuan Industrial Development Co., Ltd. (深圳市安元實業發展有限公司) ("**An Yuan**"). Please refer to the section headed "History and Reorganization of the Reorganized Target Group – Reorganization" for further details. An Yuan is held as to 60% by a joint venture partner, which is an Independent Third Party to the Reorganized Target Group.

As a non-controlling shareholder, the Reorganized Target Group cannot control An Yuan's operations and management at its discretion and does not have any sole decision-making authority. In addition, the joint venture partner may hold different views or have different interests in the operations and management of An Yuan from the Reorganized Target Group and may not always act in the Reorganized Target Group's interest. If An Yuan's financial condition deteriorates or if An Yuan involves in any negative media exposure, the Reorganized Target Group's investment return and reputation may be negatively affected.

Pursuant to a cooperation agreement entered into in 2004 by An Yuan and a villagers-representative company, which is an Independent Third Party, An Yuan agreed to cooperate with the villagers-representative company to apply for and develop a parcel of land in Guan Hu, Shenzhen (the "**Guan Hu Project**"). Under the cooperation agreement, An Yuan is obliged to provide project development funds for the Guan Hu Project and, if the project is approved by the relevant PRC authorities, will be entitled to 74% of the total GFA of the project. The Guan Hu Project had been temporarily suspended until the Reorganized Target Group's joint venture investment in An Yuan in 2010, as An Yuan did not have sufficient funds to finance the Guan Hu Project. In this respect, the Reorganized Target Group has provided unsecured shareholder's loans to An Yuan to be used as project development funds, and anticipated that it would benefit from An Yuan's interest in the Guan Hu Project upon completion of the project. As of April 30, 2015, amount due from An Yuan amounted to approximately RMB518.9 million. The shareholder's loans have been provided to An Yuan free of any charge or pledge. There is no assurance that An Yuan will be able to repay the shareholder loans. If An Yuan fails to operate successfully, we may not be able to collect the loan amount in full or at all.

The Reorganized Target Group may not have adequate financing to fund its future land acquisitions and property development, and such capital resources may not be available on commercially reasonable terms or at all.

Property development is capital intensive. The Reorganized Target Group is expected to continue to incur a high level of capital expenditure for land acquisition and construction for the foreseeable future. For information on the Reorganized Target Group's estimated capital expenditure for 2015, 2016 and 2017 and the Reorganized Target Group's capital commitments as of December 31, 2012, 2013 and 2014 and April 30, 2015, please refer to the paragraphs headed "Additional Financial Information of the Reorganized Target Group – Indebtedness/Capital Commitments/Capital Expenditures" in this circular.

During the Track Record Period, the Reorganized Target Group financed its property projects primarily through a combination of internally generated funds, including proceeds from pre-sales and sales of the Reorganized Target Group's properties and borrowings from financial institutions consisting of CBRC-licensed commercial banks and trust financing companies. The Reorganized Target Group's ability to obtain external financing in the future and the cost of such financing are subject to uncertainties beyond the Reorganized Target Group's control, including:

- requirements to obtain PRC government approvals necessary for obtaining financing in the domestic or international markets;
- the Reorganized Target Group's future results of operations, financial condition and cash flows;
- the condition of the international and domestic financial markets and the availability of financing;
- changes in the monetary policies of the PRC government with respect to bank interest rates and lending practices; and
- changes in policies regarding regulation and control of the property market.

The PRC government has implemented a number of measures to manage the growth of the money supply and the availability of credit, especially with respect to the property sector. For example:

- the PBOC has adjusted the Renminbi deposit reserve ratio for major banks several times since 2010, first upward (to a peak of 21.5%) and more recently downward (to its present level of 17.0%);
- the PBOC has adjusted the benchmark one-year bank lending rate many times since 2008. The PBOC lowered the benchmark one-year bank lending rate to 5.35% on March 1, 2015, to 5.10% on May 11, 2015, to 4.85% on June 27, 2015, to 4.6% on August 26, 2015, and further lowered it to 4.35% on October 24, 2015;
- restricting commercial banks from granting loans to property developers which will be used to pay land premium;
- requiring that at least (i) 20% of total investment in property projects is for affordable housing and commodity housing; and (ii) 25% of the total investment for all other types of property projects is funded by the developer's own capital;
- restricting trust companies from providing financing to a project developer which has not obtained the relevant land use rights certificates, construction land planning permits, construction work planning permits and construction work commencement permits; and
- restricting trust companies from funding projects developed by a developer which. or whose controlling shareholder holds, below a second-level qualification.

For further information, please refer to the section headed "Regulatory Overview" of Appendix II to this circular. The above measures and other similar government actions and policy initiatives have limited the Reorganized Target Group's ability and flexibility in using bank loans and trust financing arrangements to finance its property projects. Should the PRC government introduce similar additional initiatives, the Reorganized Target Group may not be able to secure adequate financing or renew its existing credit facilities prior to their expiration on commercially reasonable terms or at all.

The Reorganized Target Group's results of operations largely depend on a number of factors including the schedule of the Reorganized Target Group's property development and the timing of property sales and may therefore vary significantly from year to year.

The Reorganized Target Group's business model is to sell certain properties for immediate return of capital to fund its business, operations and expansion plans, while strategically retaining other properties for stable recurring rental income and long-term capital appreciation. For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, the Reorganized Target Group's revenue generated from property development and sales amounted to 29.2%, 77.3%, 88.9%, 93.0% and 34.9% respectively, of its total revenue. The Reorganized Target Group's results of operations may fluctuate due to factors such as the schedule of its property development projects and the timing of property sales.

The Reorganized Target Group generally recognizes revenue from the sale of its properties upon delivery to purchasers. There is a time difference between pre-sales of projects under development and the completion of property construction. Because the timing of completion of its properties varies according to its construction timetable, The Reorganized Target Group's results of operations may vary significantly from period to period depending on the GFA sold or pre-sold, and the timing between its pre-sales and completion and the delivery of the properties to purchasers. Periods in which the Reorganized Target Group pre-sells a large amount of aggregate GFA, may not be periods in which it generates a correspondingly high level of revenue, if the properties pre-sold are not completed and delivered within the same period. The effect of timing of delivery on the Reorganized Target Group's operational results is accentuated by the fact that during any particular period of time the Reorganized Target Group can only undertake a limited number of projects due to its substantial capital requirements for land acquisition and construction costs.

Fluctuations in the Reorganized Target Group's operating results may also be caused by other factors, including fluctuations in expenses, such as land grant premium, development costs, administrative expenses, and selling and marketing expenses, and changes in market demand for its properties. As a result, the Reorganized Target Group's period-to-period comparisons of results of operations and cash flow positions may not be indicative of its future results of operations and may not be taken as meaningful measures of its financial performance for any specific period. In addition, the cyclical property market of the PRC affects the optimal timing for the acquisition of land, the planning of development and the sales of properties. This cyclicality, combined with the lead time required for the completion of projects and the sales of properties, means that the Reorganized Target Group's results of operations relating to property development activities may be susceptible to significant fluctuations from period to period. Furthermore, the Reorganized Target Group's property development projects may be delayed or adversely affected by a combination of factors beyond its control, which may in turn adversely affect its revenue recognition and consequently its cash flow and results of operations.

Fluctuations in the price of construction materials and labor costs could affect the construction fees charged by the Reorganized Target Group's construction contractors which could materially and adversely affect the Reorganized Target Group's business and financial performance.

The cost of construction materials, such as steel, cement and labor costs, are subject to a high degree of volatility. As most of the Reorganized Target Group's major construction contracts are fixed unit price contracts, the risk of fluctuations in construction material and labor costs during the terms of the contracts are absorbed by the Reorganized Target Group's construction contractors to a large extent as the Reorganized Target Group outsources its construction work to them as they are responsible for purchasing most of the construction materials and bear relevant labor costs during the terms of the relevant contracts. However, if there is any significant increase in the cost of construction materials and labor costs, the Reorganized Target Group's construction contractors may require it to renegotiate construction fees or the Reorganized Target Group may be subject to higher construction fees when the Reorganized Target Group's existing construction contracts expire. If any of these occur, the Reorganized Target Group's business, financial condition and results of operations may be materially and adversely affected.

The Reorganized Target Group's business may be adversely affected if the Reorganized Target Group fails to obtain, or experiences material delays in obtaining, necessary government approvals to carry out the Reorganized Target Group's property development and management operations.

The property industry in the PRC is heavily regulated. Property developers must abide by various laws and regulations, including rules stipulated by national and local governments to enforce these laws and regulations. To engage in property development and management operations, the Reorganized Target Group must apply to relevant government authorities to obtain and renew various licenses, permits, certificates and approvals, including but not limited to, land use rights certificates, qualification certificates for property developers, construction work commencement permits, construction work planning permits, construction land planning permits and pre-sales permits. Before the government authorities issue or renew any certificate or permit, the Reorganized Target Group must meet the relevant requirements. Please refer to the section headed "Regulatory Overview" of Appendix II to this circular for details.

There can be no assurance that the Reorganized Target Group will be able to adapt to new rules and regulations that may come into effect from time to time with respect to the property industry or that the Reorganized Target Group will not encounter material delays or difficulties in fulfilling the necessary conditions to obtain and/or renew all necessary certificates or permits for the Reorganized Target Group's operations in a timely manner, or at all, in the future. In the event that the Reorganized Target Group fails to obtain or renew, or encounters significant delays in obtaining or renewing, the necessary certificates and/or government approvals for any of the Reorganized Target Group's major property projects, it will not be able to continue with its development plans, and its business, financial condition and results of operations may be adversely affected.

The LAT calculated by the relevant PRC tax authorities may be different from the Reorganized Target Group's calculation of LAT liabilities for provision purposes, which may have a material adverse effect on the Reorganized Target Group's financial condition.

Pursuant to PRC regulations on LAT, both domestic and foreign investors in real estate development in the PRC are subject to LAT on income from the sale or transfer of land use rights, properties and their attached facilities, at progressive rates ranging from 30% to 60% on the appreciation of land value. The Reorganized Target Group paid RMB90.2 million, RMB137.4 million, RMB27.7 million, RMB8.1 million and RMB56.4 million for LAT for the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, respectively. In accordance with a circular issued by the State Administration of Taxation, which became effective on February 1, 2007, LAT obligations are required to be settled with the relevant tax bureaus within a specified time after the completion of a property development project.

The Reorganized Target Group makes provisions for LAT by reference to its sales recognized and in accordance with its estimates of the LAT which will be payable under relevant PRC laws and regulations. As the Reorganized Target Group often develops its projects in several phases, deductible items for calculation of LAT, such as land costs, are apportioned among such different phases of development. Provisions for LAT are made on the Reorganized Target Group's own estimates based on, among others, the Reorganized Target Group's own apportionment of deductible expenses which are subject to final confirmation by the relevant tax authorities upon settlement of the LAT. For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, the Reorganized Target Group made LAT provisions of RMB3.4 million, RMB85.4 million, RMB471.1 million, RMB225.1 million and RMB11.4 million, respectively. LAT liabilities are subject to determination by the tax authorities upon the completion of the property development projects and may be different from the amounts that were initially provided for. Any such differences may impact the Reorganized Target Group's profit after tax and deferred tax provision in the periods in which such taxes are finalized with the relevant tax authorities. The Reorganized Target Group's financial condition may be adversely materially and impacted if its LAT liabilities as calculated by the relevant tax authorities are higher than the Reorganized Target Group's provisions.

The appraised value of the Reorganized Target Group's properties may be different from their actual realizable value and are subject to change, and if the actual realizable value of the Reorganized Target Group's properties is substantially lower than their appraised value, there may be a material adverse effect on the Reorganized Target Group's business, results of operation and financial condition.

The appraised value of the Reorganized Target Group's properties as set forth in the property valuation report contained in Appendix V to this circular is based on multiple assumptions that include elements of subjectivity and uncertainty. The assumptions, on which the appraised value of the Reorganized Target Group's properties and land reserves is based, include that the Reorganized Target Group will develop and complete the projects in a timely manner in accordance with the Reorganized Target Group's latest development proposals provided to Jones Lang LaSalle Corporate Appraisal and Advisory Limited and set out in the property valuation report contained in Appendix V to this circular; the Reorganized Target Group has obtained or will obtain on a timely basis all approvals from regulators necessary for the development of the projects, which does not allow for any delays, such as those that may be caused by weather or natural disasters, or delays in the timely completion of demolition and relocations; and the

Reorganized Target Group has paid all the land premium and demolition and resettlement costs and obtained all land use rights certificates and transferable land use rights without any obligation to pay additional land premium or demolition and resettlement costs.

If the Reorganized Target Group fails to obtain the approvals from regulators necessary for the development of the Reorganized Target Group's projects, some assumptions used by Jones Lang LaSalle Corporate Appraisal and Advisory Limited in appraising the value of the Reorganized Target Group's properties will prove inaccurate. Therefore, the appraised value of the Reorganized Target Group's properties should not be taken as their actual realizable value or a forecast of their realizable value. Unforeseeable changes to the development of the Reorganized Target Group's property projects as well as national and local economic conditions may affect the value of the Reorganized Target Group's property holdings.

The fair value of the Reorganized Target Group's investment properties is likely to fluctuate from time to time and may decrease significantly in the future, which may materially and adversely affect the Reorganized Target Group's profitability.

The Reorganized Target Group is required to reassess the fair value of its investment properties at the end of each reporting period. Under IFRS, gains or losses arising from changes in the fair value of the Reorganized Target Group's investment properties are included in its combined statements of profit or loss for the period in which they arise. The Reorganized Target Group's investment properties were valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, as of December 31, 2012, 2013 and 2014 and April 30, 2015, on an open market and existing use basis, which reflected market conditions on the respective dates. Based on such valuation, the Reorganized Target Group recognized the aggregate fair value of its investment properties and relevant deferred tax on its combined statements of financial position and increases in fair value of investment properties and movements of the relevant deferred tax on its combined statements of profit or loss. For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, the Reorganized Target Group's increase in fair value of investment properties was RMB651.9 million, RMB591.4 million, RMB895.3 million, RMB550.1 million and RMB89.1 million, respectively.

Despite their impact on the reported profit, fair value gains or losses do not change the Reorganized Target Group's cash position as long as the relevant investment properties are held by the Reorganized Target Group. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. As a result, the Company cannot assure you that changes in the market conditions will continue to create fair value gains on the Reorganized Target Group's investment properties or that the fair value of the Reorganized Target Group's investment properties will not decrease in the future. In addition, the fair value of the Reorganized Target Group's investment properties may materially differ from the amounts it would receive in actual sales of the investment properties. Any significant decreases in the fair value of the Reorganized Target Group's investment properties or any significant decreases in the amount the Reorganized Target Group receives in actual sales of the investment properties as compared with the recorded fair value of such properties would materially and adversely impact the Reorganized Target Group's results of operations.

The Reorganized Target Group may not be able to complete its development projects on time, which may affect the Reorganized Target Group's cash flow.

Property development projects require substantial capital expenditure prior to and during the construction period for, among other things, land acquisition and construction. The construction of property projects may take over a year or longer before a positive net cash flow may be generated through pre-sales, sales, leasing or rentals. As a result, the Reorganized Target Group's cash flows and results of operations may be affected by the Reorganized Target Group's project development schedules and any changes to those schedules. The schedules of the Reorganized Target Group's project developments depend on a number of factors, including the performance and efficiency of the Reorganized Target Group's third-party contractors and the Reorganized Target Group's ability to finance construction. Other specific factors that could adversely affect the Reorganized Target Group's project development schedules include:

- natural catastrophes and adverse weather conditions;
- changes in market conditions, economic downturns and decreases in business and consumer sentiments in general;
- failure to obtain necessary licenses, permits and approvals from relevant government authorities in a timely manner;
- changes in relevant regulations, government policies and government planning; and
- relocation of existing residents and/or demolition of existing structures.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedule and budget may harm the Reorganized Target Group's reputation as a property developer, leading to loss of or delay in recognizing revenues and lower returns. If a property project is not completed on time, the purchasers of pre-sold units of the project may be entitled to compensation for late delivery. If the delay extends beyond a certain period, the purchasers may be entitled to terminate their pre-sales agreements and claim damages. There can be no assurance that the Reorganized Target Group will not experience any significant delays in completion or delivery of any of its projects in the future or that the Reorganized Target Group will not be subject to any liabilities for any such delays.

The Reorganized Target Group has indebtedness and may incur additional indebtedness in the future, and the Reorganized Target Group may not be able to generate sufficient cash to satisfy its existing and future debt obligations.

The Reorganized Target Group currently has, and will continue to require, a substantial amount of indebtedness. The Reorganized Target Group's bank loans and other borrowings, including both current and non-current borrowings, as of December 31, 2012, 2013 and 2014 and April 30, 2015 were RMB4,156.8 million, RMB5,492.8 million, RMB8,016.0 million and RMB8,139.3 million, respectively, and the

Reorganized Target Group's gearing ratio was 91.5%, 105.1%, 115.0% and 116.7%, respectively, as of the same dates. The Reorganized Target Group's indebtedness and gearing could have significant implications, including, among others:

- increasing the Reorganized Target Group's vulnerability to adverse general economic and industry conditions;
- requiring the Reorganized Target Group to dedicate a substantial portion of the Reorganized Target Group's cash flow from operations to servicing and repaying the Reorganized Target Group's indebtedness, thereby reducing the availability of the Reorganized Target Group's cash flow for the Reorganized Target Group's business expansion, working capital and other general corporate purposes;
- limiting the Reorganized Target Group's flexibility in planning for or reacting to changes in the Reorganized Target Group's businesses and the industry in which the Enlarged Group operates;
- placing the Reorganized Target Group at a competitive disadvantage compared to the Reorganized Target Group's competitors with lower levels of indebtedness;
- limiting the Reorganized Target Group's ability to borrow additional funds; and
- increasing the Reorganized Target Group's cost of additional financing.

In the future, the Reorganized Target Group may from time to time require substantial additional indebtedness and contingent liabilities. The Reorganized Target Group's ability to generate sufficient cash to satisfy its existing and future debt obligations will depend upon the Reorganized Target Group's future operating performance, which will be affected by, among other things, prevailing economic conditions, PRC governmental regulation, demand for properties in the regions the Reorganized Target Group operates and other factors, many of which are beyond the Reorganized Target Group's control. The Reorganized Target Group may not generate sufficient cash flow to pay its anticipated operating expenses and to service its debt, in which case the Reorganized Target Group will be forced to adopt an alternative strategy that may include actions such as reducing or delaying property project development, disposing of assets, restructuring or refinancing indebtedness or seeking equity capital. These strategies may not be implemented on satisfactory terms, or at all, and, even when implemented, may result in a material and adverse effect on the Reorganized Target Group's business, results of operations and financial condition.

The Reorganized Target Group's financing costs are subject to changes in interest rates.

The Reorganized Target Group has incurred and is expected to continue to incur a significant amount of interest expense relating to its borrowings from banks, as well as from its trust financing arrangements. Accordingly, changes in interest rates have affected and will continue to affect the Reorganized Target Group's financing costs. Because a majority of the Reorganized Target Group's borrowings are in Renminbi, the interest rates on the Reorganized Target Group's borrowings are primarily affected by the benchmark interest rates set by the PBOC, which have fluctuated significantly in recent years. The Reorganized Target Group recorded finance costs of RMB231.4 million, RMB205.5 million, RMB215.1 million, RMB86.5

million and RMB82.6 million in the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, respectively. Future increases in the PBOC benchmark interest rate may lead to higher lending rates, which may increase the Reorganized Target Group's finance costs and thereby materially and adversely affect the Reorganized Target Group's business, financial condition, results of operations and prospects.

The Reorganized Target Group relies on third-party contractors and any failure by these contractors to provide satisfactory services, the Reorganized Target Group's reputation, business, results of operations and financial condition may be materially and adversely affected.

The Reorganized Target Group engages third-party contractors to carry out various services relating to its property development projects. The Reorganized Target Group generally selects third-party contractors through a tender process and endeavors to engage companies with a strong reputation and track record, high performance reliability and adequate financial resources. The Reorganized Target Group's third-party contractors may fail to provide satisfactory services at the level of quality or within the time required by the Reorganized Target Group. In addition, completion of the Reorganized Target Group's property developments may be delayed, and the Reorganized Target Group may incur additional costs, due to the financial or other difficulties of the Reorganized Target Group's contractors. If the performance of any third-party contractor is unsatisfactory, the Reorganized Target Group may need to replace such contractor or take other remedial actions, which could increase the costs and adversely affect the development schedules of the Reorganized Target Group's projects and materially and adversely affect the Reorganized Target Group's reputation, credibility, financial condition and business operations. In addition, as the Reorganized Target Group enters into new geographical areas in the PRC, there may be a shortage of third-party contractors that meet the Reorganized Target Group's quality standards and other requirements in such locations and, as a result, the Reorganized Target Group may not be able to engage a sufficient number of high-quality third-party contractors, which may materially and adversely affect the Reorganized Target Group's business, financial condition, results of operations and prospects.

The Reorganized Target Group may be unable to successfully manage the growth of its business and the Reorganized Target Group's results of operations from the Track Record Period may not be representative of its future performance.

The Reorganized Target Group experienced significant revenue growth during the Track Record Period. For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, the Reorganized Target Group's revenue was RMB469.2 million, RMB1,902.2 million, RMB4,837.5 million, RMB2,272.8 million and RMB294.6 million, respectively, representing a CAGR of 221.1% from the year of 2012 to 2014. There can be no assurance that the Reorganized Target Group will continue to grow at this rate, or at all. The Reorganized Target Group has faced and will continue to face challenges including rising development and administrative costs and increasing competition for employees and future growth opportunities. The Reorganized Target Group has established a set of policies, controls and procedures to manage the Reorganized Target Group's subsidiaries, including personnel management policies, internal control policies and internal audit procedures. However, as the Reorganized Target Group's business continues to expand, there can be no assurance that these policies, controls and procedures will prove as effective as the Reorganized Target Group hopes. As a result, the Reorganized Target Group's past results of operations may not be indicative of the Reorganized Target Group's future performance.

The Reorganized Target Group's expansion into new geographical markets presents certain risks and uncertainties.

In order to achieve sustainable growth, the Reorganized Target Group needs to continue to seek development opportunities in select regions in the PRC with the potential for growth and where the Reorganized Target Group has no existing operations. The Reorganized Target Group may not be able to identify geographic locations with sufficient growth potential to expand the Reorganized Target Group's market reach or operate the Reorganized Target Group's new projects. For the geographic locations the Reorganized Target Group selects, the Reorganized Target Group may face intense competition from developers with established experience or presence and from other developers with similar expansion plans. As the Reorganized Target Group may face challenges not previously encountered, the Reorganized Target Group may fail to recognize or properly assess risks or take full advantage of opportunities.

Furthermore, the Reorganized Target Group's experience in existing markets and the Reorganized Target Group's business model, including the Reorganized Target Group's Zoll branded stores and method of primarily obtaining land through urban redevelopment, may not be readily transferable to, and replicated in, new markets in the Reorganized Target Group's target cities. The property markets in the Reorganized Target Group's target cities may be different from each other in terms of the level of local economic and industrial development, local governmental policies and support, development phases of local businesses, market demand for the Reorganized Target Group's properties, types of properties to be developed and development cycles. The Reorganized Target Group may have limited ability to leverage its established brands and reputation in new markets in the way it has done in the Reorganized Target Group's existing markets. Furthermore, the administrative, regulatory and tax environments in the Reorganized Target Group's target cities may be different from each other and the Reorganized Target Group may face additional expenses or difficulties in complying with new procedures and adapting to new environments in the new markets. In addition, the Reorganized Target Group may not have the same level of familiarity with local governments, business practices, regulations and customer preferences as other local and more experienced property developers in such cities, which may put the Reorganized Target Group in a disadvantageous position.

As the Reorganized Target Group continues to expand, it will have to continue to improve its managerial, development and operational expertise and allocation of resources. To effectively manage its expanded operations, it will need to continue to recruit and train managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy its property development requirements, including staff with local market knowledge. In order to fund the Reorganized Target Group's ongoing operations and its future growth, it needs to have sufficient internal capital sources or access to additional financing from external sources. Further, it will be required to manage relationships with a greater number of customers, tenants, suppliers, contractors, service providers, lenders and other third parties. Accordingly, the Reorganized Target Group will need to further strengthen its internal controls and compliance functions to ensure that it is able to comply with its legal and contractual obligations and to reduce its operational and compliance risks. The Company cannot assure you that the Reorganized Target Group will not experience issues such as capital constraints, construction delays and operational difficulties at new business locations. The Reorganized Target Group may also experience difficulties in expanding its existing business and operations and training an increasing number of personnel to manage and operate the expanded business.

The Reorganized Target Group faces intense competition, which may materially and adversely affect its business, results of operation and financial condition.

The property market in Shenzhen and other parts of the Guangdong province has been highly competitive in recent years. Property developers from the PRC and overseas have entered the property development markets in the region where the Reorganized Target Group has operations and those into which the Reorganized Target Group may enter in the future. The Reorganized Target Group's competitors include overseas listed foreign developers and top-tier domestic developers and they may have better access to resources, in particular financial resources than the Reorganized Target Group. Competition among property developers may cause an increase in land costs and raw material costs, shortages in quality construction contractors, temporary local market surpluses in property supply leading to property price declines, and higher costs to attract or retain talented employees, thereby affecting the Reorganized Target Group's profitability. If the Reorganized Target Group fails to compete effectively, its business financial condition, results of operations and prospects may be materially and adversely affected.

The Reorganized Target Group is partially dependent on commercial property investment and operations income from the Reorganized Target Group's investment property portfolio.

Commercial property investment and operations income from the Reorganized Target Group's investment properties constitutes an important part of the Reorganized Target Group's business and revenue. For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, the revenue of commercial property investment and operations accounted for approximately 40.2%, 13.8%, 7.1%, 4.6% and 43.9% of the Reorganized Target Group's total revenue, respectively. The Reorganized Target Group is subject to risks incidental to the ownership and operation of commercial properties, including volatility in market rental rates and occupancy levels, competition for tenants, costs resulting from on-going maintenance and repair and inability to collect rent from tenants or renew leases with tenants due to bankruptcy, insolvency, financial difficulties or other reasons. In addition, the Reorganized Target Group may not be able to renew leases with the Reorganized Target Group's tenants on terms acceptable to the Reorganized Target Group, or increase rental rates to the level of the then prevailing market rate, or at all, upon the expiry of the existing terms. In addition, the Reorganized Target Group may not be able to enter into new leases at the rental rates expected. All these factors could negatively affect the demand for the Reorganized Target Group's investment properties and the Reorganized Target Group's rental income, which could have a material and adverse effect on the Reorganized Target Group's business, financial condition and results of operations.

The Reorganized Target Group may not be able to attract and retain quality tenants for its investment properties.

The Reorganized Target Group's investment properties compete for tenants with other property developers on factors including location, quality, maintenance, property management, rental rates, services provided and other lease terms. There can be no assurance that the Reorganized Target Group's existing or prospective tenants will not choose other properties. Any future increase in the supply of properties which compete with the Reorganized Target Group's would increase the competition for tenants and, as a result, the Reorganized Target Group may have to reduce rental rates or incur additional costs to make its properties more attractive. Also, the Reorganized Target Group may not be able to lease its properties to a desirable mix of tenants to achieve its business objectives or for rental rates that are consistent with its

projections. If the Reorganized Target Group is not able to retain its existing tenants, attract new tenants to replace those that leave or lease the Reorganized Target Group's vacant properties, the Reorganized Target Group's occupancy rates may decline and the Reorganized Target Group's investment properties may become less attractive and competitive. This in turn may have a material and adverse effect on the Reorganized Target Group's business, financial condition and results of operations.

The Reorganized Target Group incurs maintenance and operating costs in operating its investment properties and hotel, which may increase.

The Reorganized Target Group's urban complexes, lifestyle and shopping centers and hotel utilize a large amount of utilities such as gas, water and electricity. The Reorganized Target Group is generally not able to influence the prices which utility providers charge, nor can the Reorganized Target Group easily switch to different utilities providers. Any price increase or change in the pricing structure from these utility providers could have an adverse effect on the Reorganized Target Group's operating costs. As a result, increases in the prices of products and services which the Reorganized Target Group procures to maintain its services to its tenants and guests could increase the Reorganized Target Group's operating costs if it is not able to pass these higher costs on to the Reorganized Target Group's customers.

In addition, operating investment properties and the Reorganized Target Group's hotel, as well as the restaurants and other associated facilities within the hotel, involves a significant amount of fixed costs, including maintenance and upkeep costs as well as employee and staff salaries and expenses. These fixed costs limit the Reorganized Target Group's ability to respond to adverse market conditions by minimizing costs. Such limitations may have an adverse impact on the Reorganized Target Group's profitability when the property leasing and hotel industries experience a downturn and may exacerbate the impact of a decline in occupancy rates, rental rates or room rates or in demand for the Reorganized Target Group's restaurants and catering facilities. Any significant increase in maintenance costs and operating costs may have a material and adverse effect on the Reorganized Target Group's business, financial condition, results of operations and prospects.

The Reorganized Target Group faces certain risks of defects or deficiencies in connection with its investment properties and hotels and any accidents, injuries or prohibited activities in the Reorganized Target Group's investment properties and hotel may adversely affect the Reorganized Target Group's reputation and subject the Reorganized Target Group to liability.

The Reorganized Target Group's investment properties and hotel may have defects or deficiencies requiring significant capital expenditures, repair or maintenance expenses or payment of other obligations to third parties. If any of the Reorganized Target Group's investment properties or hotels has design, construction or other latent property or equipment defects, repairs, maintenance or, if necessary, replacements may need to be carried out to rectify these defects. In addition, wear and tear of the Reorganized Target Group's investment properties and hotel or adverse weather conditions could result in defects requiring repairs or replacement. Such defects and/or the repair, maintenance or replacement works carried out to rectify them could increase the Reorganized Target Group's costs and could have an adverse effect on the operations of the Reorganized Target Group's investment properties and hotels and/or the attractiveness to tenants and guests of such investment properties and hotels.

There are inherent risks of accidents, injuries or prohibited activities (such as illegal drug use, gambling, violence or prostitution by guests and infringement of third parties' intellectual property or other rights by the Reorganized Target Group's tenants) taking place in public places, such as shopping malls and hotels. The occurrence of one or more accidents, injuries or prohibited activities at any of the Reorganized Target Group's investment properties or hotel could adversely affect the Reorganized Target Group's reputation among customers and guests, harm the Reorganized Target Group's brand, decrease the Reorganized Target Group's overall rents and hotel occupancy rates and increase the Reorganized Target Group's costs by requiring the Reorganized Target Group to implement additional safeguard measures. In addition, if accidents, injuries or prohibited activities occur at any of the Reorganized Target Group's investment properties or hotel, the Reorganized Target Group may be held liable for costs, damages and fines. The Reorganized Target Group's current property and liability insurance policies may not provide adequate or any coverage for such losses and the Reorganized Target Group may be unable to renew its insurance policies or obtain new insurance policies without increases in premiums and deductibles or decreases in coverage levels, or at all.

The Reorganized Target Group's investment properties and hotel may encounter temporary closures, reduced turnover or lower occupancy rates as a result of repairs, refurbishments and/or the redevelopment or renovation of the properties or neighboring properties.

The Reorganized Target Group's investment properties and hotel may require repairs and refurbishments which may require significant capital expenditures. The Reorganized Target Group's investment properties and hotels may also need to undergo redevelopment or renovation works from time to time to retain their attractiveness and may also require maintenance or repairs. Such repairs, refurbishments, redevelopments or renovations of the Reorganized Target Group's investment properties and hotels may impact on the Reorganized Target Group's ability to attract tenants at the Reorganized Target Group's investment properties and guests and customers for the Reorganized Target Group's restaurants and event facilities at the Reorganized Target Group's hotel. In some circumstances, such repairs, refurbishments, redevelopments or renovations may require the temporary closure of an investment property or hotel or the restaurants or other facilities within the investment property or hotel. As a result, during the period of any such repairs, refurbishments, redevelopments or renovations, the Reorganized Target Group may experience a reduction in the occupancy rates, rental income and/or average room rates of the investment properties or hotel.

Furthermore, buildings neighboring any of the Reorganized Target Group's investment properties and hotel may be demolished or redeveloped for alternative uses, which may cause disruption to the Reorganized Target Group's investment properties and hotel. This may in turn negatively impact the revenue, attractiveness and valuation of the Reorganized Target Group's investment properties and hotel. Furthermore, any development or redevelopment of neighboring properties could add properties that compete with the Reorganized Target Group's investment properties and hotel. The occurrence of any of the above circumstances could have a material and adverse effect on the Reorganized Target Group's business, financial condition, results of operations and prospects.

The illiquidity of investment properties and the lack of alternative uses of hotel and investment properties may significantly limit the Reorganized Target Group's ability to respond to adverse changes in the performance of the Reorganized Target Group's investment properties.

Because property investments in general are relatively illiquid, the Reorganized Target Group's ability to promptly sell one or more of its investment properties in response to changing economic, financial and investment conditions is limited. The property market is affected by various factors, such as general economic conditions, availability of financing, interest rates and supply and demand, many of which are beyond the Reorganized Target Group's control. The Reorganized Target Group cannot predict whether it will be able to sell any of its investment properties for the price or on the terms set by the Reorganized Target Group, or whether any price or other terms offered by a prospective purchaser would be acceptable to the Reorganized Target Group. The Reorganized Target Group also cannot predict the length of time needed to find a purchaser and to complete the sale of a property. Moreover, the Reorganized Target Group may also need to incur capital expenditure to manage and maintain its properties or to correct defects or make improvements to these properties before selling them. The Reorganized Target Group cannot assure you that financing for such expenditures would be available when needed, or at all. In addition, if the Reorganized Target Group sells an investment property during the term of that property's management agreement or tenancy agreement, it may have to pay termination fees to its third party hotel management companies or its retail tenants.

Furthermore, the aging of investment properties, changes in economic and financial conditions or changes in the competitive landscape in the PRC property market may adversely affect the amount of rentals and revenue the Reorganized Target Group generate from, as well as the fair value of, its investment properties. However, hotels and investment properties may not be readily converted to alternative uses, as such conversion requires extensive governmental approvals in the PRC and involves substantial capital expenditures for the purpose of renovation, reconfiguration and refurbishment. The Reorganized Target Group cannot assure you that it will possess the necessary approvals and sufficient funds to carry out the required conversion. These factors and any others that would impede the Reorganized Target Group's ability to respond to adverse changes in the performance of its hotel and investment properties could affect its ability to compete against its competitors and its results of operations.

The Reorganized Target Group's investments in the PRC are subject to the PRC government's control over foreign investment in the property sector.

The PRC government has imposed restrictions on foreign investment in the property sector to curtail the perceived over-heating of the property sector by, among other things, increasing the capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control on cross-border investment and financing activities and imposing restrictions on purchases of properties in China by foreign persons. Restrictions imposed by the PRC government on foreign investment in the property sector may affect the Reorganized Target Group's ability to make further investments in the Reorganized Target Group's PRC subsidiaries and as a result may limit the Reorganized Target Group's business growth and have a material and adverse effect on the Reorganized Target Group's business, results of operations and financial condition.

The Reorganized Target Group guarantee mortgage loans of certain of the Reorganized Target Group's customers and may become liable to mortgagee banks if customers default on their mortgage loans.

In accordance with industry practice, banks require the Reorganized Target Group to guarantee mortgage loans taken out by purchasers of the properties that the Reorganized Target Group develops. Typically, the Reorganized Target Group guarantees mortgage loans taken out by purchasers up until the issuance of the relevant property ownership certificates and the registration of the mortgage in favor of the mortgagee bank. These are contingent liabilities not reflected on the Reorganized Target Group's balance sheets. If a purchaser defaults on a mortgage loan, the Reorganized Target Group may be required to repurchase the underlying property by paying off the mortgage. If the Reorganized Target Group fails to do so, the mortgagee bank may auction the underlying property and recover any additional amount outstanding from the Reorganized Target Group as the guarantor of the mortgage loans. In line with industry practice, the Reorganized Target Group does not conduct any independent credit checks on the Reorganized Target Group's customers and rely on the credit evaluations conducted by the mortgage banks for such customers.

As of April 30, 2015, the Reorganized Target Group's outstanding guarantees in respect of the residential mortgages of the Reorganized Target Group's customers amounted to RMB384.3 million. During the Track Record Period, the Reorganized Target Group did not encounter any material incidents of default by its customers. However, should any material default occur and if the Reorganized Target Group were called upon to honor the Reorganized Target Group's guarantees, the Reorganized Target Group's financial condition and results of operations could be adversely affected.

The total GFA of some of the Reorganized Target Group's property developments may be different from the original authorized area.

Government grants of land use rights for a parcel of land specify in the land grant contract the permitted total GFA that the developer may develop on the land. In addition, the total GFA is also set out in the relevant urban planning approvals and construction permits. However, the actual GFA constructed may be different from the total GFA authorized in the land grant contract or relevant construction permits due to factors such as subsequent planning and design adjustments. The actual GFA may be subject to approval when the relevant authorities inspect the properties after completion. The developer may be required to pay additional land premium and/or administrative fines or take corrective actions in respect of the adjusted land use and excess GFA before a completion certificate (工程竣工驗收備案表) can be issued to the property developer. The methodology for calculating the additional land premium is generally the same as the original land grant contract. If issues related to excess GFA cause delays in the delivery of the Reorganized Target Group's products, the Reorganized Target Group may also incur liability to purchasers under the Reorganized Target Group's sales and purchase agreements. There can be no assurance that the constructed total GFA for each of the Reorganized Target Group's existing projects under development or any future property developments will not exceed permitted total GFA. Any of these factors may adversely affect the Reorganized Target Group's business.

The Reorganized Target Group is exposed to contractual and legal risks related to pre-sales, which could have a material adverse effect on the Reorganized Target Group's business, financial condition and result of operations.

The Reorganized Target Group makes certain undertakings in its pre-sale contracts, and the Reorganized Target Group's pre-sale contracts and the PRC laws and regulations provide for remedies for breach of these undertakings. For example, if the Reorganized Target Group fails to complete a pre-sold property on time, the Reorganized Target Group may be liable to the relevant customers for such late delivery under the relevant pre-sale contracts or pursuant to relevant PRC laws and regulations. If the Reorganized Target Group's delay extends beyond a specified period, the purchasers may terminate their pre-sale contracts and claim for damages. A customer may also refuse to accept the delivery or even terminate the pre-sale contracts if the GFA of the relevant unit, as set out in the individual property ownership certificate, deviates by more than 3% from the GFA of that unit set out in his or her contract. There can be no assurance that the Reorganized Target Group will not experience any delays in the completion and delivery of the Reorganized Target Group's properties, or that the GFA for a delivered unit will not deviate more than 3% from the GFA set out in the relevant pre-sale contract. Any of such factors could have a material adverse effect on the Reorganized Target Group's business, financial condition and results of operations.

Changes of PRC laws and regulations with respect to pre-sales may adversely affect the Reorganized Target Group's business.

The Reorganized Target Group depends on cash flows from pre-sales of properties as an important source of funding for its property developments. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sales the relevant properties and pre-sales proceeds may only be used to finance the related development. Any ban or additional restrictions on pre-sales may require the Reorganized Target Group to seek alternative sources of funding to finance the Reorganized Target Group's developments, and if sufficient alternative funding is not available to use on attractive terms, or at all, the Reorganized Target Group's cash flow and prospects, and business, results of operations and financial condition could be materially and adversely affected.

The Reorganized Target Group may be liable to its customers for damages if the Reorganized Target Group does not deliver individual property ownership certificates in a timely manner.

Property developers in the PRC typically assist purchasers of property to obtain the relevant individual property ownership certificates within a time frame set out in the relevant property sale and purchase agreement. Property developers, including the Reorganized Target Group, generally elect to specify the deadline for the delivery in the property sale and purchase agreements to allow sufficient time for the application and approval processes. Under current regulations, the Reorganized Target Group is required to submit requisite governmental approvals in connection with the its property developments, including land use rights documents and planning permits, to the local bureau of land resources and housing administration after receipt of the completion and acceptance certificate for the relevant properties and apply for the property ownership initial registration in respect of these properties. The Reorganized Target Group is then required to submit after delivery of the properties, the relevant property sale and purchase agreements, identification documents of the purchasers, proof of payment of deed tax, for the relevant local authority's review and the issuance of the individual property ownership certificates in respect of the properties

purchased by the respective purchasers. Delays by the various administrative authorities in reviewing the application and granting approval as well as other factors may affect timely delivery of the general as well as individual property ownership certificates. There can be no assurance that the Reorganized Target Group will not incur material liability to purchasers in the future for the late delivery of individual property ownership certificates due to the Reorganized Target Group's fault or for any reason beyond the Reorganized Target Group's control.

The property development business is subject to claims under statutory quality warranties, and if a number of claims are brought against the Reorganized Target Group under the Reorganized Target Group's warranties, the Reorganized Target Group's reputation, business, results of operation and financial condition may be materially and adversely affected.

Under the Regulations on Administration of Development and Operation of Urban Real Estate (《城市房地產開發經營管理條例》) enacted by the State Council on July 20, 1998 and amended on 8 January 2011, and the Regulation for the Administration of Sales of Commodity Buildings(《商品房銷售管理辦法》), which went into effect on June 1, 2001, all property developers in the PRC must provide certain quality warranties for the properties they construct or sell. The Reorganized Target Group is required to provide these warranties to its customers. Generally, the Reorganized Target Group receives quality warranties from its third-party contractors with respect to its property projects. If a large number of claims were brought against the Reorganized Target Group under its warranties and if the Reorganized Target Group were unable to obtain reimbursement for such claims from third-party contractors in a timely manner or at all, or if the money retained by the Reorganized Target Group to cover its payment obligations under the quality warranties was not sufficient, the Reorganized Target Group could incur expenses to resolve such claims or face delays in remedying the related defects, which could in turn harm the Reorganized Target Group's reputation, and adversely affect the Reorganized Target Group's business, financial condition and results of operations.

Property owners may not retain the Reorganized Target Group as the provider of property management services and as a result, the Reorganized Target Group's business and results of operation may be materially and adversely affected.

As of April 30, 2015, the Reorganized Target Group managed 19 property projects of various kinds with a total GFA of amounted to approximately 1,990,944 sq.m. Under PRC laws and regulations, property owners of a residential development have the right to change the property management service provider upon the approval of a certain percentage of the property owners of that residential development. If owners of the properties that the Reorganized Target Group has developed are not satisfied with the Reorganized Target Group's property management services, they may terminate the Reorganized Target Group's property management services or publish negative feedback in respect of its property management services, in which case the Reorganized Target Group's reputation, future sales of the Reorganized Target Group's properties and the Reorganized Target Group's results of operations could be adversely affected.

The Reorganized Target Group may be subject to fines or forfeit land to the PRC government if the Reorganized Target Group fails to develop properties within the time and in accordance with the terms set out in the relevant land grant contracts.

Under PRC laws, if the Reorganized Target Group fails to develop a property project according to the terms of the land grant contract, including those relating to the payment of land premium, resettlement and demolition costs and other fees, the designated use of the land and the time for commencement and completion of the property development, government authorities may issue a warning, impose a penalty and/or order the Reorganized Target Group to forfeit the land. Specifically, under current PRC laws, if the Reorganized Target Group fails to commence development within one year of the commencement date stipulated in the land grant contract, the relevant PRC land bureau may issue a warning to the Reorganized Target Group and impose an idle land fee on the land equal to 20% of the land premium. If the Reorganized Target Group fails to commence development within two years from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may confiscate the Reorganized Target Group's land use rights without compensation, unless the delay in the development is caused by government action or is due to a force majeure. Moreover, if a property developer commences development of the property in accordance with the timeframe stipulated in the land grant contract but, suspend for more than one year and falls under either of the following two situations (i) the developed land area is less than one-third of the total land area, or (ii) the total invested capital is less than one fourth of the total planned investment in the project, the land may be treated as idle land and will be subject to the risk of forfeiture.

In September 2007, the Ministry of Land and Resources issued a new notice to further enhance control of the land supply by requiring developers to develop land according to the terms of the land grant contracts and restricting or prohibiting any non-compliant developers from participating in future land auctions. In January 2008, the State Council issued a Notice on Promoting Land Saving and Efficient Use (《關於促進節約集約用地的通知》) to escalate the enforcement of existing rules on idle land management. Furthermore, the Ministry of Land and Resources issued a Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (《關於嚴格建設用地管理促進批而未用土地利用的通知》) in August 2009, which reiterated the applicable rules with regard to idle land management. On 1 June 2012, the Ministry of Land and Resources promulgated the revised Measures on the Disposal of Idle Land (《閒置土地處置辦法》), which went into effect July 1, 2012. These further measures may prevent competent land authorities from accepting any application for new land use rights or processing any title transfer transaction, lease transaction, mortgage transaction or land registration application with respect to idle land prior to the completion of the required rectification procedures.

If the Reorganized Target Group is unable to successfully retain the services of its current personnel and hire, train and retain senior executives or key personnel, the Reorganized Target Group's ability to develop and successfully market its products may be impaired.

The success and growth of the Reorganized Target Group's business has depended significantly on its ability to identify, hire, train and retain suitable employees with capable skills and qualifications, including management personnel with relevant professional skills. The Reorganized Target Group relies on them to continue to develop of its business. The Reorganized Target Group provides incentives to attract and retain large enterprise management and experienced personnel to meet the future development needs. However, as the competition is fiercesome in China for senior management and key personnel with extensive experience

in property development, if a large number of directors and senior management resign, and the Reorganized Target Group fails to find a suitable candidate, the Reorganized Target Group's business may be adversely affected.

Potential liability for health and environmental problems could result in delay in the development of the Reorganized Target Group's properties.

The Reorganized Target Group is subject to a variety of laws and regulations concerning the protection of health and the environment. As required by PRC laws, independent environmental consultants have conducted environmental impact assessments at all of the Reorganized Target Group's construction projects and environmental impact assessment documents were submitted to the relevant government authorities for approval before commencement of construction. The local authorities may request a developer to submit the environmental impact documents, issue orders to suspend the construction and impose a penalty for a project where environmental impact assessment documents have not been approved before commencement of construction. If the Reorganized Target Group cannot obtain the approval on its construction projects and environmental impact assessment documents in due course, the development of the Reorganized Target Group's projects may be delayed.

The China Banking Regulatory Commission ("CBRC") and/or other agencies of the PRC government may tighten the regulations relating to trust loans being provided to the property industry in the PRC, which may affect the Reorganized Target Group's ability to obtain trust loans.

As of April 30, 2015, the Reorganized Target Group has three trust financing arrangements, please refer to the section headed "Business of the Reorganized Target Group – Business of the Reorganized Target Group – Property Development and Sales Process – Project Financing – Trust Financing" in this circular for further details. There are uncertainties regarding trust financing. The operation of trust financing companies in the PRC is primarily regulated by the CBRC pursuant to the Rules Governing Trust Financing Companies (《信託公司管理辦法》), which went into effect on March 1, 2007. Trust financing companies are therefore under the supervision and monitoring of the CBRC and are required to comply with the relevant notices and regulations promulgated by the CBRC. There can be no assurance that the PRC government will not implement additional or more stringent requirements with regard to trust financing companies. This could result in a reduction in the Reorganized Target Group's financing options and/or an increase in the cost of financing the Reorganized Target Group's properties, which in turn could have a material adverse effect on the Reorganized Target Group's business, financial condition, results of operations and prospects.

The Reorganized Target Group is subject to risks associated with certain covenants or restrictions under the Reorganized Target Group's bank borrowings and trust financing arrangements which may adversely affect the Reorganized Target Group's business, financial condition and results of operations.

The Reorganized Target Group is subject to certain restrictive covenants in the loan contracts between the Reorganized Target Group and certain banks and the trust arrangements entered into by the Reorganized Target Group. For instance, the Reorganized Target Group's loan agreements with certain commercial banks may restrict the Reorganized Target Group's operating subsidiaries from paying dividends to their shareholders without prior consent from the lenders. The Reorganized Target Group's loan agreements with certain banks may contain cross-default clauses. If any cross-default occurs, such banks are entitled under

these agreements to accelerate the repayment of all or part of the relevant loans and to recover against the security for such indebtedness. The Reorganized Target Group may be required to seek the consent of the banks in order to carry out any mergers, restructurings, spin-offs, reductions in registered share capital, material asset transfers, liquidations, changes in shareholding or management structures or the establishment of any joint ventures. Furthermore, as long as such loans are outstanding, some of the Reorganized Target Group's relevant operating subsidiaries may not be able to provide guarantees to any third parties. In addition, the Reorganized Target Group's trust financing arrangements may have covenants that, among other things, the Target Company is required to notify and obtain written consent from the trust financing companies in advance if, during the term of the trust financing, it is involved in any operational decisions which would lead to any material changes to the trust financing arrangement's interests, or if the Reorganized Target Group needs to provide guarantees for other external loans if there are circumstances which may affect the ability of the Reorganized Target Group to repay loans. Should the Reorganized Target Group fails to abide by these provisions, the Reorganized Target Group's lenders may be entitled to accelerate repayment of the relevant loans, in which case the Reorganized Target Group's business, financial condition and results of operations could be materially and adversely affected.

The Reorganized Target Group may be subject to fines due to the lack of registration of the Reorganized Target Group's leases.

Pursuant to the Administration of the Measures for Commodity House Leasing in Urban Areas (商品房屋租賃管理辦法), parties to a lease agreement are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. During the Track Record Period, the Reorganized Target Group rented out certain properties to Independent Third Parties. As of the Latest Practicable Date, the Reorganized Target Group had failed to register 25 leases. The failure to register the lease agreements does not affect the validity of the lease agreements under the relevant PRC laws and regulations. However, there can be no assurance that legal disputes or conflicts concerning such leases and tenancies will not arise in the future. In addition, the Reorganized Target Group may be required by relevant government authorities to file the lease agreements for registration and may be subject to a fine for non-registration within the prescribed time limit, which may range from RMB1,000 to RMB10,000 per lease agreement. The PRC Legal Advisor has advised the Reorganized Target Group that the estimated total maximum penalty is approximately RMB250,000. The occurrence of any of the above conflicts or disputes or the imposition of the above fines could require the Reorganized Target Group to make additional efforts and/or incur additional expenses, any of which could materially and adversely impact the Reorganized Target Group's business, financial condition and results of operations. The registration of these lease agreements to which the Reorganized Target Group is a party requires additional steps to be taken by the respective other parties to the lease agreement which are beyond the Reorganized Target Group's control. There can be no assurance that the other parties to the Reorganized Target Group's lease agreements will be cooperative and that the Reorganized Target Group can complete the registration of these lease agreements and any other lease agreements that the Reorganized Target Group may enter into in the future.

The Reorganized Target Group's current insurance coverage may not be adequate to cover all risks related to the Reorganized Target Group's operations.

Consistent with what the Reorganized Target Group believe to be the industry norm for the property development industry in the PRC, the Reorganized Target Group does not maintain insurance coverage against destruction of or damage to the Reorganized Target Group's properties, no matter whether they are

under development or held for sale other than those over which the Reorganized Target Group's lending banks have securities interests or for which the Reorganized Target Group is required to maintain insurance coverage under the relevant loan agreements. If the Reorganized Target Group suffers any losses, damages or liabilities in the course of its business operations, the Reorganized Target Group may not have adequate insurance coverage to provide sufficient funds to cover any such losses, damages or liabilities or to replace any property that has been destroyed. Therefore, there may be instances when the Reorganized Target Group will sustain losses, damages and liabilities because of its lack of insurance coverage, which may in turn adversely affect the Reorganized Target Group's financial condition and results of operations.

The Reorganized Target Group may be involved in legal and other disputes arising out of the Reorganized Target Group's operations and may face significant liabilities as a result.

The Reorganized Target Group may be involved from time to time in disputes with various parties involved in the development and the sale of the Reorganized Target Group's properties, including (without limitation) contractors, suppliers, construction workers, original residents, partners, banks and purchasers. These disputes may lead to protests and may result in damage to the Reorganized Target Group's reputation, substantial costs and diversion of resources and management's attention. As most of the Reorganized Target Group's projects are comprised of multiple phases, purchasers of the Reorganized Target Group's properties in earlier phases may commence legal actions against the Reorganized Target Group if the Reorganized Target Group's subsequent planning and development of the projects are perceived to be inconsistent with the Reorganized Target Group's representations and warranties made to such earlier purchasers. In addition, the Reorganized Target Group may have compliance issues with regulatory bodies in the course of its operations, which may subject the Reorganized Target Group to administrative proceedings and unfavorable decrees that result in liabilities and cause delays to the Reorganized Target Group's property developments. During the Track Record Period, a legal proceeding was brought against the Reorganized Target Group for an aggregate amount of RMB512,342,300. Both the trial court and the appellate court had ruled against the plaintiffs. Please refer to the section headed "Business of the Reorganized Target Group – Legal Proceedings and Compliance – Legal Proceedings". The Reorganized Target Group may be involved in other proceedings or disputes in the future that may have an adverse effect on the Reorganized Target Group's business, financial condition, results of operations or cash flows.

The Reorganized Target Group may be exposed to intellectual property infringement, misappropriation or other claims by third parties and deterioration in the Reorganized Target Group's brand image could adversely affect the Reorganized Target Group's business.

The Company believes that the Reorganized Target Group has built an excellent reputation in the Reorganized Target Group's markets for the quality of its various product series. The Reorganized Target Group has also placed great importance on the continuous enhancement of its brand name and the increase in its brand recognition. The Reorganized Target Group's brand strategy, however, depends on its ability to use, develop and protect its intellectual properties, such as its trademarks used by the Reorganized Target Group. Although the Reorganized Target Group has applied for trademark registration for the Reorganized Target Group's names and logos, the Reorganized Target Group has not successfully registered all of these trademarks in China or elsewhere. As a result, the Reorganized Target Group could be subject to trademark disputes. The defense and prosecution of intellectual property lawsuits and related legal and administrative proceedings can be both costly and time-consuming and may significantly divert the Reorganized Target Group's resources and the time and attention of the Reorganized Target Group's management personnel. An

adverse ruling in any such litigation or proceedings could subject the Reorganized Target Group to significant liabilities to third parties, require the Reorganized Target Group to seek licenses from third parties and to pay ongoing royalties, or subject the Reorganized Target Group to injunctions prohibiting the use of such name and/or logo.

The application for the registration of the "NEO" trademark is still being processed and it may not be able to be registered on a timely basis or at all.

The Reorganized Target Group uses the brand "NEO" for its NEO Urban Commercial Complex in Shenzhen. LVGEM Management Group has engaged professional parties to prepare the registration of the "NEO" trademark, and the trademark will be licensed to the Enlarged Group upon completion of its registration. Based on our experience with the registration process of trademarks in the PRC, the process is lengthy and may take up to twenty four months before the entire registration process is completed. Furthermore, the NEO trademark may not be approved for registration. Given that NEO Urban Commercial Complex is a famous landmark in Shenzhen and so far as the Directors are aware, as at the Latest Practicable Date, there was no application for registration of the "NEO" trademark by any other parties, the Directors believes that there would not be any material obstacles that would prevent the registration of "NEO" as a trademark in the PRC. Nevertheless, if the application for registration of the "NEO" trademark is not completed on a timely basis or at all, we may not be able to commence legal actions to protect the NEO brand from unauthorized use. In such an event, our image and our strategy to develop the NEO brand may be adversely affected.

The Reorganized Target Group may not be able to prevent or detect actions by its employees or agents which violate applicable anti-corruption laws and regulations.

Bribery and other misconduct by its employees or agents may be difficult to prevent or to detect on a timely basis, or at all. For example, another major Shenzhen-based property developer was recently prohibited by government authorities from selling certain of its properties due to allegations that its employees had bribed government officials. Although the Reorganized Target Group has put in place relevant internal control measures aimed at preventing its employees and agents from engaging in conduct which would violate applicable anti-corruption laws and regulations, there can be no assurance that the Reorganized Target Group will be able to prevent or detect such misconduct. Such misconduct by its employees or agents could subject the Reorganized Target Group to financial losses and harm its business and operations. In addition to potential financial losses, such misconduct could subject the Reorganized Target Group to third party claims and regulatory investigations. Any of the foregoing could have a material adverse effect on its business, financial condition, results of operations and prospects.

If the Reorganized Target Group fails to implement effectively its risk management and internal control policies and procedures, the Reorganized Target Group's business and prospects may be materially and adversely affected.

The Reorganized Target Group continually enhance its risk management and internal control policies and systems as part of a continuous effort to improve the Reorganized Target Group's risk management capabilities and enhance the Reorganized Target Group's internal controls. See "Business – Risk Management and Internal Control" for more details. However, there can be no assurance that the

Reorganized Target Group's risk management and internal control policies and procedures will adequately control or protect the Reorganized Target Group against all risks. Some of these risks are unforeseeable or unidentifiable and may be more severe than what the Reorganized Target Group may anticipate.

The Reorganized Target Group's risk management capabilities and ability to effectively monitor legal compliance and other risks are restricted by the information, tools, models and technologies available to the Reorganized Target Group. Moreover, the Reorganized Target Group's employees will require time to adjust to these policies and procedures and the Reorganized Target Group cannot assure you that its employees will be able to consistently comply with or accurately apply them. If the Reorganized Target Group's risk management and internal control policies, procedures and systems fail to be implemented effectively, or if the intended results of such policies, procedures and systems are not achieved in a timely manner (including the Reorganized Target Group's ability to maintain an effective internal control system), the Reorganized Target Group's business, financial condition, results of operations and reputation may be materially and adversely affected.

The Company is a holding company and will rely on dividends paid by the Reorganized Target Group to fund the cash and financing requirements the Company, and any limitation on the ability of the Reorganized Target Group to pay dividends to the Company could have a material adverse effect on the Enlarged Group's ability to conduct its business.

The Company is a holding company incorporated in the Cayman Islands and the Reorganized Target Group conducts its business operations primarily through its subsidiaries in China. The Company will be financially dependent on dividends received from these entities. Therefore, the Enlarged Group may face financial difficulties should such entities incur debt or losses affecting their ability to pay the Company dividends or make other distributions to the Enlarged Group.

According to PRC regulations, companies may distribute their after-tax profits, as determined in accordance with the PRC accounting principles (which differ in many aspects from the generally accepted accounting principles in other jurisdictions), to their shareholders according to their capital contribution only after they have made appropriate contributions to the relevant statutory reserves. Furthermore, the Reorganized Target Group may be restricted from making distributions to the Company due to restrictive covenants contained in agreements, such as bank credit facilities, to which they may be subject. Any of the above factors may affect the Reorganized Target Group's ability to pay dividends to the Company's Shareholders and to service the Enlarged Group's indebtedness, which could materially and adversely affect the Enlarged Group's ability to conduct the its business.

The Controlling Shareholders have substantial control over the Enlarged Group and its interests may not be aligned with the interests of the other Shareholders.

Immediately following the Completion, the Controlling Shareholders will continue to have substantial control over the Enlarged Group. The Controlling Shareholders by virtue of the controlling beneficial ownership of the share capital of the Company, will be able to exercise significant control and exert significant influence over the Enlarged Group's business or otherwise on matters of significance to the Reorganized Target Group and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. The interests of the Controlling Shareholders may differ from the interests of other

Shareholders and they are free to exercise their votes according to their interests. To the extent that the interests of the Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders may be disadvantaged and harmed.

Certain facts and statistics in this circular relating to the PRC and global economy, the PRC property market may not be fully reliable.

Certain facts and statistics in this circular relating to the PRC, the PRC and global economy, the PRC property market have been derived from various official government publications that the Company generally believes to be reliable. However, there can be no assurance that the quality or reliability of these materials. While the Directors have taken reasonable care in extracting and reproducing such information, they have not been prepared or independently verified by the Company, the Reorganized Target Group or the Sole Sponsor or any of the Reorganized Target Group's or their respective affiliates or advisors and, therefore, no representation is made as to the accuracy of these facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective collection methods or discrepancies between government-published information and other market practice, these facts and statistics in this circular may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, there can be no assurance that they are stated or compiled by the government on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. Therefore, you should not unduly rely upon the facts and statistics from government official publications with respect to China, the PRC economy and the PRC property market contained in this circular.

Investors should read the entire circular carefully and should not consider any particular statements in published media reports without carefully considering the risks and other information contained in this circular.

There may be coverage in the media regarding the Acquisition and the Reorganized Target Group's operations. There had been, prior to the publication of this circular, and there may be, subsequent to the date of this circular but prior to the completion of the Acquisition, press and media coverage regarding the Reorganized Target Group and the Acquisition, which contained, among other matters, certain financial information, projections, valuations and other forward-looking information about the Reorganized Target Group and the Acquisition. The Company does not accept any responsibility for the accuracy or completeness of the information and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. To the extent that any of the information in the media is inconsistent or conflicts with the information contained in this circular, the Company disclaims it. Accordingly, prospective investors should read the entire circular carefully and should not rely on any of the information in press articles or other media coverage. Prospective investors should only rely on the information contained in this circular to make investment decisions about the Company.

Forward-looking statements contained in this circular are subject to risks and uncertainties.

This circular contains certain statements that are "forward-looking" and uses forward looking terminology such as "anticipate", "believe", "expect", "may", "plan", "consider", "ought to", "should", "would" and "will". Those statements include, among other things, the discussion of the Reorganized Target

Group's growth strategy and the expectations of the Reorganized Target Group's future operations, liquidity and capital resources. Investors of the Shares are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include those identified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward-looking statements in this circular should not be regarded as representations or warranties by the Group or the Reorganized Target Group that the Reorganized Target Group's plans and objectives will be achieved, and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. The Group and the Reorganized Target Group do not intend to update these forward looking statements in addition to the Reorganized Target Group's on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

PRC economic, political and social conditions as well as government policies could affect the Reorganized Target Group's business.

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to structure, level of government involvement, level of development, growth rate, control of foreign exchange, and allocation of resources.

While the PRC economy has grown significantly in the past 30 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also negatively affect the Reorganized Target Group's operations. For example, the Reorganized Target Group's financial position and results of operations may be adversely affected by the PRC government's control over capital investment or any changes in tax regulations or foreign exchange controls that are applicable to the Reorganized Target Group.

The PRC economy has been transitioning from a planned economy to a market oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasizing the utilization of market forces in the development of the PRC economy. The PRC economy has grown significantly in recent decades, but there can be no assurance that this growth will continue or continue at the same pace. In addition, demand for the Reorganized Target Group's services and the Reorganized Target Group's business, financial position and results of operations may be adversely affected by (i) political instability or changes in social conditions in the PRC, (ii) changes in laws, regulations or policies or the interpretation of laws, regulations or policies, (iii) measures which may be introduced to control inflation or deflation, (iv) changes in the rate or method of taxation, and (v) imposition of additional restrictions on currency conversion and remittances abroad.

The global financial markets have experienced significant slowdown and volatility during the past few years and any continued deterioration may adversely affect the Reorganized Target Group's business and results of operations.

The economic slowdown and turmoil in the global financial markets starting in the second half of 2008 has negatively affected the PRC property market. More recently, global market and economic conditions have continued to be adversely affected by the ongoing credit crisis in Europe, the credit rating downgrade of the United States and heightened market volatility in major stock markets. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. In the Middle East, Eastern Europe and Africa, political unrest in various countries has resulted in economic instability and uncertainty. These and other issues resulting from the global economic slowdown and financial market turmoil have adversely impacted, and may continue to adversely impact, home owners and potential property purchasers, which may lead to a decline in the general demand for the Reorganized Target Group's properties and erosion of their selling prices. Any further tightening of liquidity in the global financial markets may in the future negatively affect the Reorganized Target Group's liquidity. In addition, the PRC economy grew at a slower pace in 2014 than in previous years, with a GDP growth of 7.4%, and is expected to grow at 7.0% in 2015 by the central government. If the global economic slowdown and financial crisis continue or become more severe than currently anticipated, or if the PRC economy continues to slow down, the Reorganized Target Group's business, results of operations, financial condition and prospects could be materially and adversely affected.

Governmental control of currency conversion may limit the Reorganized Target Group's ability to use capital effectively.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Please refer to the section headed "Regulatory Overview – Foreign Currency Exchange" of Appendix II to this circular for details. The Reorganized Target Group receives substantially all the Reorganized Target Group's revenue in Renminbi. Under the Reorganized Target Group's current structure, the Reorganized Target Group's income is primarily derived from dividend payments from the Reorganized Target Group's PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of the Reorganized Target Group's PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to the Enlarged Group, or otherwise satisfy their foreign currency denominated obligations, if any. If the foreign exchange control system prevents the Reorganized Target Group from obtaining sufficient foreign currency to satisfy the Reorganized Target Group's currency demands, the Reorganized Target Group may not be able to pay dividends in foreign currencies to the Enlarged Group or its shareholders.

The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of the SAFE by complying with certain procedural requirements. However, approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of indebtedness denominated in foreign currencies. The restrictions on foreign exchange transactions under capital accounts could also affect the Reorganized Target Group's subsidiaries' ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from the Reorganized Target Group.

The PRC government has implemented restrictions on the ability of PRC property developers to obtain offshore financing which could affect the Reorganized Target Group's ability to deploy the funds raised outside of China in the Reorganized Target Group's business in the PRC.

On July 10, 2007, SAFE issued the Circular Regarding the Publication of the List of the First Batch of Foreign-Invested Property Development Projects that Have Filed with MOFCOM (關於下發第一批通過商務部備案的外商投資房地產項目名單的通知) ("**Circular No. 130**"). On April 28, 2013, SAFE issued the Measures for the Administration of Foreign Debt Registration (外債登記管理辦法) ("**Notice No. 19**"). Circular No. 130 and Notice No. 19 stipulate, among other things, (i) that SAFE will no longer process foreign debt registrations and applications for the purchase of foreign exchange submitted by foreign-invested real estate enterprises (including newly established enterprises and enterprises with increased registered capital) which obtained approval certificates from and registered with MOFCOM on or after June 1, 2007; and (ii) that SAFE will no longer process foreign exchange registrations (or amendments of such registrations) or applications for the sale and purchase of foreign exchange submitted by foreign-invested real estate enterprises which obtained approval certificates from the commerce departments of local governments but which had not registered with MOFCOM. These regulations effectively prohibit the Reorganized Target Group's ability to fund the Reorganized Target Group's PRC subsidiaries by way of shareholder loans.

In addition, equity contributions by the Reorganized Target Group and the Reorganized Target Group's non-PRC subsidiaries to the Reorganized Target Group's PRC subsidiaries will require approvals from the commerce department of the local government and registration with the MOFCOM, which may take considerable time and delay the actual contribution to the PRC subsidiaries. This may adversely affect the financial condition of the PRC subsidiaries and may cause delays to the development undertaken by such PRC subsidiaries. There can be no assurance that the Reorganized Target Group has obtained or will obtain in a timely manner all relevant necessary approval certificates or registration for all the Reorganized Target Group's operating subsidiaries in the PRC to comply with this regulation.

The implementation of the EIT Law may significantly increase the Reorganized Target Group's income tax expenses.

On March 16, 2007, the PRC National People's Congress, Chinese national legislature, adopted a new tax law, the EIT Law, which became effective on January 1, 2008. On December 6, 2007, the State Council issued the Implementation Regulations of the Enterprise Income Tax Law (the "**Implementation Regulations**"), which also became effective on January 1, 2008.

Under the EIT Law and Implementation Regulations, if the Reorganized Target Group is deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC, a withholding tax at the rate of 10% will be applicable to any dividends paid to the Reorganized Target Group by our PRC subsidiaries, unless the Reorganized Target Group is entitled to reduction or elimination of such tax, including by tax treaty. According to a tax treaty between the PRC and Hong Kong, dividends paid by a foreign-invested enterprise in China to a shareholder incorporated in Hong Kong will be subject to withholding tax at a rate of 5% if the Hong Kong shareholder directly holds a 25% or more interest in the PRC enterprise. The Reorganized Target Group cannot assure you, however, that the current tax treaties in place between the PRC and Hong Kong will remain in place or that the Reorganized Target Group will continue to be able to enjoy a reduced withholding tax on dividends we receive from our PRC subsidiaries.

The Reorganized Target Group may be deemed a PRC resident enterprise under the EIT Law and be subject to PRC taxation on our worldwide income.

Under the EIT Law, commencing January 1, 2008, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and will generally be subject to the uniform 25% EIT rate as to their global income. Under the Implementation Regulations for the EIT Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise.

Substantially all of the management of the Reorganized Target Group is currently based in China and may remain in China. In April 2009, the PRC State Administration of Taxation promulgated a circular to clarify the definition of "de facto management bodies" for enterprises incorporated overseas with controlling shareholders being onshore enterprises or enterprise groups in China. However, it remains unclear how the tax authorities will explain the regulation. Therefore, the Reorganized Target Group may be treated as a PRC resident enterprise for EIT purposes. The tax consequences of such treatment are currently unclear, as they will depend on how PRC finance and tax authorities apply or enforce the EIT Law and the Implementation Regulations.

The Reorganized Target Group faces uncertainty with respect to its PRC tax obligations in relation to the indirect transfer of equity interests in its PRC resident enterprises.

As part of the Reorganization effected for the purpose of the Acquisition, the Target Company disposed of its 100% shareholding interest in Jin Xin Investments (Hong Kong) Limited (金信投資(香港)有限公司) ("**Jin Xin**") held by it prior to the Reorganization. Jin Xin is a company established in Hong Kong and thus a non-resident enterprise. At the time of the disposal, Jin Xin was interested in certain equity interests of PRC resident enterprise and on-shore assets. Please refer to the section headed "History and Reorganization of the Reorganized Target Group" in this circular for more details.

The Notice on Strengthening the Administration of Enterprise Income Tax on Equity Transfers of Non-resident Enterprises (國家税務總局關於加強非居民企業股權轉讓所得企業所得税管理的通知) ("**Circular 698**"), which was issued by the SAT on December 10, 2009 and was made effective retroactively through January 1, 2008, and the Announcement of the State Administration of Taxation on Several Issues Concerning Enterprise Income Tax on Indirect Transfers of Properties by Non-Resident Enterprises (國家税務總局關於非居民企業間接轉讓財產企業所得税若干問題的公告) ("**Circular 7**"), which was promulgated by the SAT and became effective on February 3, 2015, state that indirect transfers by non-resident enterprises of equity interests or other assets of a PRC resident enterprise by arrangements that are not for a bona fide commercial purposes but to avoid EIT payment obligations shall, in accordance with the EIT Law, be classified by the competent PRC tax authorities as direct transfers of equity interests or other assets of the PRC resident enterprises. Furthermore, in accordance with general anti-avoidance principles of PRC law, where a non-resident enterprise transfers equity interests in a PRC resident enterprise to related parties and the taxable income is reduced as a result of the transfer price not being determined according to an arm's length negotiation standard, the tax authorities may determine the amount of taxable income according to an objective valuation of the appropriate purchase price.

At present, there is a lack of precedent cases on the implementation and applicability of Circular 7, and there is uncertainty as to the application of Circular 698 and Circular 7. In addition, while there are principal provisions in the EIT law and its implementation regulations concerning what constitutes arm's length price determination and objective measures, there remains uncertainty as to whether the price for the offshore disposal of Jin Xin would be determined by the relevant tax authorities not to have been reached on the principle of arm's-length negotiation, and, if so, what kind of method the tax authorities may adopt to adjust the taxable income of the Target Company for that transaction in the future. This will depend on how the PRC tax authorities interpret, apply and enforce Circular 7, Circular 698 and the EIT law and its implementation regulations. While according to the Reorganized Target Group's best current understanding, even if the disposal of Jin Xin by the Target Company is finally determined by the relevant tax authorities to be subject to Circular 698 and Circular 7, the offshore disposal of Jin Xin would not have resulted in any tax liability on the part of the Target Company under Circular 7 due to the absence of any disposal profit. However, there are uncertainties as to the application of Circular 7 or previous rules under Circular 698. In particular, since Circular 7 is only recently promulgated, it is not clear how it will be implemented and there still exists a risk that the implementation of Circular 7 may deviate from the Reorganized Target Group's best current understanding.

The Reorganized Target Group's investment properties are located on land that is under long-term land use rights granted by the PRC government. There is uncertainty about the amount of the land grant premium that the Group will have to pay and additional conditions that may be imposed if the Reorganized Target Group decides to seek an extension of the land use rights for the Reorganized Target Group's investment properties.

The Reorganized Target Group's investment properties are held by the Reorganized Target Group under land use rights granted by the PRC government. Under PRC laws, the maximum term of the land use rights ranges from 40 years to 70 years depending on the land use purpose. Upon expiration, the land use rights will revert to the PRC government unless the holder of the land use rights applies for and is granted an extension of the term of the land use rights.

These land use rights do not have automatic rights of renewal and holders of land use rights are required to apply for extensions of the land use rights one year prior to the expiration of their terms. If an application for extension is granted (and such grant would usually be given by the PRC government unless the land in issue is to be taken back for the purpose of public interests), the holder of the land use rights will be required to, among other things, pay a land grant premium. If no application is made, or if such application is not granted, the properties under the land use rights will be reverted to the PRC government without any compensation. As none of the land use rights granted by the PRC government which are similar to those granted for the Reorganized Target Group's investment properties has, as of the Latest Practicable Date, run its full term, there is no precedent to provide an indication of the amount of the land grant premium which the Reorganized Target Group will have to pay and any additional conditions which may be imposed if the Reorganized Target Group decides to seek an extension of the land use rights for the Reorganized Target Group's investment properties upon the expiry thereof.

In certain circumstances, the PRC government may, where it considers it to be in the public interest, terminate land use rights before the expiration of the term. In addition, the PRC government has the right to terminate long-term land use rights and expropriate the land in the event the grantee fails to observe or perform certain terms and conditions pursuant to the land use rights grant contracts. If the PRC government

charges a high land grant premium, imposes additional conditions, or does not grant an extension of the term of the land use rights of any of the Reorganized Target Group's investment properties, the operations and business of the Group could be disrupted, and the business, financial condition and results of operations of the Group could be materially and adversely affected.

Natural disasters, acts of war, occurrence of epidemics, and other disasters could affect the Reorganized Target Group's business and the national and regional economies in the PRC.

The Reorganized Target Group's business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics such as the human swine flu, also known as Influenza A (H1N1), H5N1 avian flu or severe acute respiratory syndrome ("**SARS**"), the Ebola virus and other natural disasters which are beyond the Reorganized Target Group's control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC, including certain cities where the Reorganized Target Group operate, are under the threat of flood, earthquake, fire, drought or epidemics. The Reorganized Target Group's business, financial position and results of operations may be materially and adversely affected if natural disasters or other such events occur.

For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008, resulting in tremendous loss of life and injury, as well as destruction of assets in the region. Furthermore, the PRC reported a number of cases of SARS in 2003. Since its outbreak in 2004, there have been reports on occurrences of avian flu in various parts of the PRC, including several confirmed human cases and deaths. Any future outbreak of SARS, avian flu or other similar adverse epidemics may, among other things, significantly disrupt the Reorganized Target Group's business. An outbreak of infectious disease may also severely restrict the level of economic activity in affected areas, which in turn may have a material and adverse effect on the Reorganized Target Group's business, financial position and results of operations.

HISTORY OF THE REORGANIZED TARGET GROUP

The Reorganized Target Group was established in 1995 and Mr. Wong gained control of the Reorganized Target Group in 1997 through acquiring the shareholding interests in the Reorganized Target Group from its original shareholders by using his own fund. With its roots in Shenzhen and close to 20 years of development, the Reorganized Target Group has developed a diverse portfolio of 16 completed projects spanning across Shenzhen and the Pearl River Delta, including urban boutique residences, the Zoll Centers, NEO Urban Commercial Complex and a hotel with an aggregate site area of approximately 438,167 sq.m. and an aggregate GFA of approximately 1,854,290 sq.m..

In 2012, the Reorganized Target Group was ranked sixth among Shenzhen Real Estate Market Leading Enterprises (深圳房地產市場地位領先企業) by China Index Academy (中國指數研究院), and in 2014, it was ranked sixth among the Top 10 Shenzhen Real Estate Developer Enterprises (深圳房地產開發十強企業) by Shenzhen Real Estate Association (深圳市房地產協會).

Key Milestones

The following table summarizes the key milestones in the development of the business of the Reorganized Target Group:

Year	Milestone
1998	Commenced the development of LVGEM Garden Estate (綠景山莊), the first property development project of the Reorganized Target Group.
2002	Commenced the development of Lanwan Peninsula Community (藍灣半島社區).
2007	Implemented group management structure for long term development and strategic purposes.
2011	Ranked among the Top 10 Real Estate Development Enterprises With Comprehensive Strength in Shenzhen (深圳市房地產綜合實力排名前十強企業) for the first time.
2011	NEO Urban Commercial Complex (NEO都市商務綜合體) was completed and put into service.
2011	Entered into the land transfer agreement for LVGEM International Garden (綠景國際花城), the first time to obtain land through public tender, auction or listing-for-sale outside Shenzhen.
2013	Chanson Zoll Center (香頌佐羚中心), the first Zoll Center, officially opened.

Composition of the Reorganized Target Group

The Reorganized Target Group comprises 15 companies with the Target Company being the holding company for all the companies comprising the Reorganized Target Group. The Target Company was incorporated in Hong Kong in 2004 and is directly wholly owned by Mr. Wong.

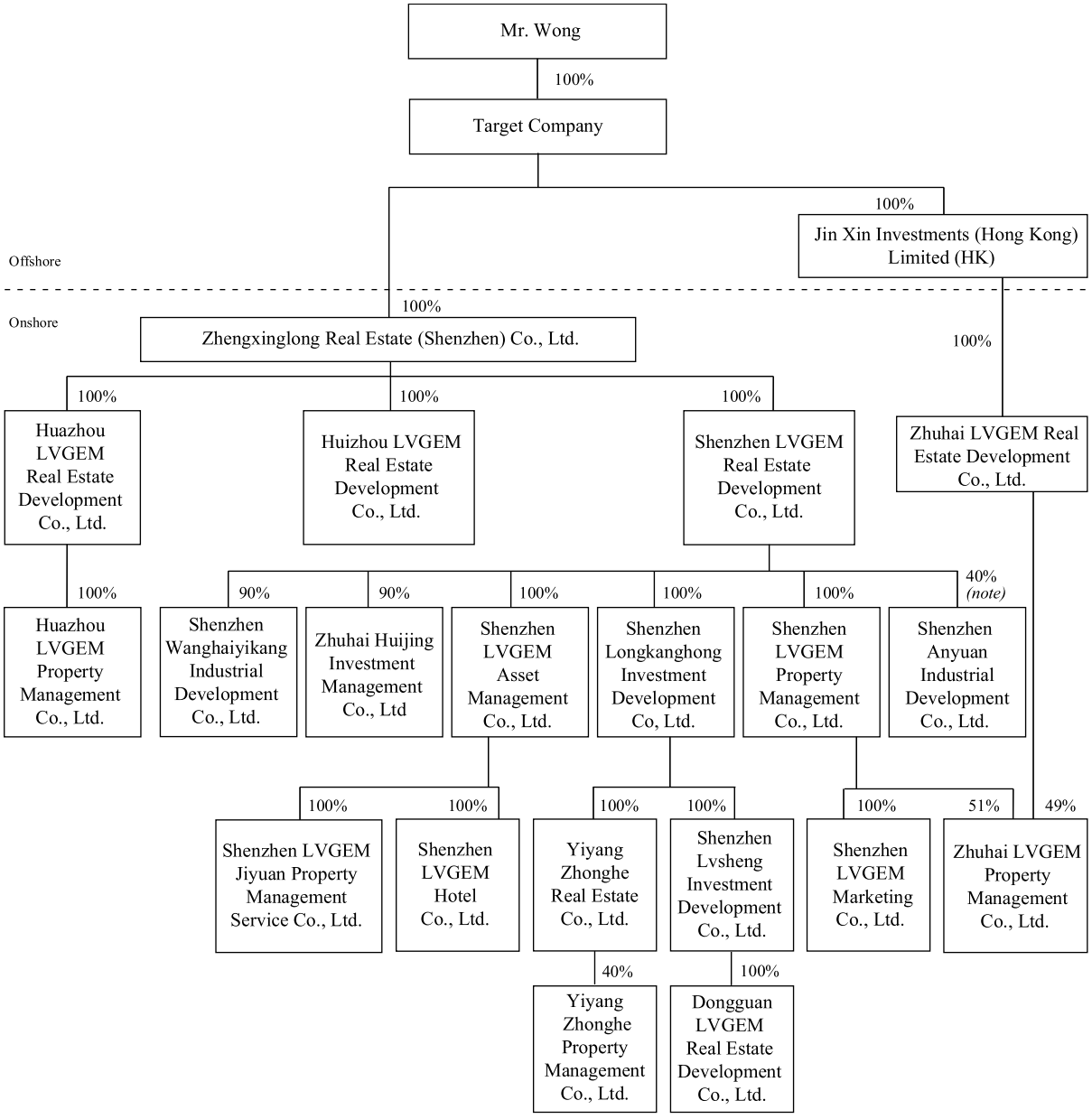
A brief summary of the companies comprising the Reorganized Target Group is set out below:

Name	Year of incorporation/ establishment	Percentage held by the Target Company	Registered capital/ shares	Primary Business
Green View Holding Company Limited (綠景控股有限公司)	2004	100%	10,000 shares	Investment Holding
Zhengxinglong Real Estate (Shenzhen) Co., Ltd. (正興隆房地產(深圳)有限公司)	1997	100%	HK$40 million	Property leasing and car park service
Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司)	1995	100%	RMB150 million	Property development, car park service and management leasing
Huizhou LVGEM Real Estate Development Co., Ltd. (惠州市綠景房地產開發有限公司)	2008	100%	RMB1 million	No business operations as of the Latest Practicable Date
Huazhou LVGEM Real Estate Development Co., Ltd. (化州市綠景房地產開發有限公司)	2009	100%	RMB210 million	Property development and sale
Huazhou LVGEM Property Management Co., Ltd. (化州市綠景物業管理有限公司)	2012	100%	RMB3 million	Property management, car park management services
Shenzhen LVGEM Asset Management Co., Ltd. (深圳市綠景資產管理有限公司)	2006	100%	RMB16 million	Investment consulting, hotel investment and leasing

Name	Year of establishment	Percentage held by the Target Company	Registered capital/ shares	Business
Shenzhen LVGEM Jiyuan Property Management Service Co., Ltd. (深圳市綠景紀元物業管理服務有限公司)	2011	100%	RMB0.5 million	Property management and car park service
Shenzhen LVGEM Hotel Co., Ltd. (深圳市綠景酒店有限公司)	2011	100%	RMB10 million	Hotel operation and catering
Shenzhen Longkanghong Investment Development Co, Ltd. (深圳市龍康弘投資發展有限公司)	1997	100%	RMB270 million	Property development, car park service and leasing
Yiyang Zhonghe Real Estate Co., Ltd. (益陽中核置業有限公司)	2006	100%	RMB30 million	Property development
Shenzhen LVGEM Property Management Co., Ltd. (深圳市綠景物業管理有限公司)	1997	100%	RMB5 million	Property management and car park services
Shenzhen LVGEM Marketing Co., Ltd. (深圳市綠景房地產策劃有限公司)	2014	100%	RMB1 million	No business operations as of the latest Practicable Date
Yiyang Zhonghe Property Management Co., Ltd. (益陽中核物業有限公司)	2008	40%	RMB0.5 million	Property management and leasing
Shenzhen Anyuan Industrial Development Co., Ltd. (深圳市安元實業發展有限公司)	1996	40% (held on trust by Mr. Wong for Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司))	RMB23.8 million	Establishment of industrial undertakings domestic commercial business, materials supply, fibre optics terminal products, development of computer software and hardware

REORGANIZATION

For the purpose of the Acquisition, the Reorganization was effected pursuant to which the Disposed Subsidiaries were disposed of from under the Target Company subsequent to the Track Record Period and excluded from the Reorganized Target Group. The corporate structure of the Target Company prior to the Reorganization (that is, before the disposal of the Disposed Subsidiaries) is as follows:



Note:

The 40% interest in Shenzhen Anyuan Industrial Development Co. Ltd. ("**Shenzhen Anyuan**") was held by Mr. Wong on trust for Shenzhen LVGEM Real Estate Development Co. Ltd. At the time of the acquisition of the 40% in Shenzhen Anyuan, as advised by the PRC Legal Advisor, although PRC laws did not prohibit Shenzhen LVGEM Real Estate Development Co. Ltd. to acquire the interest in Shenzhen Anyuan, it was recognized that the procedures for the

acquisition of land and the relocation process would be complex and a prolonged period is expected. As a result, it was decided at that time that Mr. Wong would acquire the interest in Shenzhen Anyuan and hold such interest for the Reorganized Target Group. As advised by the PRC Legal Advisor, the aforesaid arrangement between Mr. Wong and Shenzhen LVGEM Real Estate Development Co. Ltd. was not prohibited under PRC laws and accordingly, such arrangement, to which PRC laws are applicable, were legal and valid. Further, as advised by our PRC Legal Advisor, in accordance with Article 24 of Certain Regulations (3) with regard to the implementation of the PRC Company Law of the Supreme Court of the PRC（最高人民法院關於適用<中華人民共和國公司法>若干問題的規定(三)），in case of dispute between the beneficial shareholder and the registered shareholder with regard to the contract entered into between them in relation to trust arrangement for interest in a limited company, the People's Court should rule that the contract is effective where there have been no conflicts with Article 52 of the PRC Contract Law. Article 52 of the PRC Contract Law provides that a contract is invalid if (a) either party enters into the contract by means of fraud or coercion and impairs the State's interests; (b) there is malicious conspiracy causing damage to the interests of the State, of the collective or of a third party; (c) there is an attempt to conceal illegal goals under the disguise of legitimate forms; (d) harm is done to social and public interests; or (e) mandatory provisions of laws and administrative regulations are violated. In case of dispute on the ownership of the equity interest, the People's Court will support the claim of the beneficial shareholder if the beneficial shareholder has completed its capital contribution obligation to the company. The People's Court will not support the claim of the registered shareholder merely on the fact of the registration of its name on the register of members of the company. Based on the confirmation letter signed between Shenzhen LVGEM Real Estate Development Co. Ltd. and Mr. Wong on June 29, 2015, Mr. Wong has acknowledged and confirmed that he has entered into the share transfer agreement for the acquisition of the 40% interest in Shenzhen Anyuan on behalf of Shenzhen LVGEM Real Estate Development Co. Ltd. and that the consideration for the acquisition was paid by Shenzhen LVGEM Real Estate Development Co. Ltd. Mr. Wong has further undertaken to transfer the 40% equity interest in Shenzhen Anyuan back to the Shenzhen LVGEM Real Estate Development Co. Ltd., if Shenzhen LVGEM Real Estate Development Co. Ltd. decided to terminate the trust arrangement. As such, our PRC Legal Advisor is of the view that the above arrangement was legal, valid and enforceable and is binding on the Shenzhen LVGEM Real Estate Development Co. Ltd. and Mr. Wong. Further, pursuant to a share transfer agreement entered into between Mr. Wong, Shenzhen LVGEM Real Estate Development Co. Ltd., the 60% shareholder of Anyuan and an independent party on September 21, 2015, the 60% shareholder of Anyuan has agreed to transfer its interest to the independent party for RMB14.28 million and Mr. Wong has agreed to transfer his 40% interest in Anyuan to Shenzhen LVGEM Real Estate Development Co. Ltd. As at the Latest Practicable Date, the registration of the transfers was in progress. Based on the above and an undertaking given by the 60% shareholder of Anyuan dated September 21, 2015, that it will cooperate unconditionally for any procedural requirements and execute such documents as required, as shareholder of Anyuan, to facilitate the registration of the transfer of the 40% equity interest in Anyuan by Mr. Wong back to LVGEM Real Estate Development Co. Ltd., our PRC Legal Advisor is of the view that there should not be any material legal impediment for registering the transfer of the 40% equity interest in Anyuan under the name of Shenzhen LVGEM Real Estate Development Co. Ltd.

For the purpose of the Acquisition, the Reorganization as detailed below was effected to dispose of the Disposed Subsidiaries from under the Target Company.

(i) Offshore disposal

Prior to the Reorganization, the Target Company held 100% shareholding interest in one offshore company, Jin Xin Investments (Hong Kong) Limited（金信投資(香港)有限公司）("**Jin Xin**"), a company established in Hong Kong. Jin Xin in turn holds the entire equity interest in Zhuhai LVGEM Real Estate Development Co., Ltd. (珠海綠景房地產開發有限公司) ("**Zhuhai LVGEM Real Estate**"), which was involved in the development of a project in Zhuhai, Phoenix Hill No. 1（鳳凰山一號）. Zhuhai LVGEM Real Estate in turn owns 49% interest in Zhuhai LVGEM Property Management Co., Ltd.（珠海綠景物業管理有限公司）("**Zhuhai Management**").

As the development of Phoenix Hill No. 1 has been completed and substantially sold out prior to the Track Record Period, it would not form part of the assets to be acquired by the Company in the Acquisition. In this connection, on May 29, 2015, the Target Company transferred the entire issued share capital in Jin Xin to Jinling Holdings Limited, a company established in BVI and is wholly owned by Mr. Wong, at a consideration of HK$231,194,520, which was determined with reference to the net assets value of Jin Xin as of April 15, 2015, as adjusted by any subsequent dividend and reserve distribution up to the date of the disposal. Through the disposal, the Target Company no longer has any direct interest in Jin Xin or any indirect interests in Zhuhai LVGEM Real Estate or Zhuhai Management. For details relating to the disposal of Zhuhai Management, please refer to the paragraph headed "Disposal of 51% interest in Zhuhai Management" in this section.

(ii) Onshore disposals

(a) Disposal of Shenzhen Wanghaiyikang

Prior to the Reorganization, Shenzhen Wanghaiyikang was held as to 90% by Shenzhen LVGEM Real Estate Development Co., Ltd.（深圳市綠景房地產開發有限公司）("**LVGEM Real Estate**"), a wholly owned subsidiary of the Target Company, and as to 10% by LVGEM Management Group. Prior to the Reorganization, Shenzhen Wanghaiyikang owned two floors of offices at Tower B of NEO Urban Commercial Complex and operated the car park of Tower B and C of NEO Urban Commercial Complex. Pursuant to the Reorganization, Shenzhen Wanghaiyikang disposed of the two office floors to an Independent Third Party, and transferred the car park operation to the Reorganized Target Group. Upon completion of the above, Shenzhen Wanghaiyikang became primarily a shell company with no property holding or active business. On May 12, 2015, LVGEM Real Estate and LVGEM Management Group entered into respective agreements to transfer their respective 90% and 10% of the registered capital of Shenzhen Wanghaiyikang to Shenzhen Jinshunlai Investment Development Co., Ltd.（深圳市金順來投資發展有限公司）, a company owned as to 40% by LVGEM Management Group and as to 60% by Shenzhen Hengji Investment Co., Ltd.（深圳市恆基投資有限公司）, which in turn is owned as to 50% by Mr. Wong, at a consideration of RMB25,240,000 and RMB2,800,000, respectively, which was determined with reference to the net assets value of Shenzhen Wanghaiyikang as of March 31, 2015 and their proportional interest in Shenzhen Wanghaiyikang, as adjusted by any subsequent dividend and reserve distribution up to the date of the disposal.

(b) Disposal of Zhuhai Huijing Investment Management Co., Ltd.（珠海市惠景投資管理有限公司）

Prior to the Reorganization, Zhuhai Huijing Investment Management Co., Ltd.（珠海市惠景投資管理有限公司）("**Zhuhai Huijing**") was held as to 90% by LVGEM Real Estate and as to 10% by Mr. Huang Xiaohui（黃曉慧）, an Independent Third Party. As Zhuhai Huijing is inactive and has no active business, on May 11, 2015, LVGEM Real Estate transferred its 90% interest in the registered capital of Zhuhai Huijing to Zhuhai LVGEM Real Estate, a company that was disposed to Jinling Holdings Limited and which in turn is wholly owned by Mr. Wong, at a consideration of RMB90,000,000, which was determined with reference to the proportional interest of LVGEM Real Estate in the registered capital of Zhuhai Huijing.

(c) Disposal of 51% interest in Zhuhai Management

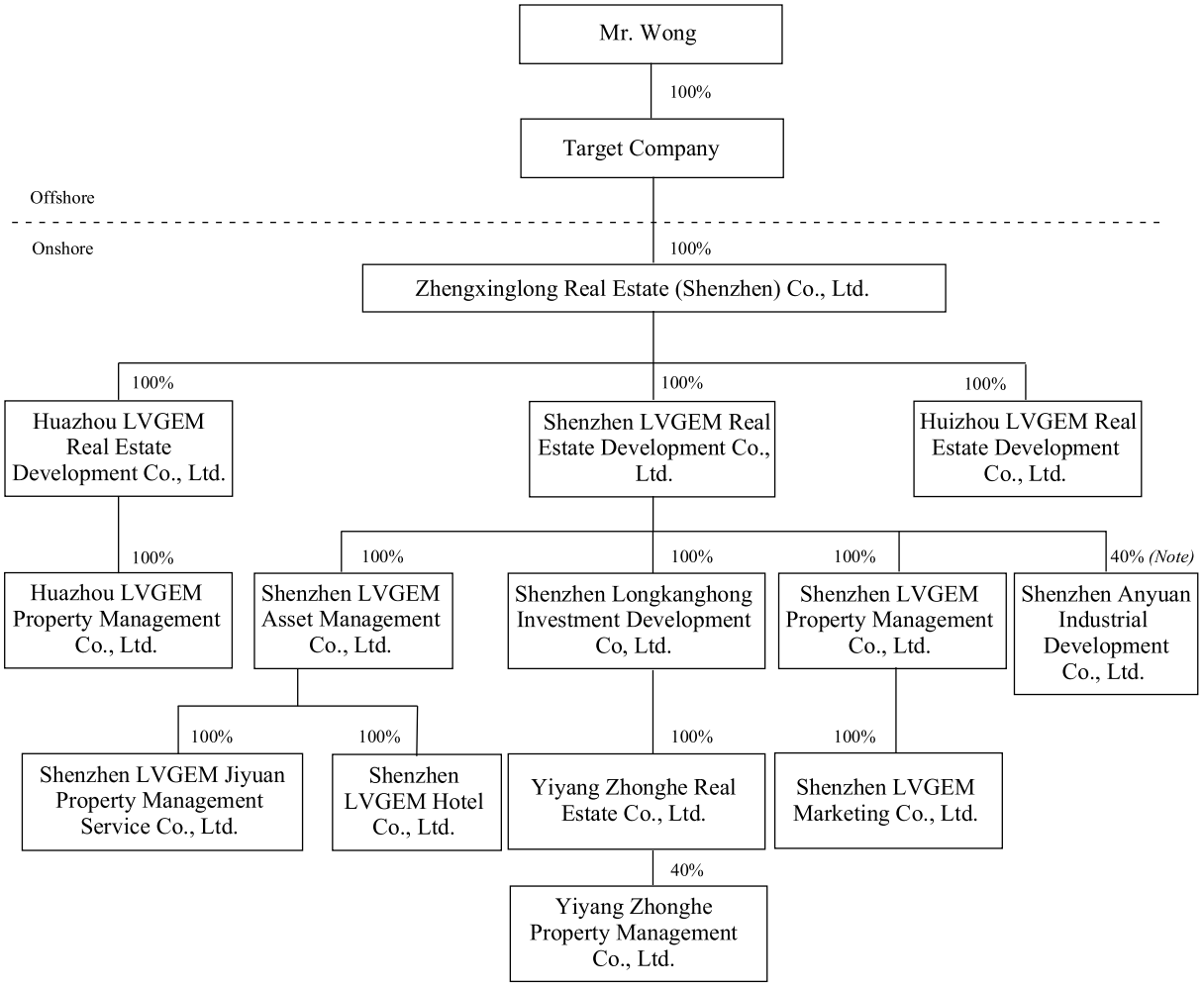
Prior to the Reorganization, Zhuhai Management was held as to 51% by Shenzhen LVGEM Property Management Co., Ltd.（深圳市綠景物業管理有限公司）("**LVGEM Property Management**") and as to 49% by Zhuhai LVGEM Real Estate. As Zhuhai Management serves only the property management needs of Phoenix Hill No. 1, which was developed by Zhuhai LVGEM Real Estate, on May 13, 2015, Zhuhai LVGEM Real Estate acquired the 51% interest in Zhuhai Management held by LVGEM Property Management at a consideration of RMB1,530,000, which was determined with reference to the proportional interest of LVGEM Property Management in the registered capital of Zhuhai Management. For further details relating to Zhuhai Management, please refer to the section headed "Relationship with our Controlling Shareholders" in this circular.

(d) Disposal of Shenzhen Lvsheng

Prior to the Reorganization, Shenzhen Lvsheng Investment Development Co., Ltd.（深圳市綠晟投資發展有限公司）("**Shenzhen Lvsheng**") was held as to 100% by Shenzhen Longkanghong Investment Development Co., Ltd.（深圳市龍康弘投資發展有限公司）("**Shenzhen Longkanghong**"), which in turn is wholly owned by LVGEM Real Estate. Shenzhen Lvsheng owns the entire interest in Dongguan LVGEM Real Estate Development Co., Ltd.（東莞市綠景房地產開發有限公司）, a company which is currently inactive and has no business. In addition, Shenzhen Lvsheng holds the industrial factory area in Nanshan district in Shenzhen, Guangdong province, the PRC (the "**Shenzhen Project**").

As the Shenzhen Project was old and pending demolishment, it currently has only a few tenants with insignificant rental income. On May 12, 2015, Shenzhen Longkanghong entered into an agreement to transfer its entire equity interest in Shenzhen Lvsheng to LVGEM Management Group at a consideration of RMB381,230,000, which was determined with reference to the net asset value of Shenzhen Lvsheng as of March 31, 2015, as adjusted by any subsequent dividend and reserve distribution up to the date of the disposal. Upon completion of the disposal, Shenzhen Longkanghong (a member of the Reorganized Target Group and accordingly the Target Company indirectly) is no longer interested in the Shenzhen Project. For further details relating to the Shenzhen Project, please refer to the section headed "Relationship with our Controlling Shareholders" in this circular.

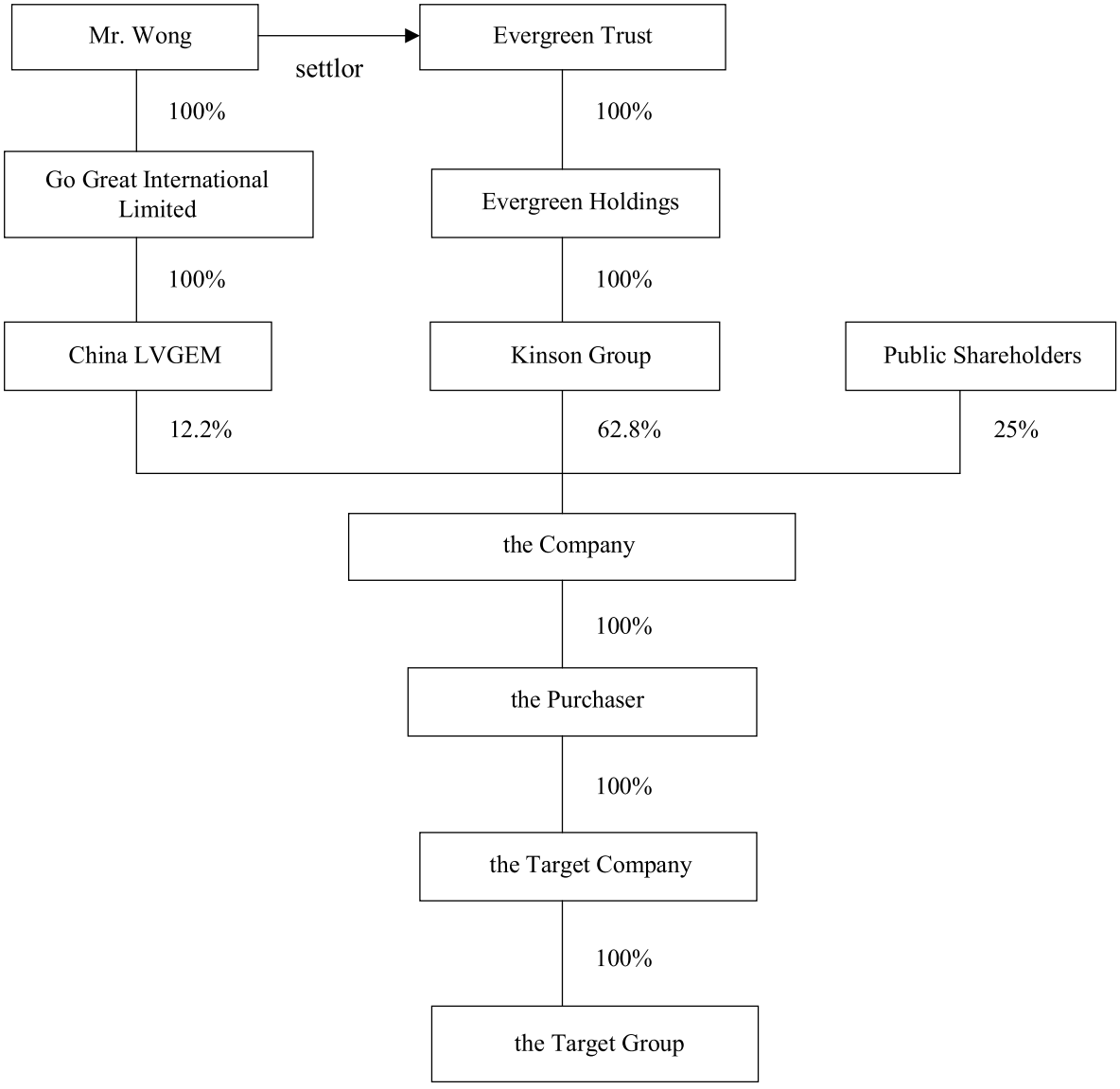
The corporate structure of the Target Company upon completion of the Reorganization (that is, the Reorganized Target Group) on June 19, 2015 was as follows:



Note: The 40% interest in Shenzhen Anyuan was held by Mr. Wong on trust for Shenzhen LVGEM Real Estate Development Co. Ltd., such interest is currently being transferred back to Shenzhen LVGEM Real Estate Development Co. Ltd..

ESTABLISHMENT OF FAMILY TRUST

For the purpose of succession planning, Mr. Wong as settlor has set up the Evergreen Trust for holding the Consideration Shares and/or the Convertible Preference Shares. The beneficiaries of the Evergreen Trust include Mr. Wong, Mr. Wong's spouse, his four children and other remoter descendents of Mr. Wong. The diagram below sets out a simplified structure of the Company and the Reorganized Target Group upon Completion and assuming completion of the Placing of 1,661,734,611 Placing Shares:



OVERVIEW

The Reorganized Target Group is an established and well known integrated property developer and commercial property operator in Shenzhen. In 2012, the Reorganized Target Group was ranked sixth among Shenzhen Real Estate Market Leading Enterprises (深圳房地產市場地位領先企業) by China Index Academy (中國指數研究院)[(1)], and in 2014, it was ranked sixth among the Top 10 Shenzhen Real Estate Developer Enterprises (深圳房地產開發十強企業) by Shenzhen Real Estate Association (深圳市房地產協會)[(2)]. In terms of the GFA of properties sold by the top 100 developers in Shenzhen between 2012 and 2014, Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司), a wholly owned subsidiary of the Reorganized Target Group, ranked ninth with a market share of 2.3% according to China Index Academy.

The Reorganized Target Group focuses its business activities across the Pearl River Delta region, one of the most economically prosperous and vibrant regions in China. Its business operations consist of three principal business segments: (i) property development and sales; (ii) commercial property investment and operations; and (iii) comprehensive services. Since commencement of its operations, it has developed a diverse portfolio of 16 completed projects consisting of urban boutique residences, the Zoll Centers, NEO Urban Commercial Complex and a hotel with an aggregate site area of approximately 438,167 sq.m. and an aggregate GFA of approximately 1,854,290 sq.m. During the Track Record Period, the portfolio of property developments of the Reorganized Target Group consisted of 14 completed projects, five projects under development, two projects with land held for future development and two projects with land planned to be redeveloped or contracted to be acquired for future development. For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, revenue generated from property development and sales was RMB137.0 million, RMB1,470.4 million, RMB4,300.5 million, RMB2,112.7 million and RMB103.0 million, respectively.

In line with its business strategy, the Reorganized Target Group owns and operates for long-term investment purposes a substantial portion of the commercial properties it has developed. These commercial properties include the Zoll Centers, NEO Urban Commercial Complex and other retail spaces. The Reorganized Target Group holds these commercial properties for capital appreciation and leases them to generate rental income. In addition, the Reorganized Target Group charges certain tenants with promotion fees, site use fees and advertising space use fees. As of April 30, 2015, the Reorganized Target Group held a total of eight properties as investment properties with an aggregate LFA of 212,735 sq.m. For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, revenue generated from commercial property investment and operations amounted to RMB188.4 million, RMB262.2 million, RMB342.9 million, RMB104.9 million and RMB129.3 million, respectively.

Notes:

(1) China Index Academy is a Chinese property research institution, which was integrated in 2004 from a number of China research resources, including the China Real Estate Index System, Soufun Research Institute, China Villa Index System and Top 10 China Real Estate Research Group. The China Real Estate Index System of the China Index Academy has been widely used and relied upon in the PRC property market.

(2) Shenzhen Real Estate Association ("**SREA**") is a non-profit organization found in 1989 by real estate developers, relevant real estate consultancy firms and real estate market research institutions with over 600 member companies and institutions. Appointed by Urban Planning, Land & resources Commission of Shenzhen Municipality (深圳市規劃和國土資源委員會), SREA is, among others, in charge of the annual qualification review for real estate developers, real estate market supervisions and credit system updates. According to SREA's website (www.srea.net.cn), around 800 real estate developers, 20,000 real estate industry employees and 2,100 projects are currently under SREA's supervisions. The Credit Evaluation System Shenzhen Real Estate Industry (深圳市房地產行業誠信評價體系) developed by SREA have been widely relied upon by government authorities and developers.

The Reorganized Target Group also provides comprehensive services to customers and tenants of its residential and commercial properties. The comprehensive services include property management services, hotel operation and others. For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, revenue generated from the comprehensive services of the Reorganized Target Group amounted to RMB143.8 million, RMB169.7 million, RMB194.1 million, RMB55.2 million and RMB62.4 million, respectively.

COMPETITIVE STRENGTHS OF THE REORGANIZED TARGET GROUP

The Reorganized Target Group is an established and well known integrated property developer and commercial property operator in Shenzhen. Its competitive strengths primarily include:

- **A focus on property projects in the prime locations of core cities in the Pearl River Delta region, particularly Shenzhen, enabling the Reorganized Target Group to benefit from the strong economic and property market growth in these regions**

The Reorganized Target Group's development strategies include "developing core cities and focusing on the core areas of cities" (深耕核心城市，聚焦城市核心) and "establishing a foundation in Shenzhen and focusing on the Pearl River Delta region while selectively expanding nationally" (立足深圳、聚焦珠三角、擇機推向全國化). The Reorganized Target Group has established a solid market position in Shenzhen and has been strategically expanding into other property markets in the Pearl River Delta region which have significant development potential. In 2012, the Reorganized Target Group was ranked sixth among Shenzhen Real Estate Market Leading Enterprises (深圳房地產市場地位領先企業) by China Index Academy (中國指數研究院), and in 2014, it was ranked sixth among Top 10 Shenzhen Real Estate Developer Enterprises (深圳房地產開發十強企業) by Shenzhen Real Estate Association (深圳市房地產協會).

The Reorganized Target Group believes that there is an increasing trend towards regional differentiation in China's property market. In economically developed regions and megacity clusters, such as the Pearl River Delta and Yangtze River Delta regions, the property markets in core cities continue to have strong development potential. The Pearl River Delta region has China's most economically dynamic cluster of cities, while Shenzhen is one of the most economically dynamic first-tier cities in China. According to the Market Research Report, Shenzhen ranked first in China in terms of sales price increases for residential properties in the three quarters of 2015, and also ranked first in China in terms of rental price increases for Grade A office space in 2014 and the first half of 2015. In 2014 and the first quarter of 2015, the growth rates of the rental prices of Grade A office space in Shenzhen reached 17.9% and 4.7%, respectively, while the growth rates in Guangzhou, Beijing and Shanghai remained no more than 4% in those same periods. The Reorganized Target Group believes that it will continue to benefit from the steadily growing property markets in the Pearl River Delta region and Shenzhen, in particular. Driven by the growing demand from urbanization and industrial and residential urban redevelopment, the property markets in this region are expected to continue to experience strong growth in the future.

The Reorganized Target Group has a strong track record in property development and operation in the Pearl River Delta region and Shenzhen, in particular. The Reorganized Target Group has a development portfolio of 16 completed projects since the commencement of its operations, with aggregate site area of approximately 438,167 sq.m. and aggregate GFA of approximately 1,854,290 sq.m., and operated a total LFA of 212,735 sq.m. of investment properties. The Reorganized Target Group is currently developing three residential and two commercial property projects in Shenzhen and Maoming in the Pearl River Delta region with a total site area of 112,241 sq.m. and planned GFA of 884,662 sq.m. As an early entrant into the

property market in Shenzhen and the Pearl River Delta region, the Reorganized Target Group has developed an acute understanding of local markets, consumer preferences, regulatory requirements and urban planning trends, and has established mature and stable cooperative relationships with local property developers, which reinforce the Reorganized Target Group's established market position.

A substantial portion of the Reorganized Target Group's projects are located at prime locations in Shenzhen's core districts, including established districts (e.g. Futian District) and up-and-coming districts (e.g. central Longhua District), which are densely populated and situated near office clusters, subway stations or premier school districts, and which the Reorganized Target Group believes are highly compatible with its commercial strategy. The premier geographical locations of the projects have boosted their values, marketability and investment potential. Consequently, the Reorganized Target Group's properties have strong sales track records and its investment properties have high occupancy rates. For example, according to the Market Research Report, NEO Urban Commercial Complex enjoyed higher average rent for its office spaces than other office buildings in Shenzhen as of December 31, 2014.

- **Successful operation of commercial property series under the "Zoll" (佐玲) and "NEO" brands**

The Reorganized Target Group believes that China's commercial property market has significant growth potential due to China's rapid development. With its acute insight into market trends and its resource advantages, the Reorganized Target Group has successfully expanded its commercial property investment and operations businesses, and built up comprehensive commercial property operation capabilities, including the operation of premium office space, lifestyle and shopping centers, a hotel and retail spaces in urban residential and commercial complexes. In particular, the Zoll Centers and NEO Urban Commercial Complex of the Reorganized Target Group not only have raised the Reorganized Target Group's brand reputation, increased customer loyalty and brought stable revenue growth to the Reorganized Target Group, but also, the Reorganized Target Group believes, these successes can be readily replicated in the future.

The Reorganized Target Group has developed a community lifestyle and shopping center model under the "Zoll" brand which integrates residential properties with supporting commercial facilities to meet the shopping, entertainment, social, health and education-related needs of the community residents and residents from neighboring communities. The Reorganized Target Group believes that the synergic integration of the Zoll Centers, the residential and commercial properties developed by the Reorganized Target Group and the surrounding communities has improved the market positioning and the overall value of its properties, and has also improved the quality of life of urban community residents, thereby increasing customer loyalty. The Reorganized Target Group's Chanson Zoll Center was selected as the Best Community Commercial Project (最佳社區商業項目) in 2012 by winshang.com (贏商網) and United 21 Century China Commercial Property Academy (聯合21世紀中國商業地產研究院) and the Best Community Commercial Project (最佳社區商業項目) in 2013 by Guardian Property New Media (觀點地產新媒體). It also received the Mall China Golden Mall Awards 2013 Community Shopping Center Award (中購聯中國購物中心2013年度社區購物中心大獎) by mallchina.org (中購聯) in 2013.

At present, the Reorganized Target Group has completed the development and begun the operation of two Zoll Centers, namely, Chanson Zoll Center and 1866 Zoll Center, which had LFA of 23,681 sq.m. and 43,335 sq.m., respectively, as of April 30, 2015, and had an occupancy rate of 96% and 96%, respectively, in 2014. With its brand image and market position, the "Zoll" brand has attracted approximately 160 tenants and the Reorganized Target Group has established good relationships with reputable brands such as China Resources Vanguard, Watsons, McDonalds, Yum, Starbucks, Decathlon, Dadi Theatre (大地影院), Ymm Art Education (楊梅紅藝術教育), the Physical Club (中航健身會) and Aeon Fantasy (永旺幻想兒童游樂) for the Zoll Centers. The Reorganized Target Group has established a sophisticated tenant database which

lays a solid foundation for serialization and scaled expansion in the future. The Reorganized Target Group uses this resource to forecast the needs of tenants and to source tenants for its new locations. Attracting similar tenants for its Zoll Centers in different regions helps the Reorganized Target Group reinforce a uniform brand image for the Zoll Centers.

Currently, the Reorganized Target Group also has two Zoll Centers under construction, namely Hongwan Zoll Center and Mangrove Luxury Garden Zoll Center. These Zoll Centers are both located in prime locations and are expected to open in 2016 and 2017, respectively. It is intended that, upon completion and full operations of these two Zoll Centers, the aggregate LFA of the Zoll Centers operated by the Reorganized Target Group will increase by approximately 54,981 sq.m. The Reorganized Target Group plans to continue to develop and operate the Zoll Centers in the Pearl River Delta and Yangtze River Delta regions by expanding its branding efforts, serialization and scaled expansion. The Reorganized Target Group hopes to make the "Zoll" brand one of China's most influential community commercial brands.

NEO Urban Commercial Complex, an urban business complex and a landmark located in the western region of the central Futian District of Shenzhen under the "NEO" brand, is another example of the Reorganized Target Group's commercial property success. NEO Urban Commercial Complex, which occupies a site area of 19,295 sq.m., comprises three main buildings, namely Tower A, a skyscraper which offers Grade A office spaces, and Tower B and Tower C, which offer office, retail and residential spaces. Tower B and Tower C commenced operations in 2011 and Tower A commenced operations in 2012. The Reorganized Target Group owns a substantial portion of Tower A and all retail spaces of Tower B and C, with an aggregate LFA of 105,870 sq.m. According to the Market Research Report, NEO Urban Commercial Complex enjoyed a higher average rent for its office spaces than other office buildings in Shenzhen as of December 31, 2014. A number of offices and branches of Fortune Global 500 companies are tenants of NEO Urban Commercial Complex. It has been named one of Shenzhen's top 10 landmark buildings, significantly enhancing the value of the Reorganized Target Group's brand.

- **The two-pronged business model which produces multiple synergies**

The Reorganized Target Group's revenue and profits are mainly derived from its property development and sales segment and its commercial property investment and operations segment. This two-pronged business model produces multiple synergies. The property development and sales segment has been a significant source of revenue for the Reorganized Target Group, providing the operating cash flows that the Reorganized Target Group needs for its investment in and operation of commercial properties. Further, the Reorganized Target Group believes that the operation of the commercial property investment and operations segment, including the operation of the Zoll Centers, builds customer loyalty for the Reorganized Target Group's property development and sales segment, and improves the positioning, appeal and overall investment value of the Reorganized Target Group's property projects, facilitating growth in the property development and sales segment. In addition, the Reorganized Target Group's commercial property investment and operations segment provides stable rental income, enabling the Reorganized Target Group to withstand fluctuations in the residential property market.

The Reorganized Target Group's two-pronged approach is reflected in its land acquisitions planning, design and development of integrated residential and commercial properties. For example, projects such as LVGEM Chanson Garden, LVGEM 1866 Garden, Hongwan Garden and Mangrove Luxury Garden each pairs boutique residential properties with a Zoll Center. By combining the Zoll Centers with residential properties, the Reorganized Target Group satisfies the needs of residential property owners and occupants and, at the same time, significantly strengthens the market positioning and overall value of the properties.

- **Management team with strategic vision, acute market insights, superior execution abilities and in-depth experience**

The management team of the Reorganized Target Group has extensive experience in property development and property asset management. In particular, the majority of the core members of the management team have more than 20 years of property industry experience.

The Reorganized Target Group's management team stays abreast of market leading developments in the property industry. In the mid-1990s, the Reorganized Target Group successfully transitioned from a construction company to a property developer under the leadership of its senior management, and was among the first to participate in urban redevelopment. The Reorganized Target Group has further developed its commercial property investment and operations business while expanding its property development and sales business, making itself one of Shenzhen's established and well known comprehensive property developers. Looking forward, in response to the changing lifestyles and spending patterns of the Reorganized Target Group's consumers in the digital era, the Reorganized Target Group has been actively developing the replication and brand output strategy for the Zoll Centers, initiating the formulation of the light-asset operation model and expanding post-development services such as the O2O community integrated service platform. Since its establishment, the Reorganized Target Group has capitalized on market opportunities and undergone a number of successful transformations. This reflects its management team's ability to quickly identify and respond to changing trends in China's property market, and demonstrates the Reorganized Target Group's execution capabilities and its track record of effectively leveraging its resources.

STRATEGIES OF THE ENLARGED GROUP

- **Cultivate the property markets in the core regions of core cities, and expand into overseas (Hong Kong and Macau) markets**

As China's property market industry progresses from a fast growth phrase into a stable growth phrase, there emerges a trend towards regional differentiation in the property market. The Enlarged Group believes that the property markets of the core cities (such as Shenzhen, Dongguan, Suzhou and Zhuhai) of regions which enjoy a relatively higher level of economic development and megacity clusters (such as the Pearl River Delta and the Yangtze River Delta) have significant potential for future development. In particular, demand for properties in the core regions of these cities remains strong, as the needs of industrial upgrade and property improvement continue to grow. The Enlarged Group plans to focus on leveraging the resources of the Reorganized Target Group in these core regions. In particular, the Enlarged Group plans to exploit the Reorganized Target Group's extensive urban redevelopment experience and stellar reputation and actively participate in urban redevelopment projects in the core regions of these core cities. By continuing to expand businesses in these core markets, the Enlarged Group believes that it will be able to further accumulate its quality resources and capabilities, and expand into new cities with significant potential.

Benefitting from the injection of assets by the Reorganized Target Group, and leveraging the extensive management and operational experience of the senior management of the Reorganized Target Group, the Enlarged Group also plans to make use of overseas financing resources to expand the Enlarged Group's operations into overseas markets such as Hong Kong and Macau at an appropriate time.

- **Adopt a more diversified approach when obtaining land resources**

The Enlarged Group plans to adopt a more balanced and diversified approach when acquiring land resources, including (i) obtaining land resources from the government through the public tender, auction or listing-for-sale process, (ii) acquiring land resources from private entities by entering into land transfer agreements, (iii) obtaining quality land resources at prime locations through urban redevelopment, and (iv) acquiring land through collaborative efforts with other companies (such as joint ventures). The Enlarged Group believes that this diversified approach to land acquisition will allow it to obtain high quality land reserves on more favorable terms.

The Enlarged Group plans to analyze government economic plans and policies that affect the markets in which the Enlarged Group operates and to leverage the Reorganized Target Group's in-depth knowledge of consumer preferences, transportation and infrastructure systems and market dynamics. The Enlarged Group intends to obtain information on acquisition opportunities via diverse channels and to conduct detailed analysis of such information. When assessing a particular site, the Enlarged Group will consider both the expected investment return and the strategic positioning of the potential project in order to select and acquire land that suits its development needs and provides the greatest potential for high returns.

- **Replicate the "Zoll" business model and create a leading and scalable commercial property brand**

The Zoll Centers of the Reorganized Target Group have effectively integrated commercial facilities with residential properties to provide comprehensive shopping, entertainment, social, health and education-related services to residents, offering them a high level of convenience and enhancing their living standards. The Enlarged Group believes that the integration of residential properties and commercial facilities improves the overall value of the Reorganized Target Group's properties as a whole.

Leveraging on the success of this model, the Enlarged Group plans to replicate the "Zoll" model and create a leading and scalable commercial property brand through brand differentiation of the "Zoll" brand and the Reorganized Target Group's professional team and extensive management experience. This includes continuing to develop, own and operate the Zoll Centers within the Enlarged Group's property development projects, upgrading and redeveloping the Enlarged Group's other existing commercial properties to become the Zoll Centers, and through a light-asset model, managing and operating the Zoll Centers that are developed by the Enlarged Group's cooperative partners.

The Enlarged Group believes that expanding the business model of this brand will strengthen the Reorganized Target Group's advantages in the core markets. The Enlarged Group plans to develop the Zoll Centers in other cities in the Pearl River Delta and Yangtze River Delta regions at an appropriate time. When deciding whether to expand into new regions, provinces or cities, the Enlarged Group will conduct thorough planning and in-depth research and take into account a number of factors, such as the market conditions of relevant commercial property markets, property prices, future development potential, consumer preferences, local competition and overall economic environment in the region.

- **Extend the value chain of the Reorganized Target Group's property business, integrate online and offline resources, establish an O2O community integrated service platform and focus on the provision of post-development services**

Using the Reorganized Target Group's residential and commercial projects as medium and taking advantage of the Internet, the Enlarged Group plans to integrate its commercial property resources, develop post-development services and provide integrated services for communities surrounding the Enlarged Group's property projects. Through the O2O community integrated service platform developed by the Reorganized Target Group, the Enlarged Group plans to continue to integrate the online and offline resources and to create new business models for providing community services. The Enlarged Group believes this will bring enormous business opportunities. For example, in addition to property management and the commercial services provided by the Zoll Centers, the Enlarged Group plans to line up healthcare, security and intelligence-related services with communities established by it. Further, through integrating current customer resources and through the Internet, the Enlarged Group will be able to provide commercial services to its residential property owners and NEO tenants. The logistics distribution capabilities of the Reorganized Target Group's property management service platform can also be further developed.

- **Attract, retain and motivate talented personnel through competitive remuneration incentives and training programs**

The Enlarged Group's future development success will depend on its ability to attract and retain experienced professionals with great potential. The Enlarged Group is committed to establishing highly-specialized and efficient teams and promoting strong values, strategic vision and culture at the Enlarged Group. The Enlarged Group plans to offer competitive remuneration incentives to attract and retain employees, including providing employees with a variety of performance rewards through implementing career incentive schemes and benefits, so that the interests of the Enlarged Group's employees will be aligned with those of the Enlarged Group. The Enlarged Group plans to offer systematic and comprehensive training programs to its employees to ensure that employees have sufficient knowledge and expertise to excel at their respective duties.

BUSINESS OF THE REORGANIZED TARGET GROUP

The Reorganized Target Group focuses its business activities across the Pearl River Delta region, one of the most economically prosperous and vibrant regions in China.

The Reorganized Target Group's business operations consist of three principal business segments: (i) property development and sales; (ii) commercial property investment and operations; and (iii) comprehensive services. For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, the total revenue of the Reorganized Target Group amounted to RMB469.2 million, RMB1,902.2 million, RMB4,837.5 million, RMB2,272.8 million and RMB294.6 million, respectively. The table below sets forth a breakdown of the total revenue of the Reorganized Target Group by business segment for the periods indicated:

	For The Year Ended December 31,			For The Four Months Ended April 30,	
	2012	2013	2014	2014	2015
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Property development and sales	136,975	1,470,355	4,300,500	2,112,686	102,961
Commercial property investment and operations	188,423	262,155	342,896	104,889	129,272
Comprehensive services	143,772	169,688	194,135	55,209	62,384
Total	**469,170**	**1,902,198**	**4,837,531**	**2,272,784**	**294,617**

The table below sets forth a breakdown of the revenue of the Reorganized Target Group from its segments by nature of income.

		For The Year Ended December 31,			For The Four Months Ended April 30,	
		2012	2013	2014	2014	2015
Segment	**Nature of income**	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Property development and sales	Sales of properties	136,975	1,470,355	4,300,500	2,112,686	102,961
Commercial property investment and operations	Rental income	188,423	262,155	342,896	104,889	129,272
Comprehensive services	Property management	48,770	56,706	75,238	22,323	28,696
	Hotel operation	62,065	72,344	73,736	23,588	22,123
	Other services	32,937	40,638	45,161	9,298	11,565
	Subtotal	143,772	169,688	194,135	55,209	62,384
Total		**469,170**	**1,902,198**	**4,837,531**	**2,272,784**	**294,617**

The Reorganized Target Group classifies its property development projects as follows:

- *Completed projects:* the Reorganized Target Group categorizes projects or project phases as completed upon receipt of the requisite land use rights certificates and certificates of completion from relevant government authorities;

- *Projects under development:* the Reorganized Target Group categorizes projects or project phases as under development when it has received the requisite land use rights certificates and construction commencement permits but has not yet received the requisite certificates of completion;

- *Projects held for future development:* the Reorganized Target Group categorizes projects or project phases as held for future development when it has obtained the relevant land use rights certificates or land grant contracts but has not yet obtained the requisite construction commencement permits; and

- *Projects planned to be redeveloped or contracted to be acquired for future development:* the Reorganized Target Group categorizes projects or project phases as to be acquired for future development when it has entered into preliminary framework agreements, master agreements or letters of intent with villagers-representative companies of urban villages or other relevant parties but has not yet obtained the relevant land grant contracts or land use rights certificates.

As advised by the PRC Legal Advisor, the Reorganized Target Group had obtained all the requisite land use rights and, where relevant, building ownership certificates for its completed projects, projects under development and projects held for future development during the Track Record Period.

Since commencement of its operations, the Reorganized Target Group has developed a diverse portfolio of 16 completed projects consisting of urban boutique residences, the Zoll Centers, NEO Urban Commercial Complex and a hotel with an aggregate site area of approximately 438,167 sq.m. and an aggregate GFA of approximately 1,854,290 sq.m.

- *Urban boutique residences:* the Reorganized Target Group's urban boutique residences are located in urban areas which are commercially prosperous, with scenic surroundings and convenient access to transportation facilities. Some of these urban boutique residence projects also include accompanying retail spaces.

- *Zoll Centers:* the Reorganized Target Group develops community-based lifestyle and shopping centers under the "Zoll" (佐玲) brand. The Zoll Centers are primarily located in mature communities in downtown areas, and typically neighbor the Reorganized Target Group's urban boutique residences.

- *NEO Urban Commercial Complex:* NEO Urban Commercial Complex developed and operated by the Reorganized Target Group is located at the central business district of Futian, Shenzhen and consists of Tower A, Tower B and Tower C. A substantial portion of Tower A, a skyscraper which offers Grade A office spaces, and all retail spaces of Tower B and Tower C are owned by the Reorganized Target Group.

- *Hotel:* the Reorganized Target Group's LVGEM Hotel is a business hotel conveniently located in the central business district in Shenzhen.

As of April 30, 2015, the Reorganized Target Group also had three residential property projects and two commercial property projects under development with a total site area of 112,241 sq.m. and planned GFA of 884,662 sq.m., and had acquired, or had planned to redevelop or contracted to acquire, land for four property projects with a total site area of 1,026,972 sq.m. The following table sets forth the Reorganized Target Group's property portfolio since commencement of its operations up to April 30, 2015.

Completed projects

Project name[1]	Location	Site area[2] *(sq.m.)*	Total GFA[3] *(sq.m.)*	Total GFA attributable to the Reorganized Target Group[4] *(sq.m.)*	Total saleable GFA sold[5] *(sq.m.)*	Total saleable GFA unsold[5] *(sq.m.)*	Total commercial LFA held for investment[6] *(sq.m.)*	Development costs incurred *(RMB' million)*	Construction commencement	Construction completion	Pre-sale commencement *(No.)*	Ref. to property valuation report
LVGEM Garden Estate (綠景山莊)	Shenzhen	42,813	72,580	72,500	65,320	170	3,820	263.6	April 1998	April 2000	October 1998	8, 20
Phase I of LVGEM New Garden (綠景新苑一期)	Shenzhen	8,858	40,613	37,320	29,008	0	0	127.7	September 2000	January 2002	February 2001	16
Phase II of LVGEM New Garden (綠景新苑二期)	Shenzhen	6,760	27,945	27,021	16,107	0	4,864	94.2	May 2003	February 2004	August 2003	16
Lanwan Peninsula Community (藍灣半島社區)	Shenzhen	39,304	232,086	215,343	151,789	341	5,293	857.1	May 2002	August 2004	September 2002	6, 17
Phase II of LVGEM Garden (綠景花園二期)	Shenzhen	20,677	164,932	149,708	87,326	810	20,987	593.6	November 2003	June 2005	November 2004	7, 19
Zhongcheng Tianyi Garden (中城天邑花園)	Shenzhen	19,682	142,368	118,738	70,944	365	0	855.0	March 2006	December 2008	December 2007	5, 15
LVGEM Hotel (綠景錦江酒店)[15]	Shenzhen	4,978	25,751	25,751	N/A	N/A	4,412	369.0	March 2006	December 2008	N/A	1, 15
Phase I of Zhonghe Tixiang Famous Garden (中核緹香名苑一期)	Yiyang	70,180	131,317	131,317	120,589	4,004	0	419.5	August 2007	April 2009	March 2008	10
NEO Urban Commercial Complex (NEO 都市商務綜合體) (including Tower A, Tower B and Tower C)	Shenzhen	19,295	252,539	223,279	63,455	N/A	105,870	2,551.0	January 2004	May 2011	June 2009	18
City Garden (城市立方花園)	Shenzhen	47,372	135,012	132,669	90,855	1,531	4,886	832.0	March 2008	November 2010	November 2009	4, 14
LVGEM Chanson Garden (綠景香頌花園)[7]	Shenzhen	26,117	174,366	142,903	87,418	261	23,368	Note (13)	February 2011	December 2012	November 2011	3, 12
LVGEM Chanson Meilu Garden (綠景香頌美廬園)[7]	Shenzhen	5,540	28,845	18,702	23,676	0	313	Note (13)	May 2011	May 2013	April 2012	13
LVGEM 1866 Garden (公館1866花園)[8]	Shenzhen	77,795	387,482	384,504	193,882	3,617	43,335	2,573.0	June 2011	August 2013	August 2012	2, 11
Block A1 of LVGEM International Garden (綠景國際花城(A1區))[16]	Maoming	48,795	38,456	38,456	0	37,698	0	Note (12)	July 2013	December 2014	April 2014	9
Total		438,167	1,854,290	1,718,209	1,000,369	48,797	217,147					

Projects under development

Project name[1]	Location	Site area[2] *(sq.m.)*	Total GFA[3] *(sq.m.)*	Total GFA attributable to the Reorganized Target Group[4] *(sq.m.)*	Total saleable GFA pre-sold[5] *(sq.m.)*	Total saleable GFA unsold[5] *(sq.m.)*	Estimated total LFA held for investment[6] *(sq.m.)*	Development costs incurred as of April 30, 2015[11] *(RMB' million)*	Estimated development costs to be incurred[11] *(RMB' million)*	Construction commencement	Expected construction completion	Pre-sale commencement	Ref. to property valuation report *(No.)*
Hongwan Garden (虹灣花園)[9]	Shenzhen	32,785	367,372	295,009	23,448	114,036	34,481	2,552.2	115.2	December 2012	December 2015	October 2014	21
Block A2 of LVGEM International Garden (綠景國際花城(A2區))	Maoming	55,032	211,839	211,839	56,199	144,179	25,199	Note (12)	Note (12)	March 2014	December 2015	August 2014	23
Mangrove Luxury Garden (紅樹華府)[10]	Shenzhen	24,424	305,450	231,450	0	122,687	20,500	1,108.2	887.6	July 2014	March 2017	Fourth quarter of 2015 [14]	22
Total		112,241	884,662	738,298	79,647	380,902	80,180	N/A	N/A				

Projects held for future development

Project name[(1)]	**Location**	**Site area**[(2)] *(sq.m.)*	**Expected construction commencement**	**Ref. to property valuation report** *(No.)*
Land Lot of LVGEM International Garden (綠景國際花城地塊)	Maoming	714,534	2016	24
Phase II of Zhonghe Tixiang Famous Garden (中核緹香名苑二期)	Yiyang	27,371	2016	25
Total		741,905		

Projects planned to be redeveloped or contracted to be acquired by the Reorganized Target Group

Project name[(1)]	**Location**	**Site area**[(2)] *(sq.m.)*	**Expected construction commencement**	**Ref. to property valuation report** *(No.)*
Meijing Project (美景項目)	Shenzhen	13,865	TBD	26
Liguang Project (黎光項目)	Shenzhen	271,202	N/A	27
Total		285,067		

Notes:

(1) Project names used in the tables and elsewhere in this circular are names the Reorganized Target Group has used, or intends to use, to market its properties. Some of the project names are still subject to the approval of the relevant authorities and may differ from the names registered with the relevant authorities as the Reorganized Target Group may have subsequently renamed its projects to better suit its marketing needs.

(2) The site area data above have been derived from the data contained in the relevant land use rights certificates and real estate title certificates.

(3) Data with respect to the total GFA of (i) completed projects have been derived from the information contained in the relevant completion certificates or inspection certificates; and (ii) projects under development have been derived from the information contained in the relevant construction planning permits.

(4) Total GFA attributable to the Reorganized Target Group consists of saleable GFA and non-saleable GFA and such data have been calculated by deducting the following from the total GFA: (i) GFA used for resettlement compensation according to the relevant land grant contracts; and/or (ii) GFA required to be transferred to the government pursuant to the relevant land grant contracts (such as GFA used as garbage stations) (where applicable).

(5) Total saleable GFA unsold includes properties which have been pre-sold. A property is considered sold after the Reorganized Target Group has executed the relevant sale and purchase agreement and the property has been delivered to the customer. A property is considered delivered to a customer after the property has been completed, inspected and accepted as qualified. A property is considered pre-sold when the Reorganized Target Group has executed the relevant sale and purchase agreement but the property has not yet been delivered to the customer. Saleable GFA sold and pre-sold have been derived based on internal records of the Reorganized Target Group.

(6) LFA refers to space available to generate rental income.

(7) Data of LVGEM Chanson Garden and LVGEM Chanson Meilu Garden include data of Chanson Zoll Center.

(8) Data of LVGEM 1866 Garden includes data of 1866 Zoll Center.

(9) Data of Hongwan Garden includes data of Hongwan Zoll Center.

(10) Data of Mangrove Luxury Garden includes data of Mangrove Luxury Garden Zoll Center.

(11) References to the development costs of property projects in the tables and elsewhere in this circular, whether actual or expected, include the paid or payable (as applicable) portion of land premiums for the relevant land use rights for the projects.

(12) The Reorganized Target Group recorded in aggregate the development costs of Block A1 of LVGEM International Garden, Block A2 of LVGEM International Garden and Land Lot of LVGEM International Garden up to April 30, 2015. As such, the development cost incurred and the estimated cost to be incurred for each of these individual projects as of April 30, 2015 is not available.

(13) The Reorganized Target Group did not record the development costs of LVGEM Chanson Garden and LVGEM Chanson Meilu Garden separately. As such, the development cost incurred individually for each of these projects as of April 30, 2015 is not available.

(14) The Reorganized Target Group expects that the conditions precedent for pre-sales of properties in this project will be satisfied in the fourth quarter of 2015. However, the actual pre-sale commencement date will depend on market conditions.

(15) LVGEM Hotel is part of Zhongcheng Tianyi Garden. The site area data of LVGEM Hotel has been derived from the data contained in land use rights certificate of Zhongcheng Tianyi Garden.

(16) Although pre-sales of the residential properties under Block A1 of LVGEM International Garden commenced in April 2014 and construction of such properties was completed in December 2014, such properties were not scheduled to be delivered to the customers until May 2015. The Directors are of the view that the delivery schedule of the residential properties was in accordance with the Reorganized Target Group's overall project planning and schedule taking into account the overall completion of the project (including the commercial portion) and was within the delivery timing specified in the relevant pre-sales agreements. The length of time between construction completion and delivery of residential properties to the customers of Block A1 of LVGEM International Garden was in line with the relevant terms in the pre-sales agreements.

(17) Certain Reorganized Target Group's projects comprise multiple-phase developments, and a project under development may include different phases at different stages of completion, under development or held for future development.

The manner in which the Reorganized Target Group classifies its projects may be different from the classifications employed by other property developers. Each property project or project phase may require multiple land use rights certificates, construction commencement permits, pre-sales permits and other permits and certificates, which may be issued at different times in the development process. The table below sets forth the differences between the Reorganized Target Group's classification of properties and the classification of properties adopted in the property valuation report set out in Appendix V and in the consolidated financial statements set out in Appendix III to this circular:

Classification by the Reorganized Target Group	**Property valuation report**	**Accountants' report**
Completed projects		
Projects or project phases for which the requisite certificates of completion have been obtained	• Property interests held for sales by the Reorganized Target Group in the PRC	• Completed properties for sale
	• Property interests held for investment by the Reorganized Target Group in the PRC	• Investment properties
	• Property interests held and operated by the Reorganized Target Group in the PRC	• Property, plant and equipment

Classification by the Reorganized Target Group	Property valuation report	Accountants' report
Projects under development		
Projects or project phases for which the requisite land use rights certificates and construction commencement permits have been obtained but the requisite certificates of completion have not yet been obtained	• Property interests held under development by the Reorganized Target Group in the PRC	• Inventories – Properties under development for sale (for the residential portion) • Investment properties (for the commercial portion)
Projects held for future development		
Projects or project phases for which the relevant land use rights certificates or land grant contracts have been obtained but the requisite construction commencement permits have not yet been obtained	• Property interests held for future development by the Reorganized Target Group in the PRC	• Inventories – Properties held for future development for sale
Projects planned to be redeveloped or contracted to be acquired for future development		
Projects or project phases for which preliminary framework agreements, master agreements or letters of intent have been entered into but the relevant land grant contracts or land use rights certificates have not yet been obtained	• Property interests to be redeveloped and to be acquired by the Reorganized Target Group in the PRC	• N/A

During the Track Record Period, the property portfolio of the Reorganized Target Group consisted of 14 completed projects, five projects under development, two projects with land held for future development and two projects with land planned to be redeveloped or contracted to be acquired for future development. The completed projects have an aggregate site area of approximately 422,549 sq.m. and an aggregate GFA of approximately 1,785,732 sq.m., and the projects under development have an aggregate site area of approximately 112,241 sq.m. and an aggregate GFA of approximately 884,662 sq.m. The projects with land held for future development have an aggregate site area of approximately 741,905 sq.m. The project with land planned to be redeveloped or contracted to be acquired by the Reorganized Target Group has an aggregate site area of approximately 285,067 sq.m. Of these Reorganized Target Group's projects for the three years ended December 31, 2014 and for the four months ended April 30, 2015, 18 projects are located in Shenzhen, three projects in Maoming and two projects in Yiyang.

The table below sets forth an overview of the GFA of the Reorganized Target Group's completed projects and projects under development during the Track Record Period at each development stage by geographic region:

Location	Number of projects	GFA completed *(sq.m.)*	GFA under development *(sq.m.)*
Shenzhen	16	1,615,960	672,823
Maoming	2	38,456	211,839
Yiyang	1	131,317	N/A
Total	19	1,785,732	884,662

Property development and sales

The followings are completed projects of the Reorganized Target Group which had saleable unsold GFA during Track Record Period.

Completed Projects

LVGEM Garden Estate (綠景山莊)



LVGEM Garden Estate is a residential and commercial project located at Jindaoqian Road, Luohu District, Shenzhen. Occupying a total site area of 42,813 sq.m., it consists of 16 residential buildings and two commercial buildings. The project has an aggregate GFA of 72,580 sq.m., of which 72,500 sq.m. is attributable to the Reorganized Target Group.

The Reorganized Target Group obtained the certificate of completion for this project in April 2000. As of April 30, 2015, the total saleable GFA unsold was 170 sq.m.

The land premium for this project has been fully paid.

Lanwan Peninsula Community (藍灣半島社區)



Lanwan Peninsula Community is a residential and commercial project located at Furong Road, Futian District, Shenzhen. Occupying a total site area of 39,304 sq.m., it consists of seven residential buildings and accompanying retail spaces. The project has an aggregate GFA of 232,086 sq.m., of which 215,343 sq.m. is attributable to the Reorganized Target Group.

The Reorganized Target Group obtained the certificate of completion for this project in August 2004. As of April 30, 2015, the total saleable GFA unsold was 341 sq.m.

The land premium for this project has been fully paid.

Phase II of LVGEM Garden (綠景花園二期)



Phase II of LVGEM Garden is a residential and commercial project located at 3018 Fuqiang Road, Futian District, Shenzhen. Occupying a total site area of 20,677 sq.m., it consists of six residential buildings and accompanying retail spaces. The project has an aggregate GFA of 164,932 sq.m., of which 149,708 sq.m. is attributable to the Reorganized Target Group.

The Reorganized Target Group obtained the certificate of completion for this project in June 2005. As of April 30, 2015, the total saleable GFA unsold was 810 sq.m.

The land premium for this project has been fully paid.

Zhongcheng Tianyi Garden (中城天邑花園)



Zhongcheng Tianyi Garden is an urban boutique residence project located at Sixth Street, Xinzhou Road, Futian District, Shenzhen. Occupying a total site area of 19,682 sq.m., it consists of three residential buildings. The project has an aggregate GFA of 142,368 sq.m., of which 118,738 sq.m. is attributable to the Reorganized Target Group.

The Reorganized Target Group obtained the certificate of completion for this project in December 2008. As of April 30, 2015, the total saleable GFA unsold was 365 sq.m.

The land premium for this project has been fully paid.

Phase I of Zhonghe Tixiang Famous Garden(中核緹香名苑一期)



Phase I of Zhonghe Tixiang Famous Garden is an urban boutique residence project located at 7 Haitang Road, Gaoxin District, Yiyang. Occupying a total site area of 70,180 sq.m., it consists of 13 residential buildings. The project has an aggregate GFA of 131,317 sq.m., all of which is attributable to the Reorganized Target Group.

The Reorganized Target Group obtained the certificate of completion for this project in April 2009. As of April 30, 2015, the total saleable GFA unsold was 4,004 sq.m.

The land premium for this project has been fully paid.

City Garden (城市立方花園)



City Garden is a residential and commercial project located at Zone 37 of Longcheng, Town Center, Longgang District, Shenzhen. Occupying a total site area of 47,372 sq.m., it consists of nine residential buildings and accompanying retail spaces. The project has an aggregate GFA of 135,012 sq.m., of which 132,669 sq.m. is attributable to the Reorganized Target Group.

The Reorganized Target Group obtained the certificate of completion for this project in November 2010. As of April 30, 2015, the total saleable GFA unsold was 1,531 sq.m.

The land premium for this project has been fully paid.

LVGEM Chanson Garden (綠景香頌花園)



LVGEM Chanson Garden is a residential and commercial project located at the junction of Minzhi Road and Bulong Road of New Town, Longhua District, Shenzhen. The locality of LVGEM Chanson Garden is a newly developed residential area served by good public facilities. It consists of five residential buildings and Chanson Zoll Center. It occupies a total site area of 26,117 sq.m. and has an aggregate GFA of 174,366 sq.m., of which 142,903 sq.m. is attributable to the Reorganized Target Group. The Reorganized Target Group holds Chanson Zoll Center as investment property. For details of Chanson Zoll Center, please refer to the sub-section headed "Commercial property investment and operations – Zoll Centers".

The Reorganized Target Group obtained the certificate of completion for this project in December 2012. As of April 30, 2015, the total saleable GFA unsold was 261 sq.m.

The land premium for this project has been fully paid.

LVGEM Chanson Meilu Garden (香頌美廬園)



LVGEM Chanson Meilu Garden is a residential and commercial project located at the junction of Minan Road and Minzhi Road, Longhua New Town District, Shenzhen. Occupying a total site area of 5,540 sq.m., it consists of two residential buildings with commercial units at the basement level and forms part of Chanson Zoll Center. The project has an aggregate GFA of 28,845 sq.m., of which 18,702 sq.m. is attributable to the Reorganized Target Group.

The Reorganized Target Group obtained the certificate of completion for this project in May 2013. As of April 30, 2015, the total saleable GFA unsold was nil.

The land premium for this project has been fully paid.

LVGEM 1866 Garden (公館1866花園)



LVGEM 1866 Garden is a residential and commercial project located at the eastern side of Meilong Road and southern side of Zhongmei Road in Longhua New District, Shenzhen. It is divided into two zones, the North Zone and the South Zone. The North Zone consists of seven residential buildings, occupying a total site area of 41,840 sq.m. with an aggregate GFA of 200,525 sq.m. The South Zone has six residential buildings, occupying a total site area of 35,955 sq.m. with an aggregate GFA of 186,957 sq.m. Of the aggregate GFA of 387,482 sq.m. for both the North Zone and the South Zone, 384,504 sq.m. is attributable to the Reorganized Target Group. In addition, LVGEM 1866 Garden contains 1866 Zoll Center, which the Reorganized Target Group holds as an investment property. For details of 1866 Zoll Center, please refer to the sub-section headed "Commercial property investment and operations – Zoll Centers".

The Reorganized Target Group obtained the certificate of completion for the South Zone and the North Zone of this project in August 2013 and May 2013, respectively. As of April 30, 2015, the total saleable GFA unsold was 3,617 sq.m.

The land premium for this project has been fully paid.

Block A1 of LVGEM International Garden (綠景國際花城A1區)



Block A1 of LVGEM International Garden is a residential and commercial project conveniently located at the northwest region of Juzhou Park on Hexi Road of Huazhou County, Maoming, Guangdong province. It includes 30 townhouses. It occupies a site area of 48,795 sq.m. with a total GFA of 38,456 sq.m., all of which is attributable to the Reorganized Target Group.

The Reorganized Target Group obtained the certificate of completion for this project in December 2014. As of April 30, 2015, the total saleable GFA unsold was 37,698 sq.m.

The land premium for this project has been fully paid.

Projects Under Development

Hongwan (虹灣花園)



Hongwan is a residential and commercial project conveniently located in the central business district of Futian District, Shenzhen, adjacent to the Mei Lin metro station. It is planned to include five high-rise residential buildings and two apartment buildings in addition to Hongwan Zoll Center. It occupies a site area of 32,785 sq.m. and has a planned GFA of 367,372 sq.m., of which an estimate of 295,009 sq.m. is attributable to the Reorganized Target Group. For details of Hongwan Zoll Center, please refer to the sub-section headed "Commercial property investment and operations – Zoll Centers".

Construction for this project commenced in December 2012 and is expected to be completed in December 2015. As of April 30, 2015, the total GFA of properties pre-sold amounted to 23,448 sq.m. and the total saleable GFA unsold was 114,036 sq.m. The Reorganized Target Group commenced pre-sales in this project in October 2014.

The land premium for this project has been fully paid. As of April 30, 2015, development costs of RMB2,552.2 million (excluding capitalized finance costs) had been incurred for the project and the Reorganized Target Group expected to incur additional development costs of approximately RMB115.2 million (excluding capitalized finance costs) for the completion of the project.

Mangrove Luxury Garden (紅樹華府)



Mangrove Luxury Garden is a residential and commercial project conveniently located in the southeast corner of the intersection of Shazui Road and Jindiyi Road in the central business district of Futian District, Shenzhen. In addition to Mangrove Luxury Garden Zoll Center, it is planned to include three residential buildings and one integrated building with offices, a hotel and apartments. It occupies a site area of 24,424 sq.m. and has a planned GFA of 305,450 sq.m., of which an estimate of 231,450 sq.m. is attributable to the Reorganized Target Group. For details of Mangrove Luxury Garden Zoll Center, please refer to the sub-section headed "Commercial property investment and operations – Zoll Centers".

Construction for this project commenced in July 2014 and is expected to be completed in March 2017. As of April 30, 2015, the total saleable GFA unsold was 122,687 sq.m. The Reorganized Target Group expects the conditions to commence pre-sales in this project will be satisfied in the fourth quarter of 2015.

The land premium for this project has been fully paid. As of April 30, 2015, development costs of RMB1,108.2 million (excluding capitalized interest costs) had been incurred for the project and the Reorganized Target Group expected to incur additional development costs of approximately RMB887.6 million (excluding capitalized interest costs) for the completion of the project.

Block A2 of LVGEM International Garden (綠景國際花城A2區)



Block A2 of LVGEM International Garden is a residential and commercial project conveniently located at the northwest region of Juzhou Park on Hexi Road of Huazhou County, Maoming, Guangdong province. It is expected to comprise six residential buildings and two commercial buildings. It occupies a site area of 55,032 sq.m. with a planned GFA of 211,839 sq.m., all of which is attributable to the Reorganized Target Group. The Reorganized Target Group plans to hold 25,199 sq.m. as investment properties. The project is expected to have an aggregate saleable GFA of 144,179 sq.m.

Construction for this project commenced in March 2014 and is expected to be completed in December 2015. As of April 30, 2015, the total GFA for properties pre-sold amounted to 56,199 sq.m. and the total saleable GFA unsold was 144,179 sq.m. The Reorganized Target Group commenced pre-sales in this project in August 2014.

The land premium for this project has been fully paid. The Reorganized Target Group recorded in aggregate the development costs of Block A1 of LVGEM International Garden, Block A2 of LVGEM International Garden and Land Lot of LVGEM International Garden up to April 30, 2015. As such, the development cost incurred for each of these individual projects as of April 30, 2015 is not available.

Projects Held for Future Development

Land Lot of LVGEM International Garden (綠景國際花城地塊)

The land lot of LVGEM International Garden is a vacant land located at the northwest of Juzhou Park, Hexi Road, Huazhou County, Maoming, Guangdong province and is planned to be developed into a commercial and residential development to be named as LVGEM International Garden. The land lot of LVGEM International Garden is located in a well developed residential area with good natural environment and is within reasonable proximity to Juzhou Park. It is well-served by public transportation and is approximately 10 minutes from the city center by car.

The land lot of LVGEM International Garden occupies a total site area of 714,534 sq.m. Construction for this project is expected to commence in 2016. The land premium for this project has been fully paid.

Phase II of Zhonghe Tixiang Famous Garden(中核緹香名苑二期)

Phase II of Zhonghe Tixiang Famous Garden is located at the junction of Longzhou South Road and Haitang Road, Gaoxin District, Yiyang, which are the main arteries in the area. It is situated in a well developed residential area served by good public facilities. The project is within reasonable proximity to Yiyang Government and Yiyang Grand Theatre. The project is planned to be developed into a residential and commercial development.

Phase II of Zhonghe Tixiang Famous Garden occupies a total site area of 27,371 sq.m. Construction for this project is expected to commence in 2016. The land premium for this project has been fully paid.

Projects Planned to be Redeveloped or Contracted to be Acquired by the Reorganized Target Group

Meijing Project (美景項目)

Meijing Project is located at No. 4088 Qiaoxiang Road in Nanshan District, Shenzhen. It is situated in a well-developed area served by good public transport facilities and is within walking distance to Railway Line 1 and Line 2.

As of the Latest Practicable Date, Meijing Project occupied a total site area of 13,865 sq.m. There are six industrial buildings (including three staff residence buildings) in Meijing Project with a total GFA of approximately 30,570 sq.m. which are jointly owned by Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司), a wholly owned subsidiary of the Reorganized Target Group, and Shenzhen Shawei Industry Co., Ltd. (深圳市沙尾實業股份有限公司), a villagers-representative company which is an Independent Third Party, as to 40% and 60%, respectively. The project is planned to be redeveloped into an industrial complex to be named Meijing Industry Park and the existing buildings are planned to be demolished in the next one to two years. As of the Latest Practicable Date, applications in respect of the planning and construction work for the redevelopment of Meijing Project by the Reorganized Target Group have been submitted to the relevant authorities and are pending official approvals. If the applications are approved, the project may be granted with a total site area of approximately 13,865 sq.m. and a total planned GFA of approximately 89,848 sq.m.

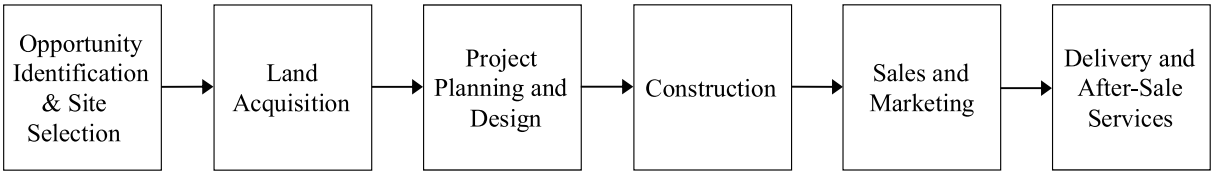
Liguang Project (黎光項目)

Liguang Project is located at Liguang Village, Guanlan Town, Bao'an District, Shenzhen. Liguang Project is situated in a mature residential area near Guanlanhu Liguang Golf Club and is served by a good natural environment. It is within close proximity to Dongguan. The project occupies a total site area of 271,202 sq.m. It is planned to be developed into a residential, commercial and industrial complex.

As of the Latest Practicable Date, the Reorganized Target Group had entered into agreements with relevant parties to acquire the development right of Liguang Project, and was still in negotiation with the relevant parties with respect to the land particulars of Liguang Project. Liguang Project has not been assigned to the Reorganized Target Group and thus the title of Liguang Project has not been vested in the Reorganized Target Group.

Property Development and Sales Process

The Reorganized Target Group has a well-established project development process, which typically includes the major steps illustrated in the diagram below:



Depending on the project scale and complexity, it generally takes 24 to 36 months for the Reorganized Target Group to complete a project after acquiring the relevant land use rights.

Opportunity Identification and Site Selection

The Reorganized Target Group considers opportunity identification and site selection to be a fundamental factor to the success of its project development operation and places great importance on the selection process. Its senior management determines the strategic direction and future project development plans. Based on the overall strategies and plans, the resource development center of the Reorganized Target Group then coordinates the site selection process. In conjunction with its ongoing and in-depth demographic and market research and analyses with respect to the Pearl River Delta region, the resource development center continuously works to identify and assess potential development opportunities for new projects.

The Reorganized Target Group takes into consideration factors including the following when conducting opportunity and site selection analyses:

- development prospects and main functional structure of the region where the land parcel is located;
- the city where the land parcel is located and the nature of its core values, existing plot ratio and potential development scale;
- nature of the surrounding areas and suitability for residential property development or commercial property development;
- general economic conditions, demographics, population density, composition of industry sectors and economic vitality of the region;
- urbanization growth rate, disposable income and purchasing power of consumers;

- convenience of the site's location, transportation network, infrastructure and ancillary facilities;
- policy trends of the city government and urban planning and development plans of the local government;
- variety and degree of trading activities of similar products in the region;
- complexity of land ownership structure in the area and complexity of property rights related to the land parcel; and
- competitive landscape of the property market in the region and its general public opinions.

The resource development center prepares feasibility analysis reports for each site being considered to evaluate the development prospects and risk profile of a potential project and assesses aspects including the site's existing and potential commercial values, potential land acquisition costs, construction budget, expected return and risk control feasibility. Based on the results from the feasibility analysis reports, representatives from the resource development center, brand marketing center, project department and other relevant departments then together determine whether a site proposal should be submitted to the senior management of the Reorganized Target Group for final review and approval.

Land Acquisition

The Reorganized Target Group acquires land for its projects mainly through three methods: (i) urban redevelopment; (ii) acquisition of equity interests in companies that hold land use rights, or acquisition of property interests held by other companies; and (iii) public tender, auction or listing-for-sale. The resource development center of the Reorganized Target Group is responsible for coordinating the land acquisition process.

Urban Redevelopment

Urban redevelopment involves the resettlement of property owners, demolition of existing structures and construction of new properties. Historically, the Reorganized Target Group has participated in the redevelopment of urban villages and redevelopment of old industrial sites. The urban redevelopment process is governed by local rules and regulations which may vary in different cities. Since commencement of its operations, the Reorganized Target Group has acquired land use rights through urban redevelopment with a total site area of approximately 197,807 sq.m., representing 15.3% of the total site area of its development projects (excluding the land to be acquired for which the Reorganized Target Group has not entered into any land use rights agreement). Among the 16 completed projects of the Reorganized Target Group since its commencement of operations, the land for 10 completed projects (including Lanwan Peninsula Community, Phase II of LVGEM Garden, Zhongcheng Tianyi Garden, LVGEM Hotel, LVGEM Chanson Garden, Chanson Zoll Center, LVGEM Chanson Meilu Garden, Phase I of LVGEM New Garden, Phase II of LVGEM New Garden and Tower A of NEO Urban Commercial Complex) was acquired through urban redevelopment. In addition, the land for four projects under development, namely Hongwan Zoll Center, Mangrove Luxury Garden Zoll Center, Hongwan Garden and Mangrove Luxury Garden, was also acquired through this method.

The urban redevelopment agreements/plans which the Reorganized Target Group entered into with the villagers-representative company generally include the following terms: (i) details of the project; (ii) deposit fees (if any) that the Reorganized Target Group is required to pay the villagers-representative company; (iii) details relating to resettlement compensation in the form of cash or replacement properties, as well as transitional resettlement expenses (if any); (iv) details relating to the villagers-representative company's responsibility to carry out the demolition and resettlement work, and to assist the Reorganized Target Group to enter into land grant contracts and obtain relevant planning and construction permits; and (v) details of the Reorganized Target Group's responsibilities relating to the development costs of the project and the construction work, sales and maintenance of the properties. During the Track Record Period and up to the Latest Practicable Date, the Reorganized Target Group did not have any significant loss due to the completion of its urban development projects.

The Reorganized Target Group adopts a steady but proactive approach in acquiring land by means of urban redevelopment. On one hand, the Reorganized Target Group proactively seeks land parcels at urban villages or old industrial sites that complement its development needs and initiates contact with the relevant villagers-representative company of the urban village or owners of the relevant old industrial site to express interest in redeveloping the area. On the other hand, due to its reputation and successful track record in urban redevelopment, the Reorganized Target Group is invited from time to time by villagers-representative companies of urban villages and owners of old industrial sites interested in urban redevelopment to carry out their urban redevelopment plans. Such invitations provide the Reorganized Target Group with opportunities to identify potential quality projects. The Reorganized Target Group enters into a letter of intent or a master development agreement with the relevant villagers-representative company, in the case of an urban village, or property owners, in the case of an old industrial site, with respect to a potential urban redevelopment plan to commence the negotiation process.

Urban redevelopment plans are subject to government approval. According to the relevant provisions in the articles of association of the villagers-representative company or the property owners of an old industrial sites, the letter of intent and/or master development agreement are usually required to be approved by a minimum of four fifth of the shareholders of the villagers-representative company of the relevant urban village or the property owners of an old industrial site.

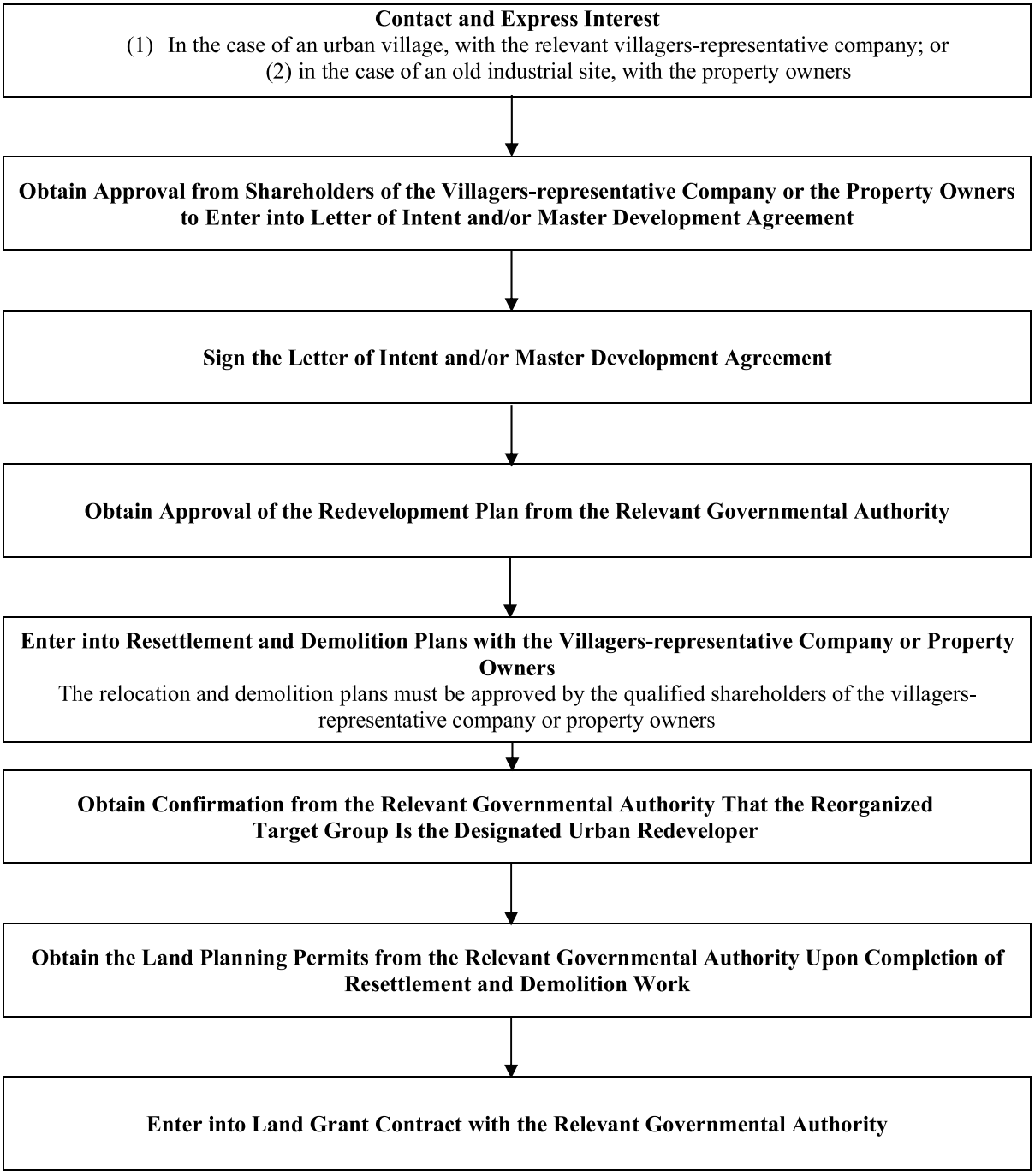
When entering into the letter of intent and/or the master development agreement, the Reorganized Target Group may be required to pay a deposit fee to the villagers-representative company. Such a deposit fee will be used as resettlement compensation in accordance with the letter of intent and/or the master development agreement. Historically, the deposit fees paid by the Reorganized Target Group for its urban redevelopment projects were mostly in the range of RMB2 million to RMB20 million, depending on the project size and other relevant factors. The Reorganized Target Group did not pay any deposit fees to any villagers-representative companies during the Track Record Period.

The Reorganized Target Group then enters into resettlement and demolition plans with the relevant villagers-representative company, in the case of an urban village, or property owners, in the case of an old industrial site, which stipulate details including the areas or structures to be demolished, resettlement compensation and transitional resettlement arrangements.

Resettlement compensation is made in the form of cash or replacement properties. Existing property owners who opt for compensation by replacement properties are also given transitional resettlement expenses in the form of rental income. The Reorganized Target Group also sometimes makes resettlement compensation in the form of replacement commercial properties, which allow property owners to enjoy income flows through the leasing of these commercial properties. The villagers-representative company of an urban village or property owners of an old industrial site are generally responsible for carrying out the demolition work. However, the Reorganized Target Group may assist with the demolition work as requested by the villagers-representative company or property owners from time to time. During the Track Record Period, the Reorganized Target Group incurred approximately RMB756.8 million (excluding costs of replacement properties) in costs related to resettlement and demolition.

After obtaining the relevant consents from the shareholders of the relevant villagers-representative company or the property owners, as the case may be, and entering into resettlement and demolition plans, the Reorganized Target Group may apply for approval from the relevant local authorities to become the designated developer for the redevelopment project and obtain the relevant permits to commence the resettlement and demolition process.

Upon completion of the foregoing steps, including the relocation of all existing residents and the completion of demolition work, the Reorganized Target Group may enter into land grant contracts with respect to the land to be redeveloped with the relevant government authorities. Under the relevant rules and regulations of Shenzhen (which may differ from the rules and regulations of other regions), the Reorganized Target Group is exempted from any land premiums for land with plot ratios below 2.5, whereas it only needs to pay 20% of the land premiums for land with plot ratios between 2.5 and 4.5. For land acquired from old industrial sites, where the redeveloped land is to be used for industrial purposes, the Reorganized Target Group only needs to pay 50% of the benchmark land premium for the portion of the land which exceeds the previous GFA before the redevelopment. Where the redeveloped land will be used for residential or commercial purposes, the Reorganized Target Group needs to pay the valuated land premium for the portion of the land which exceeds the previous GFA before the redevelopment, with no discount. Depending on the size and complexity of an urban redevelopment project, it generally takes approximately two to five years for the Reorganized Target Group to acquire land through this method. The following chart illustrates the basic process for urban redevelopment as described above.



The Reorganized Target Group believes that obtaining land by means of urban redevelopment is advantageous to its operations. Through urban redevelopment, the Reorganized Target Group may obtain land parcels with relatively sizeable site areas situated in core regions of urban areas in a cost-efficient manner and avoid the intense competition of a public tender, auction or listing-for-sale process. Acquiring land by way of urban redevelopment also requires less front-end investment compared with acquiring land use rights through the public tender, auction or listing-for-sale process.

The Reorganized Target Group has demonstrated consistent success in urban redevelopment in its projects and believes it will be able to continue to replicate such success in its future projects. The Reorganized Target Group prides itself in its foresight in market movements and judgments in policy trends, as well as its ability to understand the needs and concerns of residents and property owners in the urban redevelopment process. As of the Latest Practicable Date, the Reorganized Target Group had not received any complaints with respect to its urban redevelopment projects that had any material impact on its reputation, business operation and financial condition. During the Track Record Period and up to the Latest Practicable Date, as advised by the PRC Legal Advisor, the Reorganized Target Group complied with all laws and regulations applicable to urban redevelopment in all material respects.

Acquisition of Equity Interests in Companies or Property Interests Held by Companies

In addition to participating in urban redevelopment, the Reorganized Target Group acquires equity interests in companies that possess the land use rights for the targeted land or property interests held by other companies. The Reorganized Target Group believes that this method allows it to obtain targeted land at competitive prices as it may negotiate the terms and conditions directly with the targeted companies or the counter parties. As of April 30, 2015, the Reorganized Target Group had acquired land parcels with an aggregate site area of 276,145 sq.m. by acquiring equity interests in companies that held land use rights. The sites of LVGEM Garden Estate, City Garden, LVGEM 1866 Garden and Zhonghe Tixiang Famous Garden are examples of the Reorganized Target Group's projects acquired through this method.

Public Tender, Auction or Listing-for-sale

Occasionally, the Reorganized Target Group may acquire land for its projects through the public tender, auction or listing-for-sale process organized by relevant government authorities. In a public tender, an evaluation committee consisting of no fewer than five members (including a representative of the grantor and other experts) evaluates and selects the tenders that have been submitted. In addition to the bidding price, consideration may be given to each bidder's real estate development experience and track record, credit history, qualifications and development proposals. Public auctions are normally held by the relevant local land bureaus, and the land use rights are granted to the highest bidders. In a listing-for-sale process, conditions for granting the land use rights are generally specified by the relevant local land bureaus before bids are submitted and the land use rights are granted to the bidder with the highest bid at the end of the listing-for-sale period. Please refer to the section headed "Regulatory Overview – Land for Property Development" of Appendix II to this circular for further details.

As of April 30, 2015, the Reorganized Target Group had acquired land parcels with an aggregate site area of 818,362 sq.m. through the public tender, auction or listing-for-sale process. The site of LVGEM International Garden was acquired by the Reorganized Target Group through this method.

Land Reserves

The Reorganized Target Group holds land parcels acquired and held for future development as land reserves. As of April 30, 2015, the land reserves of the Reorganized Target Group occupied a total site area of 741,905 sq.m. The Reorganized Target Group estimates that the land reserves are sufficient to support its development needs for the next three years.

As advised by the PRC Legal Advisor, the Reorganized Target Group did not have any land parcel that was subject to idle land fees or forfeiture under the PRC laws during the Track Record Period and up to the Latest Practicable Date.

Project Planning and Design

The planning and design center of the Reorganized Target Group carries out its research and development as well as project coordination functions and is responsible for the overall planning and conceptual design of the Reorganized Target Group's projects. The Reorganized Target Group conducts project planning and design throughout the land selection, pre-construction and construction phases.

At the preliminary site screening stage, the planning and design center outlines a conceptual plan and formulates an initial development plan based on the site's specifications. The initial plan is further developed into a more comprehensive master plan after a site has been selected, as the planning and design center considers findings from further market research studies and feasibility analysis reports prepared by the Reorganized Target Group's brand marketing center and resource development center, taking into account considerations such as target customers, product positioning, aesthetic preferences and government requirements.

The Reorganized Target Group engages reputable domestic and international design consulting firms to perform detailed design work for its projects based on its specific requirements and targeted results. It is the Reorganized Target Group's belief that a good project design significantly optimizes cost and enhances the value and marketability of a project. As such, it carefully selects design consulting firms based on their respective strengths and specialties and engages different design consulting firms for different aspects of a project such as architectural design, landscape design, interior design and ancillary facility design. All design consulting firms are Independent Third Parties which the Reorganized Target Group selects through a tender-by-invitation process based on factors such as type of property development, project scale and positioning, budget, preferred design style, price quote, technical capabilities, firm reputation and track record. Examples of reputable domestic and international design firms that the Reorganized Target Group has engaged include Jasper Architects Ltd., Hongkong Huayi Design Consultant (Shenzhen) Co., Ltd., Shenzhen Cooper Architectural Design Firm (深圳市庫博建築設計事務所), Baitao Architectural Design (Shenzhen) Co., Ltd. (柏濤建築設計(深圳)有限公司), Shenzhen Huasen Architecture and Engineering Design Consulting Co., Ltd. (深圳華森建築與工程設計顧問有限公司) and Zhongjian International (Shenzhen) Design Consultant Co., Ltd. (中建國際(深圳)設計顧問有限公司).

The planning and design center communicates closely with personnel from the Reorganized Target Group's project department, cost management center, tender and procurement center and other relevant departments throughout the planning and design process to obtain a comprehensive view on aspects such as budget and cost, procurement and marketing and sales efforts to enhance the efficiency of the property development process. The final design is submitted to relevant PRC government authorities for approval and becomes the blueprint for the construction of a project.

Construction

Appointment of Construction Companies

The Reorganized Target Group outsources the construction work of its projects to external Independent Third Party construction companies. Outsourcing construction work allows the Reorganized Target Group to better focus on its business as a property developer, and to leverage the expertise of the construction companies and minimize certain risks, such as risks from fluctuations in the cost of raw materials.

The Reorganized Target Group selects construction companies for its projects through a tender process in accordance with the Law on Tender and Bidding of the PRC (《中華人民共和國招標投標法》) and the Rules on the Tender Scope and Criteria for Construction Projects (《工程建設項目招標範圍和規模標準規定》). The tender process may be conducted via open tender or tender by invitation. During the Track Record Period, the majority of the construction companies for the Reorganized Target Group's projects were selected through tender by invitation. The Reorganized Target Group prefers construction companies with which it has long-term working relationships to ensure the quality of its products, and has an internal list of construction companies that meet its criteria and which it may invite to tender for new projects. To ensure the quality and workmanship of its properties, the Reorganized Target Group applies stringent criteria in the selection of its construction companies. When assessing construction companies, the Reorganized Target Group takes into consideration factors such as professional qualifications, reputation, credentials, financial condition, experience, price quote, track record and quality of construction work, proposed construction schedule and plan and technical capabilities.

The construction contracts the Reorganized Target Group enters into with the selected construction companies contain warranties provided by the construction companies with respect to construction schedules, quality and safety standards. The construction companies are required to pay fines in the event of delays and are responsible for the costs incurred in rectifying construction defects, pre- and post-completion and delivery. In addition, the Reorganized Target Group may terminate a construction contract if the construction company causes any material delay to the development schedule or irreparable damage to the project development. During the Track Record Period, the Reorganized Target Group had not experienced or been subject to any material construction delay, penalty, claim or loss as a result of unsatisfactory work performed by the construction companies it engaged.

The Reorganized Target Group makes payments to construction companies in installments in accordance with the terms and conditions stipulated in the construction contracts and the percentage required at each stage varies from case to case. In general, it pays the construction companies 80% of the full contract price during the construction process, and 85% to 90% of the contract price when the construction work is completed after reviewing and ensuring that the finished product is satisfactory. In general, it settles up to 95% of the total contract price within two months of the completion of construction, and retains the remaining 5% as quality deposit for one to five years. The quality deposit is used to cover any contingent expenses incurred as a result of construction defects. During the Track Record Period, there was no incident where the quality deposit was insufficient to cover the expenses incurred by the Reorganized Target Group to rectify construction defects.

Procurement

The construction companies are generally responsible for the procurement of raw materials, such as concrete and steel, used in the construction process. Such raw material costs are included in the pre-agreed contract prices with the construction companies. The Reorganized Target Group is responsible for purchasing specific materials and fixtures such as elevators, air conditioners and generators.

For materials which the construction companies are responsible for procuring, the Reorganized Target Group normally specifies a list of brands which meet its standards and the construction companies then procure such materials with reference to pricing guidelines issued by local authorities. For materials which materially affect the designs of its products, such as external finishing materials, decorative materials for interior walls and valves, the Reorganized Target Group may require the construction companies to procure materials of specific brands at prices the Reorganized Target Group pre-negotiates with suppliers.

To maximize its economies of scale and bargaining power, the Reorganized Target Group centrally procures raw materials it is responsible for through its tender and procurement center. It normally seeks tenders from no less than three suppliers for each type of raw material it procures, and enters into contracts with terms that range from one to two years (or with terms that are consistent with the construction periods of the relevant projects) with the winning bidders. The procurement contracts normally do not allow for price adjustments and the Reorganized Target Group is not subject to any minimum purchase commitments.

To obtain favorable commercial terms and ensure stable supply of elevators, during the Track Record Period, the Reorganized Target Group entered into a cooperation agreement with one of its elevator suppliers with respect to the supply of elevators. The cooperation agreement has a two years term and sets out details regarding the pricing, delivery location and delivery time of future purchases. Pursuant to the agreement, the supplier has agreed to guarantee the supply of elevators for the Reorganized Target Group's current and future project developments whereas the Reorganized Target Group is entitled to purchase elevators from other suppliers. The supplier must provide the Reorganized Target Group with the most favorable market prices and is obliged to introduce new products and technologies to the Reorganized Target Group when they become available. Further, the supplier has undertaken to provide two-year product warranties to the Reorganized Target Group, commencing from the day of receipt of relevant quality certificates with respect to the products by the supplier from relevant authorities.

The Reorganized Target Group can, to a certain extent, pass any increases in raw material costs to its customers by increasing the prices of its products. However, it still bears the risk of price fluctuations in raw materials to the extent that it is unable to increase its prices to fully cover any increases in costs. Materials which it is responsible for procuring typically account for approximately 70% of the total cost of a project.

In general, the Reorganized Target Group makes payments to its suppliers in installments in accordance with the terms and conditions stipulated in the procurement contracts, and payment terms granted by its suppliers vary depending on factors such as the relationship between the supplier and the Reorganized Target Group and the transaction size. The Reorganized Target Group is normally required to settle payment within 15 to 30 days of the receipt of invoices, which are normally provided to the Reorganized Target Group after the products have passed its quality control inspection processes and those of the construction supervision companies.

Suppliers may enter into new tender bids when the relevant contractual periods expire. Typically, the Reorganized Target Group may terminate a contract if the supplier fails to supply the relevant materials in accordance with the terms of the contract, industry standards or relevant regulatory requirements.

The Reorganized Target Group does not maintain any inventory of construction materials. The Reorganized Target Group maintains a supplier list for the raw materials which it is responsible for purchasing to ensure it has sufficient options and alternatives when a supplier fails to meet the demand of the Reorganized Target Group, and to avoid supply shortages. The Reorganized Target Group did not experience any shortages or delays in the supply of raw materials which had a material impact on its operations during the Track Record Period.

Construction Supervision and Quality Control

The Reorganized Target Group places significant emphasis on quality control with regard to the construction and management of its projects. To ensure quality of properties and compliance with relevant laws and regulations, it has established a system of quality control policies and procedures to govern each aspect of the development process.

The construction management center of the Reorganized Target Group is responsible for overseeing the overall construction process for each of its projects. The construction management center regularly reviews the Reorganized Target Group's projects under construction and conducts monthly on-site inspections. If there are any instances of non-compliance, the construction management center reports them to the upper management of the Reorganized Target Group and requires the non-compliant entity to rectify the issue within a specified timeframe. The construction management center has a team of 10 personnel to manage the quality control aspects of the Reorganized Target Group's projects. The team has an average of over five years of experience in construction management. Majority of the personnel are university graduates.

At each project level, the project department of the Reorganized Target Group is responsible for supervising the quality control process of its projects. Personnel from the project department are based on-site to closely monitor the quality and progress of construction work and selection of construction materials to ensure all construction work is completed according to relevant timetables and in compliance with the Reorganized Target Group's quality standards and applicable national requirements.

In compliance with relevant PRC laws and regulations, the Reorganized Target Group engages independent certified construction supervision companies to monitor the entire construction process of its projects. The construction supervision companies conduct quality inspections on construction materials and on-site workmanship checks to ensure all construction materials and properties meet the Reorganized Target Group's prescribed specifications and applicable regulatory requirements. In addition, all properties under development are inspected regularly by Independent Third Party professionals and prior to delivery.

The Reorganized Target Group's inspection process includes the following: (i) all materials and equipment are inspected when entering the site and samples are sent to qualified inspection units for approval. Materials and equipment with unsatisfactory inspection results cannot be used; (ii) all sub-divided work steps are inspected on-site by construction supervision companies. Only when the inspection results of

a work step is satisfactory when the next work step may be carried out; and (iii) the construction work of a project must be inspected and confirmed by the design unit, surveying unit, construction company, construction supervision company and the Reorganized Target Group.

The construction companies which the Reorganized Target Group engages are not allowed to subcontract or transfer their contractual agreements with the Reorganized Target Group to third parties without the Reorganized Target Group's prior consent. When subcontracting construction works to third parties under the consent of the Reorganized Target Group, the construction companies are obliged to supervise and ensure the subcontractors' construction works are in strict compliance with the Reorganized Target Group's specifications and requirements, and to provide progress reports to the Reorganized Target Group on a regular basis for the Reorganized Target Group to closely monitor the construction progresses.

During the Track Record Period, the Reorganized Target Group had no disputes with respect to quality with the construction companies it engaged which had a material adverse impact on its business or financial condition. In addition, there was no material delay or failure to complete the construction work of any of its projects according to its planned specifications during the Track Record Period.

Civil Defense Areas

According to relevant PRC laws and regulations, new buildings constructed in cities for civil use should contain basement areas that can be used for civil defense purposes in times of war. The Reorganized Target Group engages construction companies to construct civil defense areas for its property projects as required by the applicable PRC laws and regulations. The aggregate GFA of the civil defense areas amounts to approximately 7% of the total GFA of the completed projects of the Reorganized Target Group since its commencement of operations. The GFA of the civil defense areas of a property project depends on the size, nature and design of the property project. The PRC Legal Advisor has confirmed that the Reorganized Target Group's construction of its civil air defense areas complied with the applicable PRC laws and regulations. The construction cost of civil defense areas is included in the Reorganized Target Group's inventories and charged to cost of sales upon recognition of revenue. The Reorganized Target Group's property management companies are in charge of the maintenance of the civil defense areas of the Reorganized Target Group, and the compliance team of the Reorganized Target Group monitors the status of civil defense areas periodically to ensure that their functions as civil defense properties are not impaired.

Marketing and Sales

Pricing

The Reorganized Target Group's ability to price its products at desired levels has been, and will continue to be, important to its results of operations. Generally, the Reorganized Target Group determines the prices of its for-sale properties based on a variety of factors, including market conditions, competitive landscape and prices of comparable properties in the market, expected investment returns, positioning of properties, target customers and cost of construction. It also adjusts the prices of its for-sale properties during the sales process based on market responses it experiences, especially when it experiences favorable responses. To give confidence to its customers, the Reorganized Target Group does not normally make downward adjustments in the prices of its for-sale properties during the sales process.

Pre-sales

The Reorganized Target Group commences pre-sale activities for its properties prior to their completion, usually within 12 to 36 months after the acquisition of the relevant land parcels. According to the applicable PRC laws and regulations, there are certain criteria which must be met before the Reorganized Target Group may commence any pre-sale activities for a property under development. These conditions include full payment of the land grant premium and acquisition of all relevant land use rights certificates, construction-related permits and pre-sale permits. Please refer to the section headed "Regulatory Overview – Sale of Commodity Properties" of Appendix II to this circular for further details.

Further, in some cities where the Reorganized Target Group operates, such as Shenzhen, the use of pre-sale proceeds is restricted. Under the applicable rules and regulations of these local governments, the use of pre-sale proceeds are restricted to be primarily for the construction and development of the relevant projects. Please refer to the section headed "Regulatory Overview – Sale of Commodity Properties" of Appendix II to this circular for further details.

Sales, Marketing and Promotion

The Reorganized Target Group's properties for sale mainly target the mass market and first-home purchasers, and purchasers of its properties are mainly individuals.

The brand marketing center of the Reorganized Target Group is responsible for formulating marketing and sales strategies and managing the overall marketing and sales process. It makes decisions with respect to product positioning and is closely involved in each property development process, from land selection to pre-sales and sales of properties. It conducts regular market research studies and constantly monitors the changing market conditions to adjust its marketing and sales strategies in a timing manner.

The marketing and sales strategies vary from project to project and depend on factors including market conditions, project scale and targeted customer group. The Reorganized Target Group markets properties by way of visual and print media channels such as newspapers, magazines, television and billboards, as well as the Internet. For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, the marketing expenses of the Reorganized Target Group were RMB37.8 million, RMB22.4 million, RMB24.7 million, RMB3.0 million and RMB6.3 million, respectively.

The Reorganized Target Group also engages reputable third-party real estate sales agents to facilitate the marketing and sales of its projects. The standard service agreements it enters into with sales agents include key terms such as the scope of retention, duration of services, scope of authorization, fees and payment method. The standard service agreements also stipulate that the sales agents must not conduct unauthorized sales or sell the Reorganized Target Group's properties at prices lower than those agreed by the Reorganized Target Group, and that the sales agents must carry out truthful advertising and comply with all applicable regulatory requirements. Commissions to the sales agents are negotiated on a case-by-case basis and usually range from 0.8% to 1.0% of the total sale proceeds of the properties sold by such agents. For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, the total commissions paid to external sales agents amounted to approximately RMB24.7 million, RMB12.8 million, RMB7.7 million, RMB1.9 million and RMB1.1 million, respectively. The sales agents do

not receive any sales payments on behalf of the Reorganized Target Group. Payments are made by the customers directly to company accounts designated by the Reorganized Target Group. The Reorganized Target Group did not have any material disputes with its sales agents during the Track Record Period.

Payment Arrangements

Customers may purchase properties of the Reorganized Target Group by one lump-sum payment or payment by installments. For customers who opt to pay by installments, they may fund their purchases by personal funds or mortgage loans provided by commercial banks.

The Reorganized Target Group typically requires its customers to pay a deposit upon entering into a sale and purchase agreement. Such deposits are non-refundable and are forfeited if the customers default on the purchases. Customers who purchase properties by making one lump-sum payment are normally required to fully settle the total purchase price within the prescribed period after entering into the relevant sale and purchase agreements. Customers who pay by installments are required to make payments in accordance with the agreed payment schedules. Outstanding balances must be fully settled prior to property delivery. Customers who purchase properties with mortgage loans are required to pay a down payment of no less than 30% of the total purchase price upon entering into a sale and purchase agreement. The outstanding amounts are settled by the mortgagee banks within the prescribed period pursuant to the respective bank financing agreements.

In line with industry practice in the PRC, the Reorganized Target Group provides guarantees to mortgagee banks for the mortgage loans offered to its customers. These guarantees are typically released upon the issuance of the relevant property ownership certificate for the property and the registration of the mortgage in favor of the mortgage bank. If a purchaser defaults on a mortgage loan during the guarantee period, the Reorganized Target Group is required to repay the outstanding balances owed to the mortgagee bank. The Reorganized Target Group is assigned the title to the mortgage loan, giving it rights to the property, after settling such outstanding balances. In accordance with industry practice, the Reorganized Target Group relies on the credit checks conducted by the mortgagee banks and does not conduct independent credit checks on its customers. As of April 30, 2015, outstanding guarantees provided by the Reorganized Target Group in respect of mortgage loans of its customers amounted to RMB384.3 million. During the Track Record Period, the Reorganized Target Group did not encounter any material incidents of default by its customers.

Delivery and After-sale Services

Delivery of Properties

Delivering quality properties and providing satisfying purchasing experiences to customers are fundamental to the success of the Reorganized Target Group's business. The Reorganized Target Group closely monitors the construction progress of its properties so as to deliver properties to its customers within the timeframe specified in the respective sale and purchase agreements and in a manner that complies with PRC laws and regulations. Prior to delivery, all properties are inspected by personnel of the Reorganized Target Group's customer service center from a customer's perspective to ensure customer satisfaction. Only when the identified issues have been rectified are the properties delivered to the customers.

The timeframes for delivery are set out in the relevant sale and purchase agreements. Under a typical sale and purchase agreement, the Reorganized Target Group is liable to pay a monetary penalty of 0.03% to 0.04% of the purchase price on a daily basis until delivery of the property if it fails to deliver the property on the delivery day stipulated in the agreement. A purchaser may have the right to repudiate the sale and purchase agreement if the delay exceeds 90 days, and the Reorganized Target Group must return the full payment, together with an extra penalty of approximately 10%, within 10 days of receiving the notice of repudiation from the customer. During the Track Record Period, the Reorganized Target Group did not experience any delays in the delivery of properties which had any material adverse impact on its business, financial condition and results of operations.

After-sale Services

The Reorganized Target Group is committed to customer satisfaction and offers its customers comprehensive after-sale services, including, among others, providing assistance in obtaining property ownership certificates, following up on warranty issues and performing maintenance services. The Reorganized Target Group's after-sale services are managed by its customer service center.

The Reorganized Target Group values feedback from its customers and believes it is important in helping it maintain customer relationships, improve product and service quality and identify customer preferences. It has a customer service telephone hotline for customers to provide feedback and complaints about its products and services. It is the Reorganized Target Group's policy to attend to any customer feedback or complaints in a timely manner. In addition, to better understand the needs of its customers so as to improve its offerings, the Reorganized Target Group conducts satisfactory survey from time to time.

To maintain long-term relationships with customers, establish customer loyalty and foster brand awareness, the Reorganized Target Group has established LVGEM Club (綠憬會), a membership program in which purchasers of the Reorganized Target Group's properties are automatically enrolled. Members of the program receive sales information regarding the Reorganized Target Group's latest projects prior to the public sales and are invited to attend activities organized by the Reorganized Target Group from time to time. Members may also enjoy discounts when shopping at the Zoll Centers.

Warranties and Returns

The Reorganized Target Group provides its customers with warranties for the quality of building structures pursuant to the Measures on the Sales of Commodity Housing (商品房銷售管理辦法) and Regulations for the Operations of Urban Property Development (城市房地產開發經營管理條例). In addition, in accordance with the published national standards, the Reorganized Target Group provides quality warranties for ground foundations, main structures, waterproofing work, water and electricity work, decorative work and sanitary wares. The warranty durations vary depending on the covered items and are usually for a period of no less than two to five years. The warranty durations for ground foundations and main structures are the relevant reasonable lifespans stated in the design documents.

Construction companies of the Reorganized Target Group are responsible for rectifying quality defects in the properties, whether such defects are discovered pre- or post-completion and delivery. The Reorganized Target Group may repair quality defects only if the construction companies cannot repair the

defect in a timely manner. The Reorganized Target Group generally retains a quality deposit of 5% of the total contract price for approximately one to five years to cover any contingent expenses that may be incurred as a result of any quality defects.

Except for the breach of a sale and purchase agreement by the Reorganized Target Group, the Reorganized Target Group does not allow returns of properties from its customers. There was no return of properties from the Reorganized Target Group's customers during the Track Record Period.

Project Financing

The Reorganized Target Group finances its projects primarily through internal cash flows generated from its operating activities, including proceeds from the pre-sales and sales of properties, rental income, and bank loans. During the Track Record Period, it also entered into a trust financing arrangement to finance the property development of a project. The Reorganized Target Group aims to finance its property developments with internal resources to the extent practicable so as to reduce the level of external funding required.

Sale and Pre-sale Proceeds

The Reorganized Target Group uses the proceeds from the pre-sales and sales of its properties to fund part of its construction costs, make interest payments and repay debt obligations.

Pre-sale proceeds form an integral source of the Reorganized Target Group's operating cash inflows during project development. According to the applicable PRC laws and regulations, there are certain criteria which must be met before the Reorganized Target Group may commence any pre-sale activities for properties under development, and the use of pre-sale proceeds may be restricted by local governments in cities where the Reorganized Target Group operates. Please refer to the sub-section headed "Property Development and Sales Process – Marketing and Sales – Pre-sales" in this section and the section headed "Regulatory Overview – Sale of Commodity Properties" of Appendix II to this circular for further details.

Bank Loans

Bank loans are the primary source of external financing for the Reorganized Target Group. As of December 31, 2012, 2013 and 2014 and April 30, 2015, outstanding bank loans of Reorganized Target Group amounted to RMB4,081.8 million, RMB4,992.8 million, RMB6,336.0 million and RMB6,499.3 million, respectively.

The Reorganized Target Group's ability to obtain financing from banks for its projects depends on various economic measures introduced by the central and local governments. According to a guideline issued by the CBRC on August 30, 2004, no bank loans may be granted with respect to projects for which the land use rights certificates, construction land planning permits, construction work planning permits or construction work commencement permits have not been obtained. On May 25, 2009, the State Council issued a Notice on Adjusting the Capital Ratios for Fixed Asset Investment Projects (《關於調整固定資產投資項目資本金比例的通知》), which stipulates a minimum capital requirement of 20% for ordinary commodity apartments and indemnificatory housing and a minimum capital requirement of 30% for other real estate development projects. On September 9, 2015, the State Council promulgated the Notice on

Adjusting and Improving the Capital Fund Principle for Fixed Assets Investment (關於調整和完善固定資產投資項目資本金制度的通知), according to which the minimum capital ratio for other real estate development projects is adjusted from 30% to 25%. Please refer to the section headed "Regulatory Overview – Establishment of a Real Estate Development Enterprise" of Appendix II to this circular for further details.

Trust Financing

As of April 30, 2015, the Reorganized Target Group had three trust financing arrangements to finance the development of its properties.

In August 2013, Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司) ("**Shenzhen LVGEM**"), a wholly owned subsidiary of the Reorganized Target Group, entered into a trust financing arrangement with Shandong International Trust Co., Ltd. (山東省國際信託有限公司) (the "**First Trust Financing Company**") for an amount of RMB500.0 million to finance the development of Hongwan Garden (the "**First Hongwan Trust Financing Arrangement**"). The amount of the trust financing under the First Hongwan Trust Financing Arrangement represented approximately 6.1% of the Reorganized Target Group's total outstanding loans and borrowings as of April 30, 2015.

The First Hongwan Trust Financing Arrangement has a repayment term of 24 months, commencing from August 19, 2013. The annual interest rate is 8.5% and payment is settled quarterly. The First Hongwan Trust Financing Arrangement is secured by the land use rights of a parcel of land with site area of 563,993 sq.m. owned by Huazhou LVGEM Real Estate Development Co., Ltd.(化州市綠景房地產開發有限公司), a wholly owned subsidiary of the Reorganized Target Group. Further, the First Hongwan Trust Financing Arrangement is guaranteed by Zhengxinglong Real Estate (Shenzhen) Co., Ltd. (正興隆房地產(深圳)有限公司) ("**Zheng Xing Long**"), a wholly owned subsidiary of the Reorganized Target Group, and personally guaranteed by Mr. Wong and his spouse, Mrs. Wong.

Under the First Hongwan Trust Financing Arrangement, Shenzhen LVGEM is required to notify and obtain written consent from the First Trust Financing Company 30 days in advance if, during the term of the trust financing, Shenzhen LVGEM is involved in any operational decisions which would lead to any material changes to the First Trust Financing Company's interests, including but not limited to, decisions involving the transfer of shares, reorganization, merger, demerger, reform of shareholding structure, joint venture, change of the business scope and change of registered capital. In addition, under the First Hongwan Trust Financing Arrangement, the total financing amount for Hongwan Garden must not exceed RMB1,800 million.

In September 2014, Shenzhen LVGEM further entered into a trust financing arrangement with China Jingu International Trust Co., Ltd. (中國金谷國際信託有限責任公司) (the "**Second Trust Financing Company**") for an amount of RMB450.0 million to finance the development of Hongwan Garden (the "**Second Hongwan Trust Financing Arrangement**"). The amount of the trust financing under the Second Hongwan Trust Financing Arrangement represented approximately 5.5% of the Reorganized Target Group's total outstanding loans and borrowings as of April 30, 2015.

The Second Hongwan Trust Financing Arrangement has a repayment term of 24 months, commencing from the date of establishment of the trust plan. The annual interest rate is 12.2% and payment is settled quarterly. The Second Hongwan Trust Financing Arrangement is secured by LVGEM Hotel, and is guaranteed by Zheng Xing Long and personally guaranteed by Mr. Wong.

In the second half of 2014, Shenzhen Longkanghong Investment Development Co., Ltd. (深圳市龍康弘投資發展有限公司) ("**Longkanghong**"), a wholly owned subsidiary of the Reorganized Target Group, entered into a trust financing arrangement with Bohai International Trust Co., Ltd. (渤海國際信託有限公司) (the "**Third Trust Financing Company**") for an credit facility of RMB600.0 million to finance the demolition cost and early stage project payment of Mangrove Luxury Garden (the "**Mangrove Luxury Garden Trust Financing Arrangement**"). As of April 30, 2015, Longkanghong had obtained a credit loan of RMB400.0 million under this trust financing arrangement, representing approximately 4.9% of the Reorganized Target Group's total outstanding loans and borrowings as of April 30, 2015.

Under the Mangrove Luxury Garden Trust Financing Arrangement, each drawdown has a repayment term of 24 months. The annual interest rate is 8.95% and payment is settled quarterly. The Mangrove Luxury Garden Trust Financing Arrangement is secured by the land use rights of a parcel of land with site area of 24,424 sq.m. jointly owned by Longkanghong and the villagers-representative company of Mangrove Luxury Garden, and is guaranteed by Shenzhen LVGEM and personally guaranteed by Mr. and Mrs. Wong.

Under the Mangrove Luxury Garden Trust Financing Arrangement, Longkanghong is required to obtain consent from the Third Trust Financing Company if, among others, during the term of the trust financing, Longkanghong needs to provide guarantees for other external loans which would result in the total guarantee amount accounting more than 70% of the total net assets as stated in the financial statement of the latest year or if there are circumstances which may affect the ability of Longkanghong to repay loans.

Other than otherwise disclosed above, none of the First Trust Financing Company, Second Financing Company and Third Financing Company (together, the "**Trust Financing Companies**") is involved in the day-to-day operations and management of the relevant project company and the borrowing subsidiary of the Reorganized Target Group, or is entitled to any veto rights. In addition, the Trust Financing Companies are not entitled to appoint any directors to the boards, and have no voting rights on any matters, of the relevant project company or the borrowing subsidiary of the Reorganized Target Group. The personal guarantees of Mr. and Mrs. Wong with respect to the abovementioned trust financing arrangements will be released prior to the Closing.

Please refer to the section headed "Financial Information of the Reorganized Target Group – Indebtedness" for further details with respect to the Reorganized Target Group's channels of financing, indebtedness and borrowings.

Commercial property investment and operations

In line with its business strategy, the Reorganized Target Group owns and operates a substantial portion of its commercial properties it developed for long-term investment purposes. These commercial properties include the Zoll Centers, NEO Urban Commercial Complex and other retail spaces. The Reorganized Target Group holds these commercial properties for capital appreciation and leases them to generate rental income. In addition, the Reorganized Target Group charges certain tenants with promotion

fees, site use fees and advertising space use fees. As of April 30, 2015, the Reorganized Target Group held a total of eight properties as investment properties with an aggregate LFA of 212,735 sq.m. For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, revenue generated from commercial property investment and operations amounted to RMB188.4 million, RMB262.2 million, RMB342.9 million, RMB104.9 million and RMB129.3 million, respectively, representing 40.2%, 13.8%, 7.1%, 4.6% and 43.9% of the total revenue of the Reorganized Target Group in the respective periods.

The following table sets forth a breakdown of the revenue generated by the Reorganized Target Group's commercial properties by project for the periods indicated.

	For The Year Ended December 31,						For The Four Months Ended April 30,			
	2012		2013		2014		2014		2015	
	Revenue	% of total revenue from the investment properties	Revenue	% of total revenue from the investment properties	Revenue	% of total revenue from the investment properties	Revenue	% of total revenue from the investment properties	Revenue	% of total revenue from the investment properties
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Zoll Centers										
– *Chanson Zoll Center*[(1)]	N/A	N/A	14,111	5.4	37,415	10.9	11,361	10.8	12,495	9.7
– *1866 Zoll Center*[(2)]	N/A	N/A	N/A	N/A	14,473	4.2	183	0.2	11,946	9.3
NEO Urban Commercial Complex	151,682	80.5	206,546	78.8	248,906	72.6	85,887	81.9	95,173	73.6
Other commercial properties	36,741	19.5	41,498	15.8	42,102	12.3	7,458	7.1	9,658	7.4
Total	188,423	100	262,155	100	342,896	100	104,889	100	129,272	100

Notes:

(1) Chanson Zoll Center commenced operations in May 2013.

(2) 1866 Zoll Center commenced operations in May 2014.

Zoll Centers

The Zoll Centers are a series of community-based lifestyle and shopping centers. As of April 30, 2015, the Reorganized Target Group owned and operated two Zoll Centers, including Chanson Zoll Center (香頌佐玲中心) and 1866 Zoll Center (1866佐玲中心), which commenced operations in May 2013 and May 2014, respectively, and had two Zoll Centers under construction, namely Hongwan Zoll Center (虹灣佐玲中

心) and Mangrove Luxury Garden Zoll Center (紅樹華府佐羚中心), which are expected to commence operations in May 2016 and May 2017, respectively. The table below sets forth certain operational data regarding the Zoll Centers as of April 30, 2015:

	LFA *(sq.m.)*	**Occupancy rate** *(%)*
Chanson Zoll Center	23,681	96
1866 Zoll Center	43,335	96

Concept of "Zoll"

"Here to Serve with Sincerity and Care (仁裏孚佐，親和如羚)" is the underlying concept for the Zoll Centers. The Reorganized Target Group aims to actively serve the community with kindness and integrity and improve the living standards of local residents and families by providing high quality products and services to satisfy their social, recreational, health and cultural needs. In addition to shopping and dining, the Zoll Centers typically include cultural elements such as art galleries and theaters. For example, Chanson Zoll Center is home to a Zoll-Art Gallery that exhibits art works from international and domestic artists, providing local community residents with convenient access to the art world. Chanson Zoll Center is also home to a cultural theater, which displays carefully-selected movies and performances for families and children.

When formulating its development strategy on the Zoll Centers, the Reorganized Target Group focuses on the development needs of the regions and the communities. The Zoll Centers cater mainly to the daily necessities and convenience of residents in the surrounding communities. Each Zoll Center is located in a mature community and each serves as a part of an urban complex developed by the Reorganized Target Group. Such urban complexes consist of residential buildings and/or office buildings. The Reorganized Target Group plans to continue to strengthen its "Zoll" brand and is committed to replicating its success in the Zoll Centers in other projects. The Reorganized Target Group aims to promote its "Zoll" brand such that it will become one of the most influential community commercial brands in China.

Operations management

The Reorganized Target Group operates and manages the Zoll Centers through its wholly owned subsidiary, Shenzhen LVGEM Asset Management Co., Ltd. (深圳市綠景資產管理有限公司), and its Zoll operating management centers which are based at the Zoll Centers. Together, they are responsible for managing aspects of the Zoll Centers such as the planning, project management, tender recruitment, tenant management, lease management, finance and marketing of the Zoll Centers. Currently, the Zoll operating team consists of over 100 personnel, who work to ensure that the Zoll Centers adapt to regional and market demands and provide customers with high quality products and services, so as to achieve the financial targets formulated by the Reorganized Target Group and to continue to enhance the operating results and market competitiveness of the Zoll Centers.

Marketing and promotion

Depending on the development stage of a Zoll Center, Shenzhen LVGEM Asset Management Co., Ltd. carries out various marketing and promotional activities to optimize its tenant recruitment, management and brand enhancement objectives.

For the Zoll Centers under development, Shenzhen LVGEM Asset Management Co., Ltd. organizes large-scale public relations events such as tenant recruitment launching events, investment fairs and media roadshows to attract tenants. By disseminating project information through channels such as mainstream media and commercial real estate media and organizations, Shenzhen LVGEM Asset Management Co., Ltd. enhances targeted tenants' understanding on the projects, with the aim to appeal to the targeted tenants and facilitate recruitment negotiations.

For the Zoll Centers that have commenced operations, Shenzhen LVGEM Asset Management Co., Ltd. carries out a variety of promotional events based on the needs of shoppers and tenants and sales cycle throughout the year to maintain abundant visitor flows and achieve satisfactory operating results, as well as to enhance visitors' shopping experience and preferences.

Further, Shenzhen LVGEM Asset Management Co., Ltd. carries out various marketing and promotions through channels such as WeChat, websites of the Zoll Centers and outdoor LED advertisements in addition to mainstream news and advertising media to attract shoppers to experience the Zoll Centers in person.

Site selection

When seeking suitable sites for the Zoll Centers, the Reorganized Target Group focuses in particular on finding areas with great potential by virtue of their locations, potential catchment sizes and expected construction of surrounding transport infrastructure. These may be older district centers or local centers with lower existing rent profiles. Favorable development trends and improvement of the surrounding transportation network often lead to an expansion of catchment size, and therefore increases in resident population and shopper base. As many of these older city centers are located in densely built areas, the general lack of development sites in the immediate vicinities also helps to limit new competition.

Design

The Reorganized Target Group develops the designs of the Zoll Centers based on its understanding of the needs of its shoppers and tenants. The planning and design center of the Reorganized Target Group customizes store designs based on the tenants' specific needs as well as the overall layouts and positioning of the Zoll Centers. The Reorganized Target Group also engages third party design consulting firms, which are required to follow the in-house design team's guidance and design concepts to work out detailed design plans. The Reorganized Target Group's in-house design team collaborates with the design consulting firms to ensure that the needs and preferences of the Reorganized Target Group's shoppers, tenants and future operations are adequately addressed in the final designs. Please also refer to the sub-section headed "– Property Development – Project Planning and Design" for details.

The Reorganized Target Group carefully plans the layout of each Zoll Center to heighten the overall shopping experience of its visitors. In particular, to enhance the shoppers' ease of navigation as well as to ensure optimal location of businesses and compatibility of tenants, the Reorganized Target Group divides each of its Zoll Centers into different zones and groups tenants based on industry sector.

Tenant selection

As of April 30, 2015, the Zoll Centers served a large and diverse tenant base consisting of approximately 160 individual leases. The Zoll Centers are home to many domestically and internationally renowned retailers, fast-food chains and cinema operators, which the Reorganized Target Group believes help enhance the positioning and retail offering of the Zoll Centers, attract higher visitor traffic and improve the overall rental potential of the Zoll Centers. Examples of major tenants of the Zoll Centers include Decathlon, Dadi Cinema, China Everbright Bank, Watsons, China Resources Vanguard, Uniqlo and McDonald's. Majority of such major tenants have established long-term relationships of five to eight years with the Reorganized Target Group.

To maintain the competitiveness and profitability of the Zoll Centers, the Reorganized Target Group strategically selects a balanced mix of tenants based on a project's overall positioning and the needs of the surrounding communities, including the Reorganized Target Group's adjacent residential properties. The Reorganized Target Group takes into consideration the reputation and general brand recognition of the potential tenants, the industry sectors and nature of goods and services offered by such tenants, as well as their track records and past relationships with the Reorganized Target Group.

To maintain a high-quality tenant base, the Reorganized Target Group has developed a centralized tenant database to track current and past tenants of the Zoll Centers by service sector and brand. The database currently includes information such as product characteristics, industry conditions and industry characteristics of more than 300 brands and 200 tenants. It enables the Reorganized Target Group to efficiently manage the tenants of the Zoll Centers and facilitates the Reorganized Target Group's ability to procure tenants for future Zoll Centers.

Lease

In general, the Reorganized Target Group enters into lease agreements for the Zoll Centers with terms that range from one to fifteen years. Long-term lease agreements are normally entered into with well-known international brands, chain stores and anchor stores. For instance, the lease term of the agreement between the Reorganized Target Group and China Resources Vanguard, a well-known supermarket chain in China, is as long as 15 years. The Reorganized Target Group believes that the long-term leases with such tenants provide stable rental revenue to the Reorganized Target Group and may help enhance the positioning of the Zoll Centers. The Reorganized Target Group usually enters into short-term lease agreements with new or less well-known brands for a term of one year, such that the Reorganized Target Group may adjust its tenants based on prevailing market conditions from time to time.

In a typical lease agreement, the Reorganized Target Group generally requires the tenant to provide a security deposit that amounts to one to three months' rent. The Reorganized Target Group is entitled to retain such security deposit if the tenant terminates the lease without cause before the expiry of the lease term.

Under a typical lease agreement, the tenant is also required to pay property management fees to the property management company of the Zoll Center. Pursuant to the lease agreement, a tenant enters into a separate property management service agreement with the property management company which stipulates the management fee, utility fee and other relevant fees. The Reorganized Target Group provides its tenants with property management services primarily through its wholly owned subsidiaries. For details of the property management services provided by the Reorganized Target Group, please refer to the sub-section headed "– Comprehensive services – Property Management".

In addition, the Reorganized Target Group charges certain tenants with promotional fees, site use fees and advertising space use fees. The promotional fees, which are calculated based on the size of the rented space and are usually approximately RMB5 per sq.m., are charged by the Reorganized Target Group for central promotional activities it organizes for its tenants. Tenants are charged site use fees, which are calculated based on the size of the occupied public space, for using the Reorganized Target Group's public space as temporary shopping space. Tenants are charged advertising space use fees, which are usually calculated based on the location of the advertising space and range from RMB3,500 per month to RMB5,000 per month, for using the Reorganized Target Group's advertising space.

In general, the Reorganized Target Group has the right to request tenants to cooperate with its promotional activities. The Reorganized Target Group is also entitled to terminate a lease if the tenant defaults the rental payment or property management fee for more than thirty days, or renovates the leased property or changes the brand's operations without the consent from the Reorganized Target Group.

Rental

Depending on the tenants' relationships with the Reorganized Target Group and the scale, reputation and nature of business of the tenants, the Reorganized Target Group typically uses the following methods when determining the rental fees: (i) fixed rental fees during a preliminary period with predetermined periodic rental increases in the remaining lease term ("**rent based on fixed amount with adjustments**"); (ii) rental fees calculated based on a predetermined percentage of the monthly retail revenue of a tenant ("**rent based on performance**"); and (iii) rental fees calculated using the rental pricing method set out in (i) above or the rental pricing method set out in (ii) above, whichever is higher ("**rent based on combined method**").

The table below sets forth the percentage breakdown of the number of lease agreements generated by the Zoll Centers by rent type during the Track Record Period.

	For The Year Ended December 31,			For The Four Months Ended April 30,
Type	**2012[(1)]**	**2013**	**2014**	**2015**
Rent based on fixed amount with adjustments	N/A	66.3%	78.1%	78.3%
Rent based on performance	N/A	25.8%	13.8%	13.9%
Rent based on combined method	N/A	7.9%	8.1%	7.8%

Note:

(1) Chanson Zoll Center, the first Zoll Center, did not commence operations until May 2013. As such, no revenue data of the Zoll Centers is available for 2012.

The table below sets forth details with respect to the top 10 tenants of the Zoll Centers in terms of rental income for the four months ended April 30, 2015:

	Tenant	**Service sector**	**Leased GFA** *(sq.m.)*	**% of total leased GFA**
1	China Resources Vanguard Co., Ltd. (華潤萬家有限公司)	Supermarket	20,178	31.4
2	Bank of Shanghai Co., Ltd Shenzhen Branch (上海銀行股份有限公司深圳分行)	Banking	1,013	1.6
3	China Everbright Bank Co., Ltd., Shenzhen Branch (中國光大銀行股份有限公司深圳分行)	Banking	837	1.3
4	A national bank	Banking	953	1.5
5	An education training company and a musical instrument company [(1)]	Education and retail	5,082	7.9
6	FAST Retailing (China) Trading Co., Ltd. (迅銷(中國)商貿有限公司)	Fashion	1,310	2.0
7	An individual	Food and beverages	2,046	3.2
8	Guangdong Nan Yue Bank Co., Ltd., Shenzhen Branch (廣東南粵銀行股份有限公司深圳分行)	Banking	658	1.0
9	Decathlon Sporting Products (Shenzhen) Co., Ltd. (迪卡儂體育用品(深圳)有限公司)	Retail	4,072	6.3
10	Shenzhen Dingguagua Catering Management Co., Ltd. (深圳市鼎呱呱餐飲管理有限公司)	Food and beverages	1,268	2.0

Note:

(1) These two tenants entered into a lease agreement jointly with the Reorganized Target Group.

The table below sets forth details of the lease agreements the Reorganized Target Group entered into with the top 10 tenants of the Zoll Centers in terms of rental income for the four months ended April 30, 2015.

	Tenant	Industry sector	Property	Lease term (years)	Rental payment type
1	China Resources Vanguard Co., Ltd. (華潤萬家有限公司)	Supermarket	Chanson Zoll Center and 1866 Zoll Center	15	Rent based on fixed amount with adjustments
2	Bank of Shanghai Co., Ltd. Shenzhen Branch (上海銀行股份有限公司深圳分行)	Banking	Chanson Zoll Center	6	Rent based on fixed amount with adjustments
3	China Everbright Bank Co., Ltd. Shenzhen Branch (中國光大銀行股份有限公司深圳分行)	Banking	1866 Zoll Center	10	Rent based on fixed amount with adjustments
4	A national Bank	Banking	1866 Zoll Center	10	Rent based on fixed amount with adjustments
5	An education training company and a musical instrument company[(1)]	Education and retail	1866 Zoll Center	8	Rent based on fixed amount with adjustments
6	FAST Retailing (China) Trading Co., Ltd. (迅銷(中國)商貿有限公司)	Apparel	Chanson Zoll Center	10	Rent based on performance
7	An individual	Food and beverages	1866 Zoll Center	10	Rent based on fixed amount with adjustments
8	Guangdong Nan Yue Bank Co., Ltd., Shenzhen Branch (廣東南粵銀行股份有限公司深圳分行)	Banking	Chanson Zoll Center	8	Rent based on fixed amount with adjustments
9	Decathlon Sporting Products (Shenzhen) Co., Ltd. (迪卡儂體育用品(深圳)有限公司)	Retail	1866 Zoll Center	20	Rent based on fixed amount with adjustments
10	Shenzhen Dingguagua Catering Management Co., Ltd. (深圳市鼎呱呱餐飲管理有限公司)	Food and beverages	Chanson Zoll Center	8	Rent based on fixed amount with adjustments

Note:

(1) These two tenants entered into a lease agreement jointly with the Reorganized Target Group.

In general, the Reorganized Target Group may terminate the lease agreement with a tenant under circumstances such as the following: (i) the tenant has defaulted the rental payment or property management fee for more than 30 days; (ii) the tenant has renovated the leased property or changed the use of the leased property without the consent from the Reorganized Target Group; (iii) the tenant has defaulted the terms in the leased agreement and failed to rectify within the timeframe specified by the Reorganized Target Group after receiving two written notices from the Reorganized Target Group; (iv) the tenant has become bankrupt or involved in mandatory or voluntary liquidation; (v) the leased property faces seizure or execution due to the tenant's disputes with its creditor(s); (vi) the tenant has used the leased property to store flammable, explosive and/or other hazardous chemicals or to conduct gambling or other illegal activities; (vii) the tenant has interrupted or ceased or threatened to cease its business; and (viii) the tenant has transferred the lease to any other third party without the prior consent of the Reorganized Target Group.

On the other hand, the tenant may terminate the lease agreement under circumstances including, but not limited to, the following: (i) the Reorganized Target Group has failed to deliver the leased property on time and cannot deliver the leased property within the prescribed period after receiving written notice from the tenant; and (ii) the leased property delivered by the Reorganized Target Group has material defects which result in the impossibility to carry out the lease purpose, and the Reorganized Target Group has failed to take reasonable measures to repair such defects within the prescribed period upon receiving written notice from the tenant.

The table below sets forth details regarding the lease profile of the Zoll Centers as of April 30, 2015:

Year ending December 31,	**Expiring leases**		**GFA of expiring leases**	
	(No.)	*(%)*	*(sq.m.)*	*(%)*
2015	9	5.6	665	1.0
2016	36	22.4	2,961	4.6
2017	27	16.8	2,248	3.5
2018	18	11.2	2,638	4.1
2019	32	19.9	7,927	12.3
2020 and beyond	39	24.2	47,724	74.3
Total	161	100.0	64,164	100.0

The Reorganized Target Group does not expect any significant difficulties in renewing leases with existing tenants or entering into new leases with suitable tenants for any Zoll Centers. As of the Latest Practicable Date, the Reorganized Target Group was not aware of any circumstances which might lead to default on rental payments or the early termination of lease agreements by any tenants of the Zoll Centers which would have material adverse impact on the business, financial condition and results of operations of the Reorganized Target Group. All of the tenants of the Zoll Centers are Independent Third Parties.

Car parking facilities

All Zoll Centers have car parking facilities for the convenience of visitors and tenants. The Reorganized Target Group provides hourly parking and, in some cases, monthly parking at such car parking facilities. Hourly parking services mainly benefit shoppers and other visitors to the Zoll Centers, whereas the monthly users of the car parking facilities are mainly tenants of the Zoll Centers and residents of the Reorganized Target Group's residential property projects near the Zoll Centers.

Chanson Zoll Center (香颂佐羚中心)



Chanson Zoll Center, a two-story community center with a one-level basement, commenced operations in May 2013 and was the first Zoll Center. It is located at the junction of Bulong Road and Minzhi Road of Longhua New District, Shenzhen, which are the main arteries in the area, and is within reasonable proximity to the metro stations of Lines 4 and 5. It is developed in conjunction with the Reorganized Target Group's LVGEM Chanson Garden which includes five residential buildings. Chanson Zoll Center provides comprehensive shopping, dining, entertainment and physical fitness experiences to its neighborhood residential communities, and, in particular, targets middle-income residents of Longhua New District. As of the first quarter of 2015, Chanson Zoll Center was home to a wide variety of domestic and international brands. Examples of its anchor tenants include China Resources Vanguard Supermarket, Dadi Cinema, 7House, Starbucks, Burger King, Watsons and PurCotton.

Chanson Zoll Center has a total GFA of approximately 59,304 sq.m. and an aggregate LFA of approximately 23,681 sq.m. As of April 30, 2015, Chanson Zoll Center had a total of 121 retail units, serving a total of 96 tenants. For the years ended December 31, 2013 and 2014 and the four months ended April 30, 2014 and 2015, Chanson Zoll Center generated a rental income of RMB14.1 million, RMB37.3 million, RMB11.4 million and RMB12.5 million, respectively.

The table below sets forth a breakdown of the aggregate leased GFA of Chanson Zoll Center by service sector as of April 30, 2015:

Sector	**Leased GFA (sq.m.)**	**Percentage of total leased GFA (%)**
Retail	5,596	24.5
Supermarkets	5,570	24.4
Food and beverages	5,513	24.2
Living ancillary services	2,938	12.9
Children services	1,944	8.5
Leisure and entertainment	1,252	5.5
Total	22,812	100.0

In addition, Chanson Zoll Center has a car parking facility of over 250 parking spaces for the convenience of its tenants and visitors.

1866 Zoll Center (1866佐伶中心)



1866 Zoll Center is developed in conjunction with the Reorganized Target Group's LVGEM 1866 Garden which includes 13 residential buildings and are well served by established infrastructure. It is conveniently located at the junction of Meilong Road and Tianhu Road, Longhua New District of Shenzhen. 1866 Zoll Center commenced operations in May 2014. It provides comprehensive shopping, dining and entertainment options to shoppers and appeals to sports lovers with its gym center, badminton court and open commercial street design. 1866 Zoll Center is home to over 20 anchor tenants which include financial companies, restaurants, children education centers and health and leisure entertainment centers. Examples of its anchor tenants include Decathlon, China Resources Vanguard, Ymm Art Education, Aix Arome Café and China Everbright Bank.

1866 Zoll Center has a total GFA of approximately 127,786 sq.m. and an aggregate LFA of approximately 43,335 sq.m. As of April 30, 2015, 1866 Zoll Center had a total of 72 retail units and 65 tenants.

For the year ended December 31, 2014 and the four months ended April 30, 2014 and 2015, 1866 Zoll Center generated a rental income of RMB14.5 million, RMB0.2 million and RMB11.9 million, respectively.

The table below sets forth a breakdown of the aggregate leased GFA of 1866 Zoll Center by service sector as of April 30, 2015:

Sector	Leased GFA (sq.m.)	Percentage of total leased GFA (%)
Supermarkets	14,608	35.2
Children services	8,840	21.4
Living ancillary services	5,188	12.5
Retail	4,840	11.7
Food and beverages	4,221	10.2
Leisure and entertainment	3,061	7.4
Others	594	1.4
Total	41,352	100.0

In addition, 1866 Zoll Center has a car parking facility with over 600 parking spaces for the convenience of its tenants and visitors.

Hongwan Zoll Center (虹灣佐玲中心)

Hongwan Zoll Center is planned to be developed into a large-scale lifestyle and shopping center that will offer comprehensive shopping, dining and entertainment experiences to its shoppers. It is conveniently located in the central business district of Futian District, Shenzhen, adjacent to the Mei Lin metro station. Hongwan Zoll Center is currently under development in conjunction with the Reorganized Target Group's Hongwan Garden which is expected to consist of five high-rise residential buildings and two apartment buildings. Construction work for Hongwan Zoll Center commenced in September 2011 and Hongwan Zoll Center is expected to commence operations by May 2016.

Hongwan Zoll Center has an aggregate planned GFA of approximately 182,076 sq.m. and an aggregate planned LFA of approximately 34,481 sq.m. When completed, Hongwan Zoll Center is planned to have over 100 retail units. In addition, it is planned to have a car parking facility with over 1,300 car parking spaces for use by its tenants and visitors.

As of the Latest Practicable Date, the Reorganized Target Group had not entered into any lease agreement for the retail units of Hongwan Zoll Center.

Mangrove Luxury Garden Zoll Center (紅樹華府佐玲中心)

Mangrove Luxury Garden Zoll Center is planned to be developed into a large-scale lifestyle and shopping center that provides a wide range of shopping, dining and entertainment options. It is conveniently located at the southeast corner of the intersection of Shazui Road and Jindiyi Road in the central business district of Futian District, Shenzhen. Mangrove Luxury Garden Zoll Center is currently under development in conjunction with the Reorganized Target Group's Mangrove Luxury Garden which is expected to include

three residential buildings and one office building. Construction work for Mangrove Luxury Garden Zoll Center commenced in March 2013 and Mangrove Luxury Garden Zoll Center is expected to commence operations by May 2017.

Mangrove Luxury Garden Zoll Center has a planned aggregate GFA of approximately 108,763 sq.m. and planned aggregate LFA of approximately 20,500 sq.m. Mangrove Luxury Garden Zoll Center is planned to have over 100 retail units. In addition, it is planned to have a car parking facility with a total of approximately 400 parking spaces for use by its tenants and visitors.

As of the Latest Practicable Date, the Reorganized Target Group had not entered into any lease agreement for the retail units of Mangrove Luxury Garden Zoll Center.

NEO Urban Commercial Complex (NEO都市商務綜合體)



NEO Urban Commercial Complex, which commenced operations in May 2011, is a large urban complex primely located at the junction of Shennan Boulevard and Xiangmihu Road at the central business district of Futian District, Shenzhen. NEO Urban Commercial Complex, developed and operated by the Reorganized Target Group, has a site area of 19,295sq.m. and comprises three main buildings, namely Tower A, a skyscraper which offers Grade A office spaces, and Tower B and C which offer office, retail and residential spaces. As of April 30, 2015, the Reorganized Target Group owned a substantial portion of Tower A and all retail spaces of Tower B and C, with an aggregate LFA of 105,870 sq.m.

Tower A, a Grade A office building, is one of the tallest skyscrapers in Shenzhen. It had a site area of 8,680 sq.m. and a total GFA of approximately 130,613 sq.m. and an aggregate LFA of approximately 94,226 sq.m. as of April 30, 2015. Tower B and Tower C had a total GFA of approximately 121,926 sq.m. and an aggregate LFA of approximately 11,644 sq.m. as of April 30, 2015.

NEO Urban Commercial Complex has been a significant commercial success for the Reorganized Target Group. It quickly achieved a 71% occupancy rate in the year of the commencement of operations. As of December 31, 2012, 2013 and 2014 and April 30, 2015, NEO Urban Commercial Complex enjoyed an occupancy rate of 91%, 97%, 98% and 98%, respectively. Currently, NEO Urban Commercial Complex serves a large range of tenants including banks, telecommunication companies and other national companies.

The table below sets forth certain operational data of NEO Urban Commercial Complex as of the dates/for the periods indicated:

	For The Year Ended/As of December 31,			For The Four Months Ended/As of April 30,
	2012	**2013**	**2014**	**2015**
GFA attributable to the Reorganized Target Group (sq.m.)	223,279	223,279	223,279	223,279
LFA (sq.m.)	105,870	105,870	105,870	105,870
Occupancy rate (%)	91	97	98	98
Rental income (RMB'000)	148,957	202,347	243,590	93,487

NEO Urban Commercial Complex has a car parking facility with a total of 850 parking spaces, offering monthly parking and hourly parking to employees of its tenants and visitors. Monthly users of the car parking facilities are mainly tenants of NEO Urban Commercial Complex whereas the hourly parking services mainly benefit visitors to NEO Urban Commercial Complex.

Tenants and leases

Depending on the scale, reputation and nature of business of the tenants, the Reorganized Target Group generally enters into lease agreements with terms that range from three to five years. In general, the Reorganized Target Group enters into longer leases with national banks and large companies with lease terms as long as ten years. Rental fees are usually fixed during a preliminary period with predetermined periodic rental increases in the remaining lease term ("**rent based on fixed amount with adjustments**").

The lease terms are determined by the Reorganized Target Group with reference to prevailing rental rates and the terms and conditions of comparable properties. The typical lease agreements entered into between the Reorganized Target Group and the tenants usually specify the rental fee, security deposit, the tenant's ability to renovate the leased property as well as the requirement to pay property management and utility fees. The tenants are usually required to settle the rental fees before the 15th day of each month, and

give a security deposit that amounts to one to three months' rent. The Reorganized Target Group is entitled to retain such security deposit if a tenant terminates the lease without cause before the expiry of the lease term. In general, the tenants are required to obtain prior consent from the Reorganized Target Group for any renovation works to be conducted in the leased property.

In a standard lease agreement, a tenant is also required to pay property management fees to the property management company of NEO Urban Commercial Complex. Upon entering into the lease agreement, the tenant enters into a separate property management service agreement with the property management company which stipulates the property management fee, utility fee and other relevant fees. The Reorganized Target Group provides its tenants with property management services primarily through its wholly owned subsidiaries. For details of the property management services provided by the Reorganized Target Group, please refer to the sub-section headed "– Comprehensive services – Property Management". In addition, the Reorganized Target Group charges certain tenants with site use fees and advertising space use fees. Tenants are charged site use fees, which are calculated based on the size of the used public space. Tenants are sometimes charged advertising space use fees, which are usually calculated based on the location of the advertising space, for using the Reorganized Target Group's advertising space.

Under the lease agreements, the Reorganized Target Group could terminate a lease if the tenant defaults the rental payment or property management fee for more than thirty days, or renovates the leased property or changes its brand's operation without the consent from the Reorganized Target Group. A tenant may also terminate a lease if the Reorganized Target Group delays in the delivery of the property by more than thirty days. Both the Reorganized Target Group and the tenant may terminate a lease agreement if the leased property is expropriated by the PRC Government or due to unforeseeable natural disaster and the Reorganized Target Group is unable to repair the property such that the property is unfit for the tenant to operate its business.

The table below sets forth details with respect to the top 10 tenants of NEO Urban Commercial Complex in terms of rental income for the four months ended April 30, 2015:

	Tenant	**Industry sector**	**Leased GFA** *(sq.m.)*	**% of total leased GFA** *(%)*
1	A telecommunications company	Communications	6,602	6.3
2	A national bank	Banking	6,011	5.7
3	A telecommunications company	Communications	3,419	3.3
4	A telecommunications company	Communications	4,214	4.1
5	A national bank	Banking	1,265	1.2
6	A supply chain management company	Information technology	2,556	2.5
7	A cinema	Entertainment	3,234	3.1
8	A national bank	Banking	2,205	2.1
9	A technology development company	Information technology	2,111	2.0
10	A national bank	Banking	1,171	1.1

The table below sets forth details of the lease agreements the Reorganized Target Group entered into with the top 10 tenants of NEO Urban Commercial Complex in terms of rental income for the four months ended April 30, 2015.

	Tenant	Industry sector	Leased Property	Lease term (years)	Rental payment type
1	A telecommunications company	Communications	Tower A	5	Rent based on fixed amount with adjustments
2	A national bank	Banking	Tower A	5	Rent based on fixed amount with adjustments
3	A telecommunications company	Communications	Tower A	5	Rent based on fixed amount with adjustments
4	A telecommunications company	Communications	Tower A	6	Rent based on fixed amount with adjustments
5	A national bank	Banking	Tower A	5	Rent based on fixed amount with adjustments
6	A supply chain company	Information technology	Tower A	6 and 3(1)	Rent based on fixed amount with adjustments
7	A cinema	Entertainment	Tower A	10	Rent based on fixed amount with adjustments
8	A national bank	Banking	Tower A	5	Rent based on fixed amount with adjustments
9	A technology development company	Information technology	Tower A	4	Rent based on fixed amount with adjustments
10	A national bank	Banking	Tower C	8	Rent based on fixed amount with adjustments

Note:

(1) The Reorganized Target Group entered into two agreements with this tenant, one of which has a lease term of six years and the other of which has a lease term of three years.

In general, the Reorganized Target Group may terminate the lease agreement with a tenant under circumstances such as the following: (i) the tenant has defaulted the rental payment or property management fee for more than thirty days; (ii) the tenant has renovated the leased property or changed the use of the leased property without the consent from the Reorganized Target Group; (iii) the tenant has defaulted the terms in the leased agreement and failed to rectify within the timeframe specified by the Reorganized Target

Group after receiving two written notices from the Reorganized Target Group; (iv) the tenant has become bankrupt or involved in mandatory or voluntary liquidation; (v) the leased property faces seizure or execution due to the tenant's disputes with its creditor(s); (vi) the tenant has used the leased property to store flammable, explosive and/or other hazardous chemicals or to conduct gambling or other illegal activities; and (vii) the tenant has interrupted or ceased or threatened to cease its business.

On another hand, the tenant may terminate the lease agreement under circumstances including, but not limited to, the following: (i) the Reorganized Target Group has failed to deliver the leased property on time and cannot deliver the leased property within the prescribed period after receiving written notice from the tenant; and (ii) the leased property delivered by the Reorganized Target Group has material defects which result in the impossibility to carry out the lease purpose, and the Reorganized Target Group has failed to take reasonable measures to repair such defects within the prescribed period upon receiving written notice from the tenant.

The table below sets forth details regarding the lease profile of NEO Urban Commercial Complex as of April 30, 2015:

Year ending December 31,	**Expiring leases**		**GFA of expiring leases**	
	(No.)	*(%)*	*(sq.m.)*	*(%)*
2015	16	14.0	10,717	10.3
2016	36	31.6	33,556	32.2
2017	34	29.8	26,559	25.5
2018	15	13.2	14,989	14.4
2019	7	6.1	11,788	11.3
2020 and beyond	6	5.3	6,514	6.3
Total	114	100.0	104,122	100.0

The Reorganized Target Group does not expect any significant difficulties in renewing leases with existing tenants or entering into new leases with suitable replacement tenants for NEO Urban Commercial Complex. As of the Latest Practicable Date, the Reorganized Target Group was not aware of any circumstances which might lead to any default on rental payments or early termination of lease agreements by any tenants of NEO Urban Commercial Complex which would have material adverse impact on its business, financial condition and results of operations. Each of the Reorganized Target Group's tenants at NEO Urban Commercial Complex is an Independent Third Party.

Other Commercial Properties

In addition to the Zoll Centers and NEO Urban Commercial Complex, the Reorganized Target Group also owns and operates the commercial retail spaces accompanied with the urban boutique residence projects previously developed by the Reorganized Target Group. In order to provide a more convenient living environment to the residents, most of the Reorganized Target Group's urban boutique residence projects are accompanied with auxiliary commercial retail spaces to meet the residents' daily needs. The Reorganized

Target Group usually leases these retail spaces to tenants which operate as supermarkets, restaurants, gyms, banks, kindergartens, medical stores, garments shops, spas and tenants of other natures that cater to the daily necessities of the residents.

As of April 30, 2015, the Reorganized Target Group's owns and operates retail spaces in five of its completed projects, occupying an aggregate GFA of approximately 143,229 sq.m., with an aggregate LFA of approximately 39,849 sq.m. For the years ended December 31, 2012, 2013 and 2014, revenue generated from these retail spaces amounted to RMB20.9 million, RMB21.2 million and RMB23.4 million, respectively, representing 11.1%, 8.1% and 6.8% of the total revenue from the commercial property investment and operations of the Reorganized Target Group in the respective periods.

The table below sets forth certain operational data regarding these retail spaces of the Reorganized Target Group as of April 30, 2015:

Location of the Retail Spaces	**GFA** *(sq.m.)*	**LFA** *(sq.m.)*	**Occupancy rate** *(%)*
LVGEM Garden Estate	7,016	3,820	100.0
Phase II of LVGEM Xinyuan	11,148	4,864	100.0
Lanwan Peninsula community	44,816	5,293	87.0
Phase II of LVGEM Garden	41,279	20,987	100.0
City Garden[(1)]	38,970	4,886	22.6

Note:

(1) In 2010, the Reorganized Target Group sold part of its retail spaces of City Garden to an Independent Third Party. Such Independent Third Party holds such retail spaces for capital appreciation and does not actively lease out such retail spaces. Affected by the sold vacant retail spaces, the occupancy rate of the retail spaces held by the Reorganized Target Group has remained low.

The table below sets forth the rental income from these retail spaces of the Reorganized Target Group for the period indicated:

Location of the Retail Spaces	For the Year Ended December 31, 2012 *(RMB'000)*	For the Year Ended December 31, 2013 *(RMB'000)*	For the Year Ended December 31, 2014 *(RMB'000)*	For the Four Months Ended April 30, 2015 *(RMB'000)*
LVGEM Garden Estate	1,879.0	1,955.6	2,415.3	733.0
Phase II of LVGEM Xinyuan	2,642.3	2,678.3	2,750.6	923.1
Lanwan Peninsula community	2,291.0	1,976.7	3,097.7	1,042.5
Phase II of LVGEM Garden	14,110.2	14,517.3	14,897.3	5,068.4
City Garden[(1)]	48.1	282.1	282.1	166.1

Note:

(1) In 2010, the Reorganized Target Group sold part of its retail spaces of City Garden to an Independent Third Party. Such Independent Third Party holds such retail spaces for capital appreciation and does not actively lease out such retail spaces. Affected by the sold vacant retail spaces, the rental income of the retail spaces held by the Reorganized Target Group has remained low.

The table below sets forth a breakdown of the aggregate leased GFA of these retail spaces of the Reorganized Target Group by service sector as of April 30, 2015:

Sector	Leased GFA *(sq.m.)*	Percentage of total leased GFA *(%)*
Retail	5,675	15.2
Supermarkets	24,148	64.7
Living ancillary services	7,106	19.0
Food and beverages	82	0.2
Leisure and entertainment	320	0.9
Total	37,331	100.0

The table below sets forth details regarding the lease profile of these retail spaces as of April 30, 2015:

Year ending December 31,	Expiring leases		GFA of expiring leases	
	(No.)	*(%)*	*(sq.m.)*	*(%)*
2015	1	3.7	82	0.2
2016	10	37.0	8,598	23.0
2017	1	3.7	29	0.1
2018	5	18.5	911	2.4
2019	5	18.5	3,904	10.5
2020 and beyond	5	18.5	23,807	63.8
Total	27	100.0	37,331	100.0

Comprehensive services

The Reorganized Target Group provides comprehensive services to the customers and tenants of its residential and commercial properties. The comprehensive services include property management services, hotel operation and others. For the years ended December 31, 2012, 2013 and 2014, the total revenue from the comprehensive services of the Reorganized Target Group amounted to RMB143.8 million, RMB169.7 million and RMB194.1 million, respectively.

Property Management

The Reorganized Target Group is committed to providing high quality property management services to its customers. It believes quality property management services are integral to its customer experience and are thus essential to maintaining long-term customer relationships. It currently provides comprehensive property management services to most of its property developments through its wholly owned subsidiaries, Shenzhen LVGEM Jiyuan Property Management Service Co., Ltd. (深圳市綠景紀元物業管理服務有限公司) and Shenzhen LVGEM Property Management Co., Ltd. (深圳市綠景物業管理有限公司). Services provided by the Reorganized Target Group range from security services, property maintenance, gardening and landscaping services and management of ancillary facilities. As of April 30, 2015, the Reorganized Target Group provided property management services to the residents and tenants of 19 properties, including commercial and residential properties, with an aggregate GFA of approximately 1,990,944 sq.m. Except for three properties, all of the properties managed by the Reorganized Target Group were developed by the Reorganized Target Group. In December 2012, Shenzhen LVGEM Property Management Co., Ltd. obtained the ISO9001:2008 for its quality system of property management services.

A standard property management agreement which the Reorganized Target Group enters into sets out the scope of and quality requirements for the services to be provided and the management fees arrangement. In general, the Reorganized Target Group charges property management fees on a monthly basis. Fees are generally calculated based on the size of a unit and are determined with reference to the prevailing market rates. For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, the property management revenue of the Reorganized Target Group amounted to approximately

RMB81.7 million, RMB97.3 million, RMB120.4 million, RMB31.6 million and RMB40.3 million, respectively, representing 17.4%, 5.1%, 2.5%, 1.4% and 13.7% of the total revenue of the Reorganized Target Group in the respective periods.

Hotel

The Reorganized Target Group commenced operating its LVGEM Hotel in April 2011. LVGEM Hotel is conveniently located in the central business district of Futian District of Shenzhen. LVGEM Hotel occupies a total site area of 4,978 sq.m. and has an aggregate GFA of 25,751 sq.m.

LVGEM Hotel is well equipped with two multi-functional halls, a banquet hall and a video conference meeting room, as well as two restaurants which serve Chinese and Western cuisines, a physical fitness center, a spa, a yoga room and a chess room to meet the business, recreational and social needs of business guests and travelers. It has a total of over 330 rooms offering five room types that cater to the needs of different customers.

For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, revenue generated from the operation of LVGEM Hotel amounted to RMB62.1 million, RMB72.3 million, RMB73.7 million, RMB23.6 million and RMB22.1 million, respectively, representing 13.2%, 3.8%, 1.5%, 1.0% and 7.5% of the total revenue of the Reorganized Target Group in the respective periods. Revenue from the operation of LVGEM Hotel is mainly attributable to revenue generated from hotel accommodation, food and beverage services (including banquet services) and others. The table below sets forth a breakdown of revenue by type generated from LVGEM Hotel during the Track Record Period.

	For The Year Ended December 31,			For The Four Months Ended April 30,	
	2012	**2013**	**2014**	**2014**	**2015**
		(RMB'000)		*(RMB'000)*	
Hotel accommodation	46,587	54,610	57,293	18,243	17,392
Food and beverages	13,944	14,260	14,276	4,733	4,188
Others	1,533	3,474	2,167	612	543
Total	62,065	72,344	73,736	23,588	22,123

The table below sets forth certain operating performance data of LVGEM Hotel as of the dates/for the periods indicated:

	For The Year Ended/As of December 31,			For The Four Months Ended/As of April 30,
	2012	**2013**	**2014**	**2015**
ARR (RMB)	594	625	635	616
Occupancy rate (%)	68	75	78	74
RevPAR (RMB)	404	469	495	456

LVGEM Hotel is wholly owned by the Reorganized Target Group. It is managed by Jinjiang International Hotel Management Co., Ltd. (錦江國際酒店管理有限公司) ("**Jinjiang**"), a well-known hotel management company in China. The Reorganized Target Group entered into a hotel management agreement with Jinjiang in 2011 for a term of eight years. Pursuant to the hotel management agreement, the Reorganized Target Group pays Jinjiang two per cent of the total annual revenue of LVGEM Hotel as a management fee, which is paid on a monthly basis. In addition, each year Jinjiang is entitled to a performance based bonus according to the hotel management agreement. For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, the management fees that the Reorganized Target Group paid to Jinjiang amounted to RMB3.0 million, RMB9.0 million, RMB9.2 million, RMB3.1 million and RMB3.2 million, respectively. Pursuant to the hotel management agreement, the Reorganized Target Group has the right to use the logo and name of Jinjiang for marketing purposes.

The Reorganized Target Group or Jinjiang, being the non-defaulting party, is entitled to terminate the hotel management agreement in the events of default, which include, among others (i) the Reorganized Target Group or Jinjiang has suspended or terminated its business, (ii) the Reorganized Target Group or Jinjiang has commenced, or agreed to commenced, voluntary bankruptcy proceedings or restructuring due to its insolvency, or bankruptcy is enforced against a large portion of the assets of the Reorganized Target Group or Jinjiang, (iii) Jinjiang has become incapable of bearing the operating cost and fees for reasons attributable to the Reorganized Target Group, and the Reorganized Target Group has failed to pay within the prescribed period upon receiving a written notice from Jinjiang, (iv) the Reorganized Target Group or Jinjiang has failed to fulfill material duties (other than the duty to pay) stipulated in the hotel management agreement, and has continued to fail to fulfill such duties within the prescribed period upon receiving a written notice from the non-defaulting party, and (v) any other material violations of the hotel management agreement by any party.

MAJOR SUPPLIERS AND CUSTOMERS

Suppliers

For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, purchases from the five largest suppliers, which were all Independent Third Parties, amounted to RMB2,086.8 million, RMB2,231.8 million, RMB1,984.2 million, RMB348.8 million and RMB530.2 million, respectively, representing 87.2%, 90.6%, 91.4%, 92.3% and 85.1% of the total purchases of the Reorganized Target Group in the periods, respectively. All of the five largest suppliers of the Reorganized Target Group during the Track Record Period were construction companies or equipment suppliers engaged by the Reorganized Target Group. For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, purchases from the single largest supplier accounted for RMB1,873.7 million, RMB1,199.6 million, RMB851.3 million, RMB179.5 million and RMB324.3 million, respectively, representing 78.3%, 48.7%, 39.2%, 47.5% and 52.1% of the total purchases of the Reorganized Target Group in the periods, respectively. Except for one supplier, whose business relationship with the Reorganized Target Group commenced in 2014, the Reorganized Target Group has an average of approximately six years of business relationships with its top five largest suppliers during the Track Record Period.

To the best knowledge of our Directors, none of our Directors, their respective close associates or Shareholders who own five per cent or more of our issued share capital, and none of the directors, their respective close associates or shareholders who own five per cent or more of the issued share capital of the Reorganized Target Group, had any interest in any of the five largest suppliers of the Reorganized Target Group during the Track Record Period.

Customers

For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, revenue before business tax and surcharge from the five largest customers of the Reorganized Target Group, all of whom were Independent Third Party purchasers or tenants of the Reorganized Target Group's properties, amounted to RMB96.3 million, RMB82.4 million, RMB109.2 million, RMB89.0 million and RMB113.9 million, respectively, accounting for approximately 19.4%, 4.1%, 2.1%, 3.7% and 36.4% of the total revenue before business tax and surcharge of the Reorganized Target Group in the respective periods. For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, revenue before business tax and surcharge from the largest customer of the Reorganized Target Group amounted to RMB37.9 million, RMB30.6 million, RMB53.6 million, RMB53.6 million and RMB90.8 million, respectively, accounting for 7.6%, 1.5%, 1.0%, 2.2% and 29% of the total revenue before business tax and surcharge of the Reorganized Target Group in the periods, respectively.

To the best knowledge of our Directors, none of our Directors, their respective close associates or any Shareholders who own five per cent or more of our issued capital, and none of the directors, their respective close associates or any shareholders who own five per cent or more of the issued capital of the Reorganized Target Group, had any interest in any of the five largest customers of the Reorganized Target Group during the Track Record Period.

PROPERTIES USED BY THE REORGANIZED TARGET GROUP

Properties used by the Reorganized Target Group mainly include offices. As of December 31, 2014, the offices used by the Reorganized Target Group accounted for an aggregate GFA of approximately 1,111 sq.m., with a carrying amount of RMB49.8 million, representing 0.2% of the total assets of the Reorganized Target Group. No single property interest that forms part of the Reorganized Target Group's non-property activities has a carrying amount of 15% or more of the value of the total assets of the Reorganized Target Group. As such, none of such property interests were valued by the Property Valuer.

COMPETITION

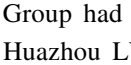
The Reorganized Target Group is an established and well known commercial and residential property developer in Shenzhen. In 2012, the Reorganized Target Group was ranked sixth among Shenzhen Real Estate Market Leading Enterprises (深圳房地產市場地位領先企業) by China Index Academy (中國指數研究院), and in 2014, it was ranked sixth among the Top 10 Shenzhen Real Estate Developer Enterprises (深圳房地產開發十強企業) by Shenzhen Real Estate Association (深圳市房地產協會).

The Reorganized Target Group believes that the commercial and residential property markets in the regions it operates and in China as a whole are highly competitive and fragmented. It competes primarily with other major national and regional commercial and residential developers, especially those that operate in Shenzhen and other cities in the Pearl River Delta region where it operates. It competes with other real estate developers in terms of a number of factors, including, but not limited to, geographic location, management expertise, product and service quality, price, financial resources, brand recognition and ability to acquire proper land reserves.

Despite the high level of competition, the Reorganized Target Group has demonstrated resilience to market changes and competition with its substantial experience and reputation in property development and urban redevelopment, prudent project planning and implementation of business strategies and high quality property products and services. Further, given its brand recognition and strong execution capabilities, the Reorganized Target Group believes it can continue to react promptly to the challenges in the PRC property market. The Reorganized Target Group endeavors to further strengthen its market position in Shenzhen while it makes selective entries into other cities in the Pearl River Delta and Yangtze Delta regions.

The Reorganized Target Group also faces competition in the highly fragmented business hotel industry, in particular from domestic and international hotel operators. It is of the view that brand name, room rates, availability of business and leisure facilities and service quality are the most important competitive factors. Some of its competitors may have greater name recognition and more experience and resources. However, the Reorganized Target Group believes that given its quality products and services and accumulated experience, it is able to continue to develop its hotel business despite fierce competition.

INTELLECTUAL PROPERTY

The Reorganized Target Group places significant emphasis on developing its brand image and pays great attention to the protection of its intellectual property rights. As of the Latest Practicable Date, the Reorganized Target Group had registered two trademarks "  " and "  " under its wholly owned subsidiaries, Huazhou LVGEM Real Estate Development Co., Ltd.(化州市綠景房地產開發有限公

司)and Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司), respectively, in the PRC. As of the Latest Practicable Date, the Reorganized Target Group had three domain names for which the subsidiaries of the Reorganized Target Group were the registered proprietor. Shenzhen LVGEM Asset Management Co., Ltd. (深圳市綠景資產管理有限公司) has registered the domain names of "zollsz.com" and "lvgemam.com", and Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司) has registered the domain name of "lvgemgroup.com.cn".

During the Track Record Period and up to the Latest Practicable Date, the Reorganized Target Group was not aware of any infringement of its intellectual property rights by third parties or any infringement by it of any intellectual property rights owned by third parties.

The right to use all of the Zoll trademarks were granted to the Enlarged Group on a royalty-free basis according to a trademark license agreement entered between our Company and LVGEM Management Group, which is a company wholly-owned by Mr. Wong and his associates, on October 26, 2015. The trademark license agreement has a term of three years ending on December 31, 2017 and is renewable upon expiry at the option of our Company. LVGEM Management Group has undertaken to our Company to renew the registration of the Zoll trademarks upon the expiry of their respective terms.

LVGEM Management Group has engaged professional parties to prepare the registration of the "NEO" trademark, and the trademark will be licensed to the Enlarged Group upon completion of its registration. Given that NEO Urban Commercial Complex is a famous landmark in Shenzhen and so far as the Directors are aware, as at the Latest Practicable Date, there was no application for registration of the "NEO" trademark by any other parties, the Directors believes that there would not be any material obstacles that would prevent the registration of "NEO" as a trademark in the PRC.

For detailed information regarding the trademarks licensed to the Enlarged Group by LVGEM Management Group and other related information, please refer to the sections headed "Connected Transactions – Non-exempt Continuing Connected Transaction" and "Statutory and General Information – C. Further Information about the Reorganized Target Group – 3. Intellectual Property of the Enlarged Group" of Appendix VIII to this circular.

AWARDS

Over the years and during the Track Record Period, the Reorganized Target Group has received a number of awards and honors from various organizations in the PRC in recognition of its property development projects and, among other things, its brand and overall reputation in the property development industry in the PRC. The table below sets forth descriptions of certain awards and honors it has received:

Year	Recipient	Honor/Award	Awarding body
2012-2015	Shenzhen LVGEM Real Estate Co., Ltd.	Top 10 Shenzhen Real Estate Development Enterprises (深圳房地產開發十強企業)	Shenzhen Branch of China Real Estate Association (深圳市房地產業協會)
2014	Hongwan Garden	Twin Gold Award in Planning and Construction (規劃、建築雙金獎)	The Architectural Society of China (中國建築學會)
2014	Zhongcheng Tianyi Garden	National Model for Residential Property Management in 2013 (2013年度全國物業管理示範住宅小區)	Ministry of Housing and Urban-Rural Development of the People's Republic of China (中華人民共和國住房和城鄉建設部)
2014	the Target Company	the China Property Annual Meeting Year Social Responsibility Award in 2014 (2014年度中國地產年會社會責任大獎)	Southern Metropolis Daily
2013	the Target Company	Annual Brand Award in 2013 (2013年年度品牌大獎)	Southern Metropolis Daily and Peking University HSBC Business School (北京大學匯豐商學院)
2012	Shenzhen LVGEM Real Estate Co., Ltd.	Annual Sales Award in 2012 (2012年年度營銷大獎)	Southern Metropolis Daily
2012	LVGEM 1866 Garden	Shenzhen Green Building Certification – Bronze Level (深圳市綠色建築設計認證 – 銅級)	Housing and Construction Bureau of Shenzhen (深圳市住房和建設局)
2012	Shenzhen LVGEM Real Estate Co., Ltd.	Sixth among Shenzhen Real Estate Market Leading Enterprises (深圳房地產市場地位領先企業前六強)	China Index Academy
2010	NEO Urban Commercial Complex	Top 10 Landmark Architectures in Shenzhen (深圳十大標誌性建築)	Shenzhen News (深圳特區報)

EMPLOYEES

As of April 30, 2015, the Reorganized Target Group had a total of 1,336 employees, most of whom were based in Shenzhen. The following table sets forth a breakdown of its employees by function as of April 30, 2015.

Function	Number of employees	Percentage of total Employees (%)
Management and administration	120	9.0
Project construction and management	144	10.8
Marketing and sales	92	6.9
Finance and audit	83	6.2
Property management	698	52.2
Hotel operation and management	199	14.9
Total	1,336	100.0

The Reorganized Target Group mainly recruits employees from the labor market, universities and through headhunting. The Reorganized Target Group is committed to training and retaining skilled employees at all levels. It provides on-going and systematic training programs for its employees based on their positions and expertise to enhance their understanding and knowledge of the property industry and related areas. For instance, training programs for its marketing and sales personnel focus on improving their sales capabilities, whereas trainings designed to improve management and leadership skills are offered to mid- to senior- level management personnel. In addition to providing internal trainings, the Reorganized Target Group also engages external experts to conduct training sessions for its employees from time to time.

The Reorganized Target Group is dedicated to maintaining good working relationships with its employees. During the Track Record Period, It did not experience any significant labor disputes which adversely affected in a material manner on its business operations. The Reorganized Target Group enters into individual employment contracts with its employees which cover wages, employee benefits and other matters required by applicable PRC laws and regulations.

The Reorganized Target Group offers its employees salaries and benefits which are competitive with market standards. It also contributes to basic medical insurance, pension insurance, maternity insurance, unemployment insurance, work-related injury insurance and housing provident funds for its employees and pays relevant insurance premiums according to applicable PRC laws and regulations. For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, employee salaries and benefit payments by the Reorganized Target Group amounted to RMB90.1 million, RMB102.2 million, RMB119.7 million, RMB39.9 million and RMB46.2 million, respectively.

Employees of the Reorganized Target Group are represented by the employee union of the Reorganized Target Group, which is responsible for facilitating communication between the Reorganized Target Group and its employees. The employee union handles complaints from the employees, liaises

between the employees and management of the Reorganized Target Group and ensures the legal rights of the employees are protected. During the Track Record Period and up to the Latest Practicable Date, there were no material disputes arising from the employee union of the Reorganized Target Group.

INSURANCE

The Reorganized Target Group maintains insurance, including social insurance, for its employees as required by applicable PRC laws and regulations and as it considers appropriate for its business operations. Under applicable PRC laws and regulations, construction companies as employers are required to purchase insurance for their construction workers. In line with industry practice, the Reorganized Target Group does not currently maintain additional insurance in this respect.

As required by banks with respect to properties that have been pledged as collateral to secure bank loans, the Reorganized Target Group has obtained property damage and third-party liability insurance for such properties in accordance with the relevant loan documents.

The Reorganized Target Group is of the view that it has maintained adequate insurance coverage for its operations and that the scope of its coverage is in line with industry norms. However, there are certain risks for which it is not insured or which it may not have sufficient insurance coverage for losses, damages and liabilities that may arise in the course of its business operation. Please refer to the section headed "Risk Factors" for further details.

ENVIRONMENTAL MATTERS

The Reorganized Target Group is subject to a number of environmental laws and regulations including the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Prevention and Control of Environmental Noise Pollution Law of the PRC (《中華人民共和國環境噪聲污染防治法》), the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) and the Administrative Regulations on Environmental Protection for Development Projects (《建設項目環境保護管理條例》). Please refer to the section headed "Regulatory Overview – Development of a Real Estate Project" of Appendix II to this circular for details of these environmental laws and regulations.

Pursuant to applicable laws and regulations, each development project of the Reorganized Target Group must undergo an environmental assessment and the Reorganized Target Group must submit an environmental impact assessment report, along with other required documents, to the relevant government authorities for approval before the commencement of construction. Any standards specified by the relevant government authorities in the approval must be incorporated into the design, construction and operation of the project. Upon completion and before the property may be delivered to customers, each project is also inspected by the relevant government authorities to ensure compliance with all applicable environmental standards. Construction companies of the Reorganized Target Group are responsible for ensuring compliance with applicable environmental laws and regulations during the construction process. The Reorganized Target Group also encourages its construction companies to use equipment and facilities, and to adopt or develop new technologies, which are environmentally friendly.

For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, the Reorganized Target Group incurred costs of approximately RMB1.6 million, RMB2.3 million, RMB1.4 million, RMB0.4 million and RMB0.9 million, respectively, with respect to compliance with applicable environmental protection laws and regulations. On the assumption that there will not be any material changes in applicable environmental laws and regulations, the Reorganized Target Group expects that it will continue to incur environmental compliance costs at a similar level going forward. As of April 30, 2015, the Reorganized Target Group had not encountered any material issues in passing inspections conducted by the relevant environmental authorities upon completion of its properties. The PRC Legal Advisor has confirmed that the Reorganized Target Group has complied with all relevant environmental laws and regulations in all material respects.

HEALTH AND SAFETY MATTERS

The Reorganized Target Group is subject to various PRC laws and regulations with respect to safety and work-related incidents. It has established a set of guidelines on issues relating to occupational health and safety and has developed a comprehensive management system to implement its policies and procedures in this respect. In addition, the Reorganized Target Group provides regular training to its employees on topics relating to occupational health and safety to enhance the awareness and knowledge of its employees.

Under applicable PRC laws and regulations, construction companies of the Reorganized Target Group are responsible for the safety of the construction sites and are required to maintain accident insurance for their workers. The Reorganized Target Group generally requires its construction companies to purchase accident insurance in accordance with applicable laws and regulation, adopt effective occupational safety control measures and offer regular physical examinations and training to workers who are exposed to the risk of occupational injuries.

The Reorganized Target Group is committed to providing its employees with a safe and hygienic working environment. To ensure construction quality and safety, it has established a set of standards and specifications which the Reorganized Target Group requires both its own workers as well as workers employed by the independent construction companies to follow during the construction process. The Reorganized Target Group closely monitors each project at every stage to ensure the construction process is in compliance with relevant laws and regulations. It also engages independent third party supervisor companies to monitor the safety of its construction sites throughout the construction process.

During the Track Record Period and up to the Latest Practicable Date, the Reorganized Target Group did not encounter any incidents which resulted in material injuries or fatalities of construction workers or had a material adverse effect on its operations. During the Track Record Period and up to the Latest Practicable Date, no fines or penalties with respect to non-compliance of PRC labor, health and safety laws and regulations had been imposed on the Reorganized Target Group.

HEDGING ARRANGEMENTS

The Reorganized Target Group's business is principally conducted in RMB and most of the Reorganized Target Group's monetary assets and liabilities are denominated in RMB. Accordingly, the Reorganized Target Group considers its exposure to currency risk to be insignificant. As of the Latest Practicable Date, the Reorganized Target Group had not entered into any hedging transactions against foreign currency risks.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

In order to revive Shenzhen Wanghaiyikang, which was undergoing a bankruptcy procedure in January 2007, and to protect the rights and interests of the creditors of Shenzhen Wanghaiyikang, Shenzhen Jinshunlai Investment Development Co., Ltd. (深圳市金順來投資發展有限公司) ("**Jinshunlai**"), a subsidiary of the Controlling Shareholder, and LVGEM Management Group, a creditor of Shenzhen Wanghaiyikang at the time, proposed to conduct debt restructuring for Shenzhen Wanghaiyikang in 2007. Jinshunlai and LVGEM Management Group entered into negotiations with the de facto controllers and shareholders of Shenzhen Wanghaiyikang at the time (the "**Plaintiffs**"), and proposed that the Plaintiffs would apply to the court to entrust Jinshunlai and LVGEM Management Group to conduct debt restructuring for Shenzhen Wanghaiyikang. As a safeguard measure, LVGEM Management Group would also apply to the court for debt restructuring as a creditor of Shenzhen Wanghaiyikang independent of the Plaintiff's entrustment application.

On August 9, 2007, Jinshunlai and LVGEM Management Group entered into a debt restructuring agreement (the "**Restructuring Agreement**") with, among others, the Plaintiffs with respect to the debt restructuring of Shenzhen Wanghaiyikang. Pursuant to the Restructuring Agreement, Jinshunlai agreed to pay the Plaintiffs a cash compensation of RMB120.0 million, together with an additional compensation to be calculated based on the final profits of the debt restructuring (the "**Relevant Compensations**"), and LVGEM Management Group undertook to provide guarantee on the Relevant Compensations.

In August 2007, the Shenzhen Municipal Intermediate People's Court approved the debt restructuring application of LVGEM Management Group as a creditor of Shenzhen Wanghaiyikang and LVGEM Management Group as the entity to carry out the debt restructuring of Shenzhen Wanghaiyikang. Subsequently, on November 9, 2007, the Shenzhen Municipal Intermediate People's Court ruled to dismiss the entrustment application made by the Plaintiffs (since the Plaintiffs had made multiple revisions as to the identity of the party whom the Plaintiffs would entrust to conduct debt restructuring for Shenzhen Wanghaiyikang) but approved the commencement of the execution of the debt restructuring plan for Shenzhen Wanghaiyikan (the "**Approved Debt Restructuring**").

As a result of the unsuccessful entrustment application of the Plaintiffs, the parties to the Restructuring Agreement, including Jinshunlai, LVGEM Management Group and the Plaintiffs, entered into an agreement to voluntarily terminate the Restructuring Agreement on September 11, 2009 with immediate effect (the "**Restructuring Termination Agreement**"). Pursuant to the Restructuring Termination Agreement, the Plaintiffs could no longer demand the Relevant Compensations from Jinshunlai and LVGEM Management Group. In addition, the parties of the Restructuring Termination Agreement agreed to

confirm the details of the Restructuring Termination Agreement through the mediation document to be issued by the court. In this regard, it was agreed that the Plaintiffs would first initiate a claim at the court against Jinshunlai and LVGEM Management Group with respect to certain compensations stated in the Restructuring Termination Agreement, and the parties to the Restructuring Agreement would then submit to the court a settlement agreement with the same content as that of the Restructuring Termination Agreement for the court to settle the case by issuing a mediation document according to the settlement agreement.

In accordance with the Restructuring Termination Agreement, the Plaintiffs initiated a claim at the Shenzhen Futian District People's Court against Jinshunlai and LVGEM Management Group with respect to certain compensations stated in the Restructuring Termination Agreement on September 14, 2009, and Jinshunlai and LVGEM Management Group submitted to the court a settlement agreement with the same content as that of the Restructuring Termination Agreement and requested the court to settle the case on September 17, 2009. However, on November 6, 2009, in breach of the Restructuring Termination Agreement, the Plaintiffs suddenly withdrew the claim without notifying Jinshunlai and LVGEM Management Group. After this, Jinshunlai and LVGEM Management Group did not conduct any further negotiations with the Plaintiffs regarding the debt restructuring of Shenzhen Wanghaiyikang and did not enter into any other agreements. The Approved Debt Restructuring for Shenzhen Wanghaiyikang was completed in September 2013.

On July 7, 2014, the Plaintiffs commenced legal proceedings against Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司) ("**Shenzhen LVGEM**"), a wholly owned subsidiary of the Reorganized Target Group, for an aggregate amount of RMB512,342,300, consisting of the payment of compensation of RMB431,800,000, overdue interest of RMB60,542,300 and damages of RMB20,000,000, alleging that Shenzhen LVGEM should perform the joint and several liability under the Restructuring Agreement. Shenzhen LVGEM was not a party in the Restructuring Agreement and was not involved in the Approved Debt Restructuring. However, the Plaintiffs had commenced the legal proceedings against Shenzhen LVGEM on the belief that Shenzhen LVGEM had shared properties and employees with LVGEM Management Group and Jinshunlai and Shenzhen LVGEM had the ability to pay the demanded compensations.

On November 11, 2014, the Shenzhen Municipal Intermediate People's Court ruled against the Plaintiffs on the ground that the Restructuring Agreement had been voluntarily terminated and that the Plaintiffs' claims had no legal merit, and ordered the Plaintiffs to pay for the legal proceeding and other relevant fees.

On December 7, 2014, the Plaintiffs appealed to the Higher People's Court of Guangdong Province.

On September 1, 2015, the Higher People's Court of Guangdong Province rejected the appeal of the Plaintiffs and upheld the decision of the Shenzhen Municipal Intermediate People's Court.

Qualification Certificates

The following table sets forth details of the relevant qualification certificates material to the Reorganized Target Group's business and operation as of the Latest Practicable Date:

PRC subsidiary	Qualification	Classification	Status
Shenzhen LVGEM Real Estate Development Co., Ltd.(深圳市綠景房地產開發有限公司)	Qualification Certificate for Property Development(房地產開發企業資質證書)	Class 2	In effect, expiring on July 14, 2017
Yiyang Zhonghe Real Estate Co., Ltd.(益陽中核置業有限公司)	Qualification Certificate for Property Development(房地產開發企業資質證書)	Class 3	In effect, expiring on October 30, 2017
Huazhou LVGEM Real Estate Development Co., Ltd.(化州市綠景房地產開發有限公司)	Qualification Certificate for Property Development(房地產開發企業資質證書)	Class 4	In effect, expiring on September 11, 2017
Shenzhen Longkanghong Investment Development Co., Ltd.(深圳市龍康宏投資發展有限公司)	Qualification Certificate for Property Development(房地產開發企業資質證書)	Class 3	In effect, expiring on July 2, 2016
Shenzhen LVGEM Property Management Co., Ltd.(深圳市綠景物業管理有限公司)	Qualification Certificate for Property Management Enterprises(物業服務企業資質證書)	Class 2	In effect, expiring on March 21, 2017
Shenzhen LVGEM Jiyuan Property Management Service Co., Ltd.(深圳市綠景紀元物業管理服務有限公司)	Qualification Certificate for Property Management Enterprises(物業服務企業資質證書)	Class 3	In effect, expiring on January 22, 2016
Huazhou LVGEM Property Management Co., Ltd.(化州市綠景物業管理有限公司)	Qualification Certificate for Property Management Enterprises(物業服務企業資質證書)	Class 3 (Interim)	In effect, expiring on April 8, 2017

According to the PRC Legal Advisor, the Reorganized Target Group has successfully completed the preliminary procedures of the application for the upgrade of the Qualification Certificate of Property Management Enterprises from Class 2 to Class 1. The Department of Housing and Urban - Rural Development of Guangdong Province (廣東省住房和城鄉建設廳) has issued the decision that Shenzhen LVGEM Property Management Co., Ltd. (深圳市綠景物業管理有限公司) is qualified for the application for the upgrade of the Qualification Certificate of Property Management Enterprises from Class 2 to Class 1, and all application documents submitted by the Department of Housing and Urban - Rural Development of Guangdong Province were received by the Ministry of Housing and Urban - Rural Development of the PRC on August 5, 2015. According to the PRC Legal Advisor, upon submitting all application documents in accordance with the requirements of the relevant government authorities, it is not expected to have any material legal impediments for obtaining the Qualification Certificate of Property Management Enterprises (Class 1).

Non-Compliance Incidents

A summary of the material non-compliance incidents by the Reorganized Target Group during the Track Record Period is set forth in the table below.

No.	Non-compliance Incident	Reasons	Remedial Measures	Legal Consequences and Impacts
1.	Shenzhen LVGEM Property Management Co., Ltd. (深圳市綠景物業管理有限公司) currently holds a Qualification Certificate of Property Management (Class 2), pursuant to which the maximum GFA of each non-residential property management project it is qualified to manage is 80,000 sq.m. Shenzhen LVGEM Property Management Co., Ltd. currently manages Tower A (as one property management project) and Tower B and C (as one property management project) of NEO Urban Commercial Complex. Both projects' GFA exceeded 80,000 sq.m., and a property management company providing property management services for either of these properties is required to possess a Qualification Certificate of Property Management Enterprises (Class 1). As of the Latest Practicable Date, Shenzhen LVGEM Property Management Co., Ltd. has yet completed the approval procedure for upgrading the Qualification Certificate of Property Management Enterprises from Class 2 to Class 1.	Primarily due to oversight by the responsible staff of Shenzhen LVGEM Property Management Co., Ltd.	An application to upgrade the Qualification Certificate of Property Management Enterprises from Class 2 to Class 1 has been submitted by the Reorganized Target Group and the application was received by the relevant authority on May 20, 2015. On July 17, 2015, the Department of Housing and Urban - Rural Development of Guangdong Province (廣東省住房和城鄉建設廳) issued the decision that Shenzhen LVGEM Property Management Co., Ltd. (深圳市綠景物業管理有限公司) is qualified for the application for the upgrade of the Qualification Certificate of Property Management Enterprises from Class 2 to Class 1 , and all application documents submitted by the Department of Housing and Urban - Rural Development of Guangdong Province were received by the Ministry of Housing and Urban - Rural Development of the PRC on August 5, 2015. In addition, to prevent similar occurrences in the future, the Reorganized Target Group has formulated specific internal control measures. Please refer to the sub-section headed "– Internal Control and Risk Management – Internal Control Measures to Prevent the Recurrence of Non-compliance Incidents".	The PRC Legal Advisor has advised the Reorganized Target Group that a penalty in the range of RMB10,000 to RMB30,000 may be imposed for providing property management services that exceed the scope allowed by the qualification certificate. The PRC Legal Advisor is of the view that such non-compliance incident would not have any material adverse impact on the business of the Reorganized Target Group.
2.	Pursuant to the applicable PRC laws and regulations, property lease agreements must be registered with the local housing lease registration authority. As of the Latest Practicable Date, the Reorganized Target Group failed to register 25 of its property leases, which accounted for 8.8% of its total number of property leases.	Primarily due to the difficulty of cooperating with the tenants to register such lease agreements.	The Reorganized Target Group is in the process of registering the required leases with the local housing lease registration authority, the completion of which will require the cooperation of the tenants. In addition, to prevent similar occurrences in the future, the Reorganized Target Group has formulated specific internal control measures. Please refer to the sub-section headed "– Internal Control and Risk Management – Internal Control Measures to Prevent the Recurrence of Non-compliance Incidents".	The PRC Legal Advisor has advised the Reorganized Target Group that the lack of registration of the lease agreements will not affect the validity of the lease agreements under PRC law. The PRC Legal Advisor has also advised the Reorganized Target Group that a maximum penalty of RMB10,000 may be imposed for the non-registration of each lease. The estimated total maximum penalty is approximately RMB250,000. The PRC Legal Advisor is of the view that such non-compliance incidents would not have any material adverse impact on the business of the Reorganized Target Group.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control and Risk Management Systems

The internal control and corporate governance system of the Reorganized Target Group is designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. The internal control and corporate governance system of the Reorganized Target Group covers all major aspects of its operations, including, among others, sales, procurement, asset investment and management, budgets and accounting system. To effectively implement such system, the Reorganized Target Group has a set of comprehensive policies and guidelines which set out details regarding the internal control standards, segregation of responsibilities, approval procedures and personnel accountability in each aspect. The Reorganized Target Group also carries out regular internal assessments and training to ensure its employees are equipped with sufficient knowledge on such policies and guidelines. Each relevant department of the Reorganized Target Group is responsible for carrying out the day-to-day aspects of the internal control and corporate governance system and the audit center of the Reorganized Target Group is responsible for overseeing the implementation of such system.

The internal control and corporate governance system of the Reorganized Target Group includes the following features:

- *Code of conduct:* the code of conduct of the Reorganized Target Group explicitly communicates to its employees the values, acceptable criteria for decision-making and the standards on employees' behaviors of the Reorganized Target Group.

- *Asset management:* the Reorganized Target Group has adopted a set of rules and policies to govern its asset investment and management aspects to ensure a healthy financial system and to avoid internal abuse. These rules and policies cover areas including payment settlement, proceeds and accounts management, provision of guarantees, cash management and fixed asset investment and management.

- *Anti-corruption:* the internal control and corporate governance policies provide the tools and resources necessary to enable, monitor and enforce full compliance with relevant anti-bribery and anti-corruption laws. Further, the Reorganized Target Group welcomes the public to report any unethical professional conducts or fraudulent activities of the Reorganized Target Group through its customer hotline.

- *Compliance with applicable laws and regulations:* the internal control and corporate governance policies of the Reorganized Target Group aim to ensure compliance with applicable laws and regulations, including, among others, aspects related to corporate governance, project management, tendering process management, labor safety, connected transactions and sales transactions with employees and senior management. In addition, where necessary, the Reorganized Target Group also engages professional advisors to advise it on matters relating to ongoing compliance with applicable laws and regulations.

The risk management process of the Reorganized Target Group begins with identifying the major risks associated with its corporate strategies, goals and objectives. Based on its assessments on the risks in terms of likelihood and potential impact, the Reorganized Target Group then prioritizes and pairs each risk with a mitigation plan. Each department of the Reorganized Target Group is responsible for identifying and analyzing risks associated with its respective functions, preparing risk mitigation plans and measuring the effectiveness of such plans. With respect to its financial risks, the Reorganized Target Group's finance management center conducts monthly risk analyses and, together with the Reorganized Target Group's audit center and other relevant departments, prepares monthly financial risk reports including risk profiles and proposed risk control measurements for the management and chairman of the Reorganized Target Group to review.

Internal Control Measures to Prevent the Recurrence of Non-compliance Incidents

In order to prevent similar occurrences of non-compliance with respect to property management services and lease registration in the future and ensure compliance with relevant laws and regulations, the Reorganized Target Group has established a compliance team of over 10 personnel, comprising representatives from its legal department, audit center, finance management center and construction management center, and adopted a set of preventive measures:

- *Property management services:* (i) designating its compliance team to oversee the registration and monitor the status of the permits, qualifications, licenses and approvals with respect to its property management services; (ii) designating its compliance team to supervise each of the Reorganized Target Group's subsidiaries to ensure that all required certificates, permits and other regulatory approvals have been obtained. Furthermore, each subsidiary shall report the progress and status of obtaining such documents to the compliance team on a quarterly basis. In the event of non-compliance, the responsible person will be held accountable; (iii) adopting an internal control policy that prohibits the Reorganized Target Group's subsidiaries from providing property management services without obtaining all required certificates, permits and other regulatory approvals; and (iv) communicating regularly with relevant regulatory authorities to understand recent updates on applicable requirements with respect the application or renewal of relevant certificates.

- *Lease registration:* (i) designating a responsible person at each project level for each future project. The responsible person shall report the status of lease registration to the compliance team on a quarterly basis. In the event of non-compliance, the responsible person will be held accountable for any oversight; and (ii) adopting revised lease contract templates to include provisions that set out the responsibilities of each party with regard to lease registration and the rights of the Reorganized Target Group in the event that it is penalized for failure to register as a result of the non-cooperation of a tenant.

In addition, the Reorganized Target Group will also provide training and publish periodic notices and circulars to its employees to provide updates in respect of relevant rules and regulations and to remind them of the compliance with relevant rules and regulations.

Fund and Working Capital Management

The Reorganized Target Group's funds and liquidity management are centrally carried out by its capital operating center. The Reorganized Target Group's capital operating center is responsible for overseeing the opening and closing of bank accounts of the Reorganized Target Group's subsidiaries. It also arranges the external financing activities of the Reorganized Target Group's subsidiaries, which are approved by the senior officers in-charge at the Reorganized Target Group's headquarters or at the subsidiary level, as appropriate. In addition, the capital operating center prepares monthly and annual funding plans to ensure close monitoring and timely adjustments according to the capital condition of the Reorganized Target Group's subsidiaries. The Reorganized Target Group has also implemented a set of rules and guidelines on fund management, such as the Fund Management Standards (《資金管理規範》) and Fund Plan Management Standards (《資金計劃管理規範》), to enhance the effectiveness and efficiency of its fund management, thereby ensuring its financial security and reducing its cost of capital.

The Reorganized Target Group is committed to safeguarding its overall financial security and maintaining a strong cash position and a healthy debt profile with strong repayment ability. The Reorganized Target Group pays particular attention to the relative proportion of cash and interest-bearing liabilities, and closely monitors its cash level taking into consideration its current liabilities that are repayable within one year. The property development industry is a capital-intensive industry and property and land transactions are exposed to cyclical fluctuations, which can significantly affect the capital conditions of a property developer. To maintain a strong financial position, the Reorganized Target Group adopts a conservative fund management policy and all expenditure decisions are made with reference to the Reorganized Target Group's operating revenue. The Reorganized Target Group believes its disciplined fund management allows it to efficiently manage market risks and at the same time seize investment opportunities as and when they arise with sufficient funds. The Reorganized Target Group's senior vice president, Ms. Hu Yong, is responsible for the fund management of the Reorganized Target Group. Ms. Hu is also a vice president of the Enlarged Group. Please refer to the section headed "Directors and Senior Management of the Enlarged Group－Senior Management" for details of Ms. Hu's background.

During the Track Record Period, the Reorganized Target Group managed its surplus cash mainly through investing in wealth management products and other bank deposit products (not including fixed-term deposits) issued by licensed banks and which satisfy the requirements set out by the People's Bank of China. The Reorganized Target Group believes such deposit products have relatively low risks and offer better returns as compared to demand deposits at commercial banks in the PRC. Accordingly, the Reorganized Target Group has in place a treasury and investment policy which governs its investments in such financial assets. The Reorganized Target Group's treasury and investment policy requires, among other things, the following:

- *Use of funds must comply with all applicable laws and requirements*. Funds used to invest in financial products must all be funds self-owned by the Reorganized Target Group and must not be funds obtained through financing channels such as listing proceeds, government subsidies or project-specific borrowings with restricted use;

- *Funds must satisfy the capital requirements of the Reorganized Target Group's operations*. Funds used to invest in financial products must be temporarily idle funds that do not affect the Reorganized Target Group's operational and capital requirements;

- *Risk control*. Priority is given to risk control. Acceptable wealth management products primarily include products with guaranteed principal or other low risk products. Investment in high-risk products such as stocks and financial bonds is prohibited;

- *Liquidity*. The term of each of the wealth management products should be within one month. Investments in wealth management products with a term of over one month are subject to the approval of Mr. Wong, the chairman of the Reorganized Target Group; and

- *Comparative benefits should be maximized*. Given wealth management products with similar terms, the Reorganized Target Group should choose the products with the highest interests or returns.

The Reorganized Target Group may update its treasury and investment policy from time to time in accordance with its development and the macroeconomic environment in the PRC.

The capital operating center of the Reorganized Target Group is responsible for the investment decisions with respect to the Reorganized Target Group's surplus cash, which ensures that the Reorganized Target Group has surplus cash according to its capital conditions in the following three months. Investments in financial products are subject to the approvals of the vice president the Reorganized Target Group.

Investment Management

The capital operating center of the Reorganized Target Group is responsible for the management and control of the Reorganized Target Group's material investment, and has formulated a set of policies and guidelines for investment management, including the Guidelines for Investment Management. On the other hand, the investment and decision making committee, which is led by Mr. Wong, the chairman of the Reorganized Target Group, is responsible for internal assessment and approval of business activities of the Reorganized Target Group. For each proposed material investment, a panel set up by the capital operating center prepares feasibility analysis reports, while the audit center and legal department conduct due diligence investigations and the resources development center prepares an implementation plan. Based on the proposal prepared by the panel, the deputy director of the capital operating center together with the investment and decision making committee determine whether to initiate an investment, subject to the approval of the board. The following constitute material investments under the Reorganized Target Group's internal standards: (i) land acquisitions or collaborations exceeding RMB20.0 million; (ii) financing from non-bank financial institutions (such as funds, trusts and bonds), external guarantees which exceed RMB20.0 million and asset sales which exceed RMB20.0 million (excluding properties which have been developed and held for sale); (iii) credit and debt obligations which amount exceeds RMB20.0 million and trust investment which amount exceeds RMB20.0 million; and (iv) investment decisions which involve, among others, changes in the registered capital and/or investment amount of a cooperative project, mergers and acquisitions, divisions, resolutions, liquidations and changes to the corporate form.

You should read the following discussion and analysis of the Target Group's financial condition and results of operations in conjunction with the consolidated financial information of Green View Holding Company Limited, or the Target Company, as of and for the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, together with the notes thereto, as set forth in Appendix III to this circular. The consolidated financial information of the Target Company has been prepared in accordance with IFRS, which may differ in material respects from generally accepted accounting principles in other jurisdictions.

The historical results of the Target Group do not necessarily indicate results expected for the future. The following discussion and analysis contains certain forward-looking statements that involve risks and uncertainties. The actual results of the Target Group may differ from those anticipated in these forward-looking statements as a result of a number of factors, including those described in the sections entitled "Risk Factors" and "Business of the Reorganized Target Group".

OVERVIEW

The Target Group is an established and well known integrated property developer and commercial property operator in Shenzhen. In 2012, the Target Group was ranked sixth among Shenzhen Real Estate Market Leading Enterprises (深圳房地產市場地位領先企業) by China Index Academy (中國指數研究院), and in 2014, it was ranked sixth among the Top 10 Shenzhen Real Estate Developer Enterprises (深圳房地產開發十強企業) by Shenzhen Real Estate Association (深圳市房地產協會). In terms of the GFA of properties sold by the top 100 developers in Shenzhen between 2012 and 2014, Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司), a wholly owned subsidiary of Green View Holding Company Limited, ranked ninth with a market share of 2.3% according to China Index Academy.

The Target Group focuses its business activities across the Pearl River Delta region, one of the most economically prosperous and vibrant regions in China. Its business operations consist of three principal business segments: (i) property development and sales; (ii) commercial property investment and operations; and (iii) comprehensive services. For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, revenue generated from property development and sales was RMB138.8 million, RMB1,523.9 million, RMB4,300.5 million, RMB2,112.7 million and RMB12.2 million, respectively.

In line with its business strategy, the Target Group owns and operates a substantial portion of the commercial properties it has developed. These commercial properties include the Zoll Centers, NEO Urban Commercial Complex and other retail spaces. The Target Group holds these commercial properties for long-term investment and capital appreciation purposes and leases them to generate rental income. In addition, the Target Group charges certain tenants with promotion fees, site use fees and advertising space use fees. For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, revenue generated from commercial property investment and operations amounted to RMB197.9 million, RMB270.5 million, RMB351.6 million, RMB107.7 million and RMB132.0 million, respectively.

The Target Group also provides comprehensive services to customers and tenants of its residential and commercial properties. The comprehensive services include property management services, hotel operation and others. For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, revenue generated from the comprehensive services of the Target Group amounted to RMB148.2 million, RMB176.2 million, RMB198.5 million, RMB56.7 million and RMB63.7 million, respectively.

BASIS OF PRESENTATION

The audited consolidated financial information of Green View Holding Company Limited, or the Target Company, and its subsidiaries (including the Disposed Subsidiaries) for the Track Record Period is presented in the Accountants' Report in Appendix III to this circular. Pursuant to the Reorganization undertaken in preparation for the Acquisition, Green View Holding Company Limited disposed of seven of its subsidiaries after the Track Record Period, including Jin Xin Investments (Hong Kong) Limited (金信投資(香港)有限公司), Zhuhai LVGEM Real Estate Development Co., Ltd. (珠海市綠景房地產開發有限公司), Zhuhai LVGEM Property Management Co., Ltd. (珠海市綠景物業管理有限公司), Shenzhen Wanghaiyikang, Zhuhai Huijing Investment Management Co., Ltd. (珠海市惠景投資管理有限公司), Shenzhen Lvsheng Investment Development Co., Ltd. (深圳市綠晟投資發展有限公司) and Dongguan LVGEM Real Estate Development Co., Ltd. (東莞市綠景房地產開發有限公司). Prior to its disposal, Shenzhen Wanghaiyikang had its main operating assets retained by Green View Holding Company Limited by transferring them to another subsidiary of Green View Holding Company Limited. The disposal of the Disposed Subsidiaries was completed on June 19, 2015.

The disposal of the Disposed Subsidiaries is considered a non-adjusting subsequent event of Green View Holding Company Limited. The consolidated statements of financial position of Green View Holding Company Limited as of December 31, 2012, 2013 and 2014 and April 30, 2015 include the financial position of the Disposed Subsidiaries at the respective reporting dates. The consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income and the consolidated cash flow statements of Green View Holding Company Limited for each of the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015 also include the operating results and cash flow of the Disposed Subsidiaries for the respective years. For the financial information of the Reorganized Target Group which excludes the financial information of each of the Disposed Subsidiaries except Shenzhen Wanghaiyikang, please refer to the section headed "Additional Financial Information of the Reorganized Target Group" in this circular.

SIGNIFICANT FACTORS AFFECTING THE TARGET GROUP'S RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The Target Group's business, results of operations, financial condition and prospects are affected by a number of factors, many of which are beyond its control, including those set forth below. The following should be read in conjunction with the section headed "Risk Factors" in this circular.

Economic growth, urbanization and demand for real estate properties in China, particularly in Guangdong province

Economic growth, urbanization and increasing purchasing power have been the main driving forces behind the increasing market demand for real estate properties in China. These factors are in turn affected by a number of macroeconomic factors, including changes in the global economy and world markets, as well as the fiscal and monetary policies of the PRC government. The paces of economic growth, urbanization and increasing purchasing power in China are expected to continue to significantly affect the number of potential property buyers and the pricing and profitability of residential properties, and, in turn, the Target Group's performance and results of operations. Because the Target Group focuses primarily on developing properties in Guangdong province, developments in markets in Guangdong province and other future target cities are especially important to its operations. If there is a downturn in the global economy, the PRC economy or in any of the property markets in which the Target Group has operations, or a decrease in the pace of urbanization, the Target Group's financial condition and results of operations may be materially and adversely affected. See "Risk Factors – Risks Relating to the Reorganized Target Group's Business and Industry – The Reorganized Target Group's business and prospects are heavily dependent on the performance of the PRC property markets and, in particular, on the performance of the markets in various major cities in the Guangdong province and therefore any potential decline in property sales or prices or demand for properties in the PRC generally, or in the major cities in this region could have a material adverse effect on the Reorganized Target Group's business, financial condition, and results of operations."

The regulatory environment and measures affecting the property industry in China

PRC governmental policies and measures regarding property development and related industries have a direct impact on the Target Group's business and results of operations. From time to time, the PRC government adjusts its macroeconomic control policies to encourage or restrict development in the private property sector through regulating, among other things, the supply of land, pre-sales of properties, land usage, plot ratios, bank financing and taxation. In recent years, in response to rising property prices across the country, the PRC government has implemented a series of measures aimed at controlling prices in the real estate market. Various administrative bodies have introduced policies and measures to discourage speculation and impose more stringent requirements on property developers. These measures require, among other things, higher minimum down payments from purchasers, new restrictions on the purchase of properties, that a minimum portion of investment in property projects be devoted to affordable and commodity housing and increases in bank lending rates for mortgage financing. A substantial portion of the Target Group's customers make down payments and rely on mortgage financing to purchase the Target Group's properties. Accordingly, regulations or measures adopted by the PRC government that are intended to increase down payment requirements, restrict the ability of purchasers to obtain mortgages, limit their ability to resell their properties or increase the cost of mortgage financing may decrease market demand for the Target Group's properties and adversely affect the Target Group's results of operations. Measures taken by the PRC government to control the money supply, credit availability and fixed asset investment also have a direct impact on the Target Group's business and results of operations. Furthermore, the PRC government may introduce initiatives which may affect the Target Group's access to capital and the means by which the Target Group can finance its property development. See "Risk Factors – Risks Relating to the Reorganized Target Group's Business and Industry – The Reorganized Target Group's operations may be substantially affected by changes in national or local policies relating to the PRC Property industry."

Land acquisition and construction costs

The Target Group's success and continuing growth will largely depend on its ability to acquire quality land at prices that can generate reasonable returns. As the Chinese economy continues to grow rapidly and demand for residential properties remains strong, competition among property developers for land is likely to continue to intensify. In recent years, land premiums have increased notably in major cities in China and in the cities in which the Target Group operates, in particular. Construction costs have also increased in recent years, mainly due to an increase in the fees required by construction contractors, reflecting increases in labor costs and costs of raw materials, thus increasing the Target Group's cost of sales and overall project costs. Historically, urban redevelopment was one of the main land acquisition methods of the Target Group. There can be no assurance that the Target Group will be able to continue to source land on favorable terms through this method. If the Target Group relies on other methods to acquire land for development, its land acquisition costs may significantly increase and it may incur substantial additional financing costs. In addition, the application of public tender, auction and listing-for-sale practices with respect to the grant of state-owned land use rights is also likely to increase competition for land and land acquisition costs. The increasingly fierce competition in China for land for development may adversely affect the Target Group's ability to acquire sufficient land for development and increase its land acquisition costs. If the Target Group cannot sell its properties at increased prices sufficient to offset increases in costs, the Target Group's profitability will be adversely affected.

Access to capital and cost of financing

Bank loans and borrowings from financial institutions and trust financing are important funding sources for the Target Group's property development. As of December 31, 2012, 2013 and 2014 and April 30, 2015, the amount of the Target Group's outstanding current and non-current bank loans was RMB4,081.8 million, RMB4,992.8 million, RMB6,336.0 million and RMB6,499.3 million, respectively. The Target Group's access to capital and cost of financing will be affected by the prevailing interest rates on bank loans, which are linked to the PBOC benchmark lending rates, the restrictions imposed by the PRC government on bank lending for property development, and the general conditions of the domestic and global capital markets.

As of December 31, 2012, 2013 and 2014 and April 30, 2015, the Target Group's outstanding amount of other borrowings (including trust financings and entrusted loans) was RMB75.0 million, RMB500.0 million, RMB1,680.0 million and RMB1,640.0 million, respectively. Compared with bank loans, trust financing offers greater flexibility in terms of availability, but financing costs under trust financing arrangements are generally higher than those under bank loans. If the Target Group is unable to enter into such trust financing arrangements on favorable terms in the future, or at all, its results of operations and financial condition may be materially and adversely affected.

The Target Group's total interest cost (including capitalized interest expenses) on bank loans and other borrowings amounted to RMB388.4 million, RMB375.2 million, RMB589.7 million, RMB176.5 million and RMB212.0 million for the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, respectively. Any potential increase in interest rates may result in additional interest costs for the Target Group, especially in newly raised loans.

Timing of property development

The development of property projects requires significant time. It may take several months, years, or even longer, after the start of development before pre-sales of properties in that development are commenced. In particular, the acquisition of land through the urban redevelopment process is time intensive, typically requiring three to five years before pre-sales are commenced. The Target Group does not recognize revenue until properties have been sold, completed and delivered to its customers. Due to fluctuations in market demand, the revenue that the Target Group recognizes in a particular period may also be affected by market conditions at the time a particular property project is pre-sold or sold. Moreover, delays in construction, regulatory approval or other processes may adversely affect the completion timetable of the Target Group's projects and, therefore, the Target Group's recognition of revenue from its projects.

Pre-sales of properties

Pre-sales of properties constitute one of the most important sources of the Target Group's operating cash flows during the Target Group's project development process. PRC law allows the Target Group to pre-sell properties prior to their completion upon satisfaction of certain pre-conditions but requires that the Target Group use the pre-sales proceeds to finance the particular project that has been presold. Please refer to the paragraphs headed "Business of the Reorganized Target Group – Property Development and Sales Process – Marketing and Sales" in this circular for additional details. The amount and timing of cash inflows from pre-sales are affected by a number of factors, including the development schedules of the Target Group's projects, restrictions on pre-sales imposed by the PRC government, the availability and affordability of mortgage financing for the Target Group's purchasers, market demand for the Target Group's properties and the number of the Target Group's properties available for pre-sale. In addition, any reduction in cash flows from the pre-sales of the Target Group's properties will likely increase the Target Group's reliance on external financing, which may increase the Target Group's costs and may impact the Target Group's ability to finance its continuing property development.

Fair value of the Target Group's investment properties

Changes in the fair value of the Target Group's investment properties have had, and are expected to continue to have, a substantial effect on the Target Group's results of operations. Investment properties are initially measured at their fair values based on valuations performed by the Target Group's independent property valuer, and subsequent gains or losses arising from changes in these fair values are recorded as fair value gains or losses on investment properties. The property valuer has used methods of valuation which involve, inter alia, certain estimates including current market transaction prices for comparable properties, appropriate yield rates and expected current market rents. Favorable or unfavorable changes to the assumptions would result in changes in the estimated fair value of the Target Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the combined statements of comprehensive income. For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, the Target Group had increases in fair value of investment properties of RMB651.9 million, RMB591.4 million, RMB895.3 million, RMB550.1 million and RMB89.1 million, respectively. The amounts of valuation adjustments are likely to continue to be significant as a result of market fluctuations and have a significant impact on the Target Group's results of operations. Please refer to

the section headed "Risk Factors – The fair value of the Reorganized Target Group's investment properties is likely to fluctuate from time to time and may decrease significantly in the future, which may materially and adversely affect the Reorganized Target Group's profitability".

LAT

The Target Group's property development is subject to LAT in respect of the appreciated value of the related land and improvements on such land. LAT applies to both domestic and foreign investors engaged in real estate development in China and is levied on properties sold at progressive rates ranging from 30% to 60% on the appreciation of land value. The Target Group paid RMB128.1 million, RMB142.0 million, RMB27.9 million, RMB8.1 million and RMB56.4 million for LAT for the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, respectively. The fluctuations in the amount of LAT paid during these periods was mainly due to the delivery timetables of the Target Group's projects and differences in the sales prices of the properties in its various developments. The Target Group makes provisions for LAT based on its recognized sales and in accordance with its estimates of the LAT rate which will be applicable under relevant PRC laws and regulations. For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, the Target Group made LAT provisions of RMB4.0 million, RMB90.2 million, RMB471.1 million, RMB225.1 million and RMB11.4 million, respectively. LAT liabilities are subject to determination by the tax authorities upon the completion of the property development projects and may be different from the amounts that were initially recorded. Any such differences may impact the Target Group's profits after tax and deferred tax provision in the periods in which such taxes are finalized with the relevant tax authorities. For further information on PRC regulations relating to LAT, please refer to the section headed "Regulatory Overview – PRC Taxation – Land Appreciation Tax" of Appendix II to this circular.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The preparation of the Target Group's financial statements in conformity with IFRS requires its management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other resources. The Target Group's actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The relevant estimates or underlying assumptions that the Target Group has made in the past have been generally in line with its actual results during the Track Record Period.

Judgments made by the Target Group's management in the application of IFRS that have significant effect on its financial statements and major sources of estimation uncertainty are discussed in Note 2 to section B of the Accountants' Report included in Appendix III to this circular.

The selection of critical accounting policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Target Group's financial statements. The following critical accounting policies involve the most significant judgments and estimates used in the preparation of its consolidated financial statements.

Revenue recognition

Revenue is recognized in profit or loss when it is probable that the economic benefits will flow to the Target Group and the revenue and costs, if applicable, can be measured reliably on the following basis:

Sale of properties

Revenue from sales of properties is recognized upon the signing of sale and purchase agreements, the receipt of the deposits and confirmation or arrangement of settlement of remaining sale proceeds or the achievement of status ready for hand-over to customers as stipulated in the sale and purchase agreement, whichever is later. Revenue from sales of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the statements of financial position as "receipts in advance" under "trade and other payables".

Rental income from operating leases

Rental income receivable under operating leases is recognized in profit or loss in equal installments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

Hotel operations

Revenue is recognized on a basis that reflects the timing, nature and value when the relevant services are provided.

Service fee income

Service fee income in relation to property management services, advertising services and other ancillary services are recognized when such services are provided to customers.

Investment properties

Investment properties are buildings which are owned or held under a leasehold interest to earn rental income. These include property that is being constructed or developed for future use as investment property. Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognized in profit or loss.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to become ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

LAT

The Target Group has estimated, made and included in tax provision, LAT according to the requirements set forth in the relevant PRC tax laws and regulations. Its 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 has been calculated. Significant judgment is required in determining the level of provision, as the actual calculation of LAT depends on the ultimate tax determination. Given the uncertainties of the calculation basis of LAT as interpreted by the local tax bureau, the actual outcomes may be higher or lower than those estimated at the end of each reporting period. Any increase or decrease in the actual outcomes/estimates will impact the income tax provision in the period in which such determination is made.

RESULTS OF OPERATIONS

The following tables set forth a summary of the Target Group's consolidated results of operations for the periods indicated. The Target Group's historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For The Year Ended December 31,			For the Four Months Ended April 30,	
Consolidated statements of profit or loss	**2012**	**2013**	**2014**	**2014**	**2015**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (unaudited)	*(RMB'000)*
Revenue	485,013	1,970,580	4,850,634	2,277,044	207,936
Cost of sales	(241,746)	(1,160,836)	(2,493,449)	(1,198,838)	(69,962)
Gross profit	243,267	809,744	2,357,185	1,078,206	137,974
Other revenue	2,147	7,804	18,613	11,293	17,409
Other net (loss)/income	(152)	70	–	–	–
Selling expenses	(77,602)	(53,443)	(41,455)	(7,012)	(8,585)
Administrative and other operating expenses	(126,769)	(143,639)	(151,098)	(48,338)	(42,922)
Profit from operations before increase in fair value of investment properties	40,891	620,536	2,183,245	1,034,149	103,876
Increase in fair value of investment properties	651,866	591,353	895,341	550,085	89,064
Profit from operations after increase in fair value of investment properties	692,757	1,211,889	3,078,586	1,584,234	192,940
Finance costs	(231,443)	(205,516)	(217,324)	(87,379)	(82,605)
Share of loss of joint ventures	(137)	(19)	(40)	–	–
Profit before taxation	461,177	1,006,354	2,861,222	1,496,855	110,335
Income tax expense	(129,748)	(326,056)	(1,132,263)	(537,966)	(33,142)
Profit for the year/period[(1)]	331,429	680,298	1,728,959	958,889	77,193
Attributable to:					
Equity shareholders of the Target Company	330,342	680,416	1,728,473	958,249	75,543
Non-controlling interests	1,087	(118)	486	640	1,650
Profit for the year/period	331,429	680,298	1,728,959	958,889	77,193

Note:

(1) For illustrative purpose only, excluding the increase in fair value of investment properties and the corresponding tax impacts, the Target Group would have shown a net profit of RMB236.8 million, RMB1,057.5 million, RMB546.3 million and RMB10.4 million for the years ended December 31, 2013 and 2014 and the four months ended April 30, 2014 and 2015 with a corresponding net profit margin of 12.0%, 21.8%, 24.0% and 5.0%, respectively, and a net loss of RMB157.5 million for the year ended December 31, 2012, with a corresponding net loss margin of -32.5%.

Consolidated statements of financial position

	As of December 31			As of April 30
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	427,663	419,332	391,883	375,043
Intangible assets	1,427	3,041	3,756	3,826
Investment properties	8,588,246	9,770,764	11,143,025	11,294,875
Interests in joint ventures	465,350	505,197	521,757	525,104
Other investments	5,535	297,620	347,767	347,767
Deferred tax assets	195,821	137,441	221,317	239,404
	9,684,042	11,133,395	12,629,505	12,786,019
Current assets				
Inventories	5,268,118	5,311,839	4,934,458	5,599,140
Prepaid tax	101,104	163,579	17,625	34,740
Trade and other receivables	446,891	772,171	825,207	469,180
Restricted cash	43,085	387,898	741,878	1,522,765
Cash and cash equivalents	512,984	652,588	1,099,118	713,547
Other current assets	20,000	150,000	260,710	–
	6,392,182	7,438,075	7,878,996	8,339,372
Current liabilities				
Trade and other payables	5,501,320	5,813,005	2,646,612	3,155,416
Bank loans and other borrowings	1,874,793	1,029,069	1,762,494	1,622,576
Current tax liabilities	153,784	133,015	655,796	701,542
	7,529,897	6,975,089	5,064,902	5,479,534
Net current (liabilities)/assets	(1,137,715)	462,986	2,814,094	2,859,838
Total assets less current liabilities	8,546,327	11,596,381	15,443,599	15,645,857
Non-current liabilities				
Bank loans and other borrowings	2,281,985	4,463,705	6,253,538	6,516,720
Deferred tax liabilities	1,706,825	1,881,495	2,210,221	2,174,315
	3,988,810	6,345,200	8,463,759	8,691,035
NET ASSETS	4,557,517	5,251,181	6,979,840	6,954,822
Capital and reserves				
Share capital	11	11	11	11
Reserves	4,541,871	5,225,653	6,953,826	6,940,312
Total equity attributable to equity holders of the Target Company	4,541,882	5,225,664	6,953,837	6,940,323
Non-controlling interests	15,635	25,517	26,003	14,499
TOTAL EQUITY	4,557,517	5,251,181	6,979,840	6,954,822

Consolidated statements of cash flows

	For The Year Ended 31 December			For The Four Months Ended April 30,	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Operating activities					
Profit before taxation	461,177	1,006,354	2,861,222	1,496,855	110,335
Adjustments for:					
Increase in fair value of investment properties	(651,866)	(591,353)	(895,341)	(550,085)	(89,064)
Depreciation and amortization	30,369	48,749	48,444	15,599	17,584
Loss/(gain) on disposal of property, plant and equipment	152	(70)	–	–	–
Finance costs	231,443	205,516	217,324	87,379	82,605
Interest income	(1,630)	(5,774)	(8,491)	(1,196)	(4,565)
Investment income	(517)	(1,981)	(9,372)	(9,372)	(12,511)
Share of loss of joint ventures	137	19	40	–	–
Changes in working capital:					
(Increase)/decrease in inventories	(1,769,363)	125,971	749,715	1,986,363	(535,318)
Increase in restricted cash	(8,846)	(344,813)	(353,980)	(974,729)	(780,887)
Decrease/(increase) in trade and other receivables	87,467	(325,268)	(53,215)	(205,052)	356,027
Increase/(decrease) in trade and other payables	2,581,150	490,663	(3,117,588)	(2,992,211)	693,485
Cash generated from/(used in) operations	959,673	608,013	(561,242)	(1,146,449)	(162,309)
PRC Corporate Income Tax paid	(39,456)	(34,338)	(190,727)	(16,404)	(2,100)
PRC LAT paid	(128,126)	(141,958)	(27,896)	(8,078)	(56,404)
Net cash generated from/(used in) operating activities	792,091	431,717	(779,865)	(1,170,931)	(220,813)
Investing activities					
Payment for purchase of property, plant and equipment	(136,560)	(39,938)	(20,316)	(5,880)	(451)
Proceeds from disposal of property, plant and equipment	106	90	–	–	–
Proceeds from disposal of other current assets	–	20,000	835	835	273,221
Payment for intangible assets	(1,296)	(2,114)	(1,395)	–	(363)
Advance to a joint venture	(30,632)	(39,866)	(16,600)	(2,541)	(3,347)
Payment for purchases of other investments	(9,492)	(439,965)	(152,485)	(103,453)	–
Payment for expenditure in investment properties	(489,312)	(766,925)	(509,508)	(226,349)	(364,499)
Interest received	1,630	5,774	8,491	1,196	4,565
Net cash used in investing activities	(665,556)	(1,262,944)	(690,978)	(336,192)	(90,874)
Financing activities					
Capital injection by non-controlling interests	–	10,000	–	–	–
Proceeds from bank loans and other borrowings	1,571,001	3,251,000	4,390,000	1,954,000	510,000
Repayments of bank loans and other borrowings	(1,004,134)	(1,915,004)	(1,866,741)	(694,559)	(386,736)
Interest and other borrowing costs paid	(388,445)	(375,208)	(605,929)	(156,297)	(197,145)
Net cash generated from/(used in) financing activities	178,422	970,788	1,917,330	1,103,144	(73,881)
Net increase/(decrease) in cash and cash equivalents	304,957	139,561	446,487	(403,979)	(385,568)
Cash and cash equivalents at January 1	208,027	512,984	652,588	652,588	1,099,118
Effect of foreign exchange rate changes	-	43	43	130	(3)
Cash and cash equivalents at December 31	512,984	652,588	1,099,118	248,739	713,547

Notes:

(1) The Target Group had a net operating cash outflow of RMB779.9 million in 2014 mainly due to a decrease of RMB3,117.6 million in trade and other payables. Such decrease was primarily attributable to the significant decrease in receipts in advance, which in turn was due to the delivery of LVGEM 1866 Garden in 2014, as a result of which the relevant balances of receipts in advance for the pre-sale of LVGEM 1866 Garden were recognized as revenue in 2014.

(2) The Target Group had a net operating cash outflow of RMB1,170.9 million in the four months ended April 30, 2014 primarily due to (i) a decrease in trade and other payables of RMB2,992.2 million (which was primarily attributable to the significant decrease in receipts in advance, which in turn was due to the delivery of LVGEM 1866 Garden in 2014, as a result of which the relevant balances of receipts in advance for the presale of LVGEM 1866 Garden were recognized as revenue during that period); and (ii) an increase in restricted cash of RMB974.7 million (which was due to an increase in deposits made (which was in relation to the issuance of a letter of credit by the Target Group)), which was partially offset primarily by a decrease in inventories of RMB1,986.4 million (which was primarily due to the completion and delivery of LVGEM 1866 Garden) and profit before taxation of RMB1,496.9 million.

(3) The Target Group had a net operating cash outflow of RMB220.8 million in the four months ended April 30, 2015 primarily due to (i) an increase in restricted cash of RMB780.9 million which was primarily related to a deposit of RMB396.4 million for the issuance of a letter of credit and a pledge of certificates of deposit of RMB382.0 million by the Target Company for obtaining new loans; and (ii) an increase in inventories of RMB535.3 million which was primarily related to the increase in construction progress of Hongwan Garden and Block A2 of LVGEM International Garden, as partially offset primarily by an increase in trade and other payables of RMB693.5 million and a decrease in trade and other receivables of RMB356.0 million.

DESCRIPTION OF SELECTED LINE ITEMS OF STATEMENTS OF PROFIT OR LOSS

Revenue

The Target Group derives its revenue primarily from property development and sales, commercial property investment and operations and comprehensive services. The following table sets forth the Target Group's revenue by segment for the periods indicated.

	For The Year Ended December 31,						For The Four Months Ended April 30,			
	2012		2013		2014		2014		2015	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Revenue										
Property development and sales	138,828	28.6	1,523,880	77.3	4,300,500	88.7	2,112,686	92.8	12,207	5.9
Commercial property investment and operations	197,943	40.8	270,522	13.7	351,600	7.2	107,655	4.7	131,985	63.5
Comprehensive services										
Property management	53,193	11.0	62,700	3.2	79,215	1.6	23,685	1.0	29,807	14.3
Hotel operation	62,065	12.8	72,344	3.7	73,736	1.5	23,588	1.0	22,123	10.6
Other services	32,984	6.8	41,134	2.1	45,583	1.0	9,430	0.5	11,814	5.7
Sub-total	148,242	30.6	176,178	9.0	198,534	4.1	56,703	2.5	63,744	30.6
Total	485,013	100.0	1,970,580	100.0	4,850,634	100.0	2,277,044	100.0	207,936	100.0

Property development and sales

Revenue from property development and sales is recognized only after properties have been sold to purchasers and after satisfying the requirements for delivery as stipulated in the sale and purchase agreements.

Consistent with industry practice, the Target Group typically enters into sales contracts with purchasers while the properties are still under development but after satisfying the conditions for pre-sales in accordance with PRC laws and regulations. Please refer to the paragraphs headed "Business of the Reorganized Target Group – Property Development and Sales Process – Marketing and Sales" in this circular for more details. Before the criteria for the recognition of sales of properties are met, payments received from purchasers are recorded as "receipts in advance" under "trade and other payables" in the Target Group's combined financial statements.

There is a time difference between the pre-sales of properties in projects under development and the completion of construction. Because the timing of completion of its properties varies according to its construction timetable, the Target Group's results of operations may vary significantly from period to period depending on the GFA sold or pre-sold, and the timing between pre-sales and completion and delivery of the properties to purchasers. Periods in which the Target Group pre-sells a large amount of aggregate GFA may not be periods in which it generates a correspondingly high level of revenue if the properties pre-sold are not completed and delivered within the same period. As a result, the Target Group's revenue from property development and sales may fluctuate due to factors such as the schedule of its property development and the timing of property sales.

The following table sets forth a breakdown of the Target Group's revenue recognized from sales of properties, recognized GFA and recognized ASP by project for the periods indicated.

	For The Year Ended December 31,									For The Four Months Ended April 30,					
	2012			2013			2014			2014			2015		
Project Name	Revenue before business tax and surcharges	Recognized GFA	Recognized ASP	Revenue before business tax and surcharges	Recognized GFA	Recognized ASP	Revenue before business tax and surcharges	Recognized GFA	Recognized ASP	Revenue before business tax and surcharges	Recognized GFA	Recognized ASP	Revenue before business tax and surcharges	Recognized GFA	Recognized ASP
	(RMB'000)	*(sq.m.)*	*(RMB'000)/ sq.m.*	*(RMB'000)*	*(sq.m.)*	*(RMB'000)/ sq.m.*	*(RMB'000)*	*(sq.m.)*	*(RMB'000)/ sq.m.*	*(RMB'000)*	*(sq.m.)*	*(RMB'000)/ sq.m.*	*(RMB'000)*	*(sq.m.)*	*(RMB'000)/ sq.m.*
LVGEM 1866 Garden [(1)]	–	–	–	–	–	–	4,367,708	190,347	22.9	2,054,688	90,898	22.6	11,321	587	19.3
Zhongcheng Tianyi Garden	29,749	1,919	15.5	1,100	137	8.0	–	–	–	–	–	–	–	–	–
LVGEM Chanson Garden	–	–	–	1,354,063	86,032	15.7	25,456	1,052	24.2	20,409	806	25.3	1,971	87	22.7
LVGEM Chanson Meilu Garden (residential properties)	–	–	–	163,321	10,768	15.2	3,259	177	18.4	3,259	177	18.4	–	–	–
LVGEM Chanson Meilu Garden – affordable housing (安居房)	–	–	–	–	–	–	45,267	10,059	4.5	45,267	10,059	4.5	–	–	–
LVGEM Chanson Meilu Garden (commercial properties)	–	–	–	–	–	–	53,596	2,672	20.1	53,596	2,672	20.1	–	–	–
City Garden (residential properties)	14,417	1,069	13.5	7,647	486	15.7	2,054	140	14.7	2,054	140	14.7	–	–	–
City Garden (commercial properties)	48,066	4,015	12.0	–	–	–	30,636	2,042	15.0	30,636	2,042	15.0	–	–	–
Tower B and Tower C of NEO Complex	41,030	1,847	22.2	27,097	1,314	20.6	25,046	808	31.0	25,046	808	31.0	–	–	–
Phase I of Zhonghe Tixiang Famous Garden (residential properties)	12,015	3,476	3.5	3,002	869	3.5	–	–	–	–	–	–	–	–	–
Phase I of Zhonghe Tixiang Famous Garden (retail spaces)	–	–	–	1,704	201	8.5	–	–	–	–	–	–	–	–	–
Phoenix Hill No. 1	1,959	103	19.0	56,918	2,875	19.8	–	–	–	–	–	–	–	–	–
Total	147,236	12,429	11.8	1,614,852	102,682	15.7	4,553,022	207,297	22.0	2,234,955	107,602	20.8	13,292	674	19.7

Note:

(1) The time lag between the completion and the delivery of LVGEM 1866 Garden was primarily due to the interior renovations for the commercial portions of this project. Therefore, although the Reorganized Target Group had completed the construction of LVGEM 1866 Garden in August 2013, it did not deliver the properties to its customers until April 2014, which was the delivery timing specified in the relevant pre-sales agreements. The length of time between construction completion and delivery of properties to customers of LVGEM 1866 Garden was in line with the relevant terms of the pre-sales agreements. According to the accounting policy adopted by the Reorganized Target Group as disclosed in the Circular, revenue from sales of properties is recognized upon the signing of sale and purchase agreements, the receipt of the deposits and confirmation or arrangement of settlement of remaining sale proceeds or the achievement of status ready for hand-over to customers as stipulated in the sale and purchase agreements, whichever is the latest. Thus, the Reorganized Target Group did not recognize revenue from LVGEM 1866 Garden until the properties were delivered in April 2014.

The table below sets forth a sensitivity analysis for the Target Group's recognized ASP, illustrating, for the periods indicated, their impact on the Target Group's profit before taxation if the Target Group's recognized ASP had been 5% higher or lower, assuming all other variables remained constant.

	For The Year Ended December 31			For the Four Months Ended April 30,	
	2012	**2013**	**2014**	**2014**	**2015**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Increase/(decrease) in profit before taxation					
If recognized ASP had been 5% higher	6,941	76,194	215,025	105,634	610
As a percentage of profit before taxation	1.51%	7.57%	7.52%	7.06%	0.55%
If recognized ASP had been 5% lower	(6,941)	(76,194)	(215,025)	(105,634)	(610)
As a percentage of profit before taxation	-1.51%	-7.57%	-7.52%	-7.06%	-0.55%

Commercial property investment and operations

The Target Group also generates rental income from the Target Group's lease of commercial properties, office space and car parks. The Target Group's commercial properties include the Zoll Centers, NEO Urban Commercial Complex and other retail spaces. The Target Group holds these commercial properties for capital appreciation and leases them to generate rental income. In addition, the Target Group charges certain tenants with promotion fees, site use fees and advertising space use fees. As of April 30, 2015, the Target Group held a total of eight properties as investment properties which had an aggregate LFA of 212,735 sq.m.

The following table sets forth a breakdown of the revenue generated by the Target Group's commercial properties by project for the periods indicated.

	For The Year Ended 31 December						For The Four Months Ended April 30,			
	2012		2013		2014		2014		2015	
	Revenue (RMB'000)	% of total revenue from the investment properties %	Revenue (RMB'000)	% of total revenue from the investment properties %	Revenue (RMB'000)	% of total revenue from the investment properties %	Revenue (RMB'000)	% of total revenue from the investment properties %	Revenue (RMB'000)	% of total revenue from the investment properties %
Zoll Centers										
– *Chanson Zoll Center*[1]	N/A	N/A	14,111	5.2	37,415	10.6	11,361	10.5	12,495	9.5
– *1866 Zoll Center*[2]	N/A	N/A	N/A	N/A	14,473	4.1	183	0.2	11,946	9.1
NEO Urban Commercial Complex	151,682	76.6	206,546	76.4	248,906	70.8	85,887	79.8	95,173	72.1
Other commercial properties	46,261	23.4	49,865	18.4	50,806	14.5	10,224	9.5	12,371	9.3
Total	197,943	100.0	270,522	100.0	351,600	100.0	107,655	100.0	131,985	100.0

Notes:

(1) Chanson Zoll Center commenced operations in May 2013.

(2) 1866 Zoll Center commenced operations in May 2014.

Comprehensive services

The Target Group's revenue from comprehensive services mainly represents revenue generated from hotel operation, property management and related services that the Target Group provides the owners of the properties it manages. This revenue is recognized over the period when the Target Group's property management and related services are rendered.

Cost of Sales

For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, the Target Group's cost of sales was RMB241.7 million, RMB1,160.8 million, RMB2,493.4 million, RMB1,198.8 million and RMB70.0 million, respectively, equivalent to approximately 49.8%, 58.9%, 51.4%, 52.6% and 33.6% of its revenue for the respective periods.

The following table sets forth a breakdown of the Target Group's cost of sales for the periods indicated.

	For The Year Ended December 31,						For The Four Months Ended April 30,			
	2012		2013		2014		2014		2015	
	(RMB'000)	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*
Cost of property development and sales										
Construction costs	48,777	20.2	716,675	61.7	1,722,113	69.1	847,559	70.7	5,374	7.7
Land acquisition costs	36,298	15.0	145,353	12.5	400,566	16.1	188,854	15.8	1,239	1.8
Others	18,886	7.8	139,391	12.1	184,355	7.3	106,928	8.9	687	1.0
Sub-total	103,961	43.0	1,001,419	86.3	2,307,034	92.5	1,143,341	95.4	7,300	10.5
Cost of commercial property investment and operations	54,888	22.7	61,990	5.3	83,088	3.3	26,110	2.2	27,423	39.2
Cost of comprehensive services	82,897	34.3	97,427	8.4	103,327	4.2	29,387	2.4	35,239	50.3
Total	241,746	100.0	1,160,836	100.0	2,493,449	100.0	1,198,838	100.0	69,962	100.0

Cost of property development and sales

Cost of property development and sales mainly includes construction costs, land acquisition costs and other costs. The Target Group recognizes the cost of property sales for a given period to the extent that revenue from such properties has been recognized in such period.

Construction costs

Construction costs represent costs for the design and construction of a project, primarily consisting of payments to the Target Group's contractors, including those responsible for civil engineering, construction, landscaping, equipment installation and interior decoration, as well as infrastructure construction costs and design costs. The Target Group's construction costs are affected by a number of factors, such as changes in the price of construction materials, the location and type of properties under construction and investments in ancillary facilities.

The table below sets forth a sensitivity analysis for the Target Group's construction costs illustrating, for the periods indicated, their impact on the Target Group's profit before taxation if its construction costs had been 5% higher or lower, assuming all other variables remained constant.

	For The Year Ended December 31,			For The Four Months Ended April 30,	
	2012	**2013**	**2014**	**2014**	**2015**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Increase/(decrease) in profit before taxation					
If construction costs had been 5% lower	2,439	35,834	86,106	42,378	269
As a percentage of profit before taxation	0.5%	3.6%	3.0%	2.8%	0.2%
If construction costs had been 5% higher	(2,439)	(35,834)	(86,106)	(42,378)	(269)
As a percentage of profit before taxation	-0.5%	-3.6%	-3.0%	-2.8%	-0.2%

Land acquisition cost

Land acquisition costs represent costs relating to acquisition of the rights to occupy, use and develop land, and primarily include land premium paid in connection with land grants from the PRC government or land obtained by urban redevelopment, transfers, cooperative arrangements, corporate acquisitions or otherwise. The Target Group's land acquisition costs are affected by a number of factors, such as the method of acquisition, the location of the underlying property, market conditions, the project's plot ratios, the designated use of the underlying property and changes in PRC policies and regulations. The Target Group may also be required to pay demolition and resettlement costs as part of its land acquisition costs.

The table below sets forth a sensitivity analysis for the Target Group's land acquisition costs, illustrating, for the periods indicated, the impact on the Target Group's profit before taxation if its land acquisition costs had been 5% higher or lower, assuming all other variables were held constant.

	For The Year Ended December 31,			For The Four Months Ended April 30,	
	2012	**2013**	**2014**	**2014**	**2015**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Increase/(decrease) in profit before taxation					
If land acquisition costs had been 5% lower	1,815	7,268	20,028	9,443	62
As a percentage of profit before taxation	0.4%	0.7%	0.7%	0.6%	0.1%
If land acquisition costs had been 5% higher	(1,815)	(7,268)	(20,028)	(9,443)	(62)
As a percentage of profit before taxation	-0.4%	-0.7%	-0.7%	-0.6%	-0.1%

As land acquisition costs vary by location and as the Target Group recognizes land acquisition costs only when properties satisfy the requirements for delivery, the Target Group's total land acquisition costs per sq.m. vary from period to period due to differences in the composition of the total GFA delivered by each project. For example, a significant proportion of the Target Group's total properties delivered in a certain period may be in locations with relatively low land acquisition costs, resulting in relatively low total land acquisition costs per sq.m. for that period, while, in another period, a significant proportion of the Target Group's total GFA delivered may be in locations with relatively high land acquisition costs, resulting in relatively high total land acquisition costs per sq.m. for that period. As the location of the Target Group's properties completed and delivered in future periods will vary from past periods, the above sensitivity analysis is for reference only and should not be unduly relied upon.

The Target Group's average land acquisition cost per square meter for the years ended December 31, 2012, 2013, 2014 and the four months ended 30, 2014 and 2015 was RMB2,920, RMB1,416, RMB1,932, RMB1,755 and RMB1,838, respectively. The average land acquisition cost per square meter has been calculated by dividing the land acquisition cost for the period by the recognized GFA for the period. The average land acquisition cost in 2012 was higher than in 2013 and 2014 as the properties delivered in 2012 were in more central areas with relatively higher land prices. The residential properties delivered in 2012 were mainly from Tower B and Tower C of NEO Urban Commercial Complex, which is located in a central area of Shenzhen. The properties delivered in 2013 and 2014 were primarily from LVGEM Chanson Garden and LVGEM Chanson Meilu Garden, which generally had low land prices.

Others

The Target Group's other costs mainly include capitalized interest expenses, indirect development costs and costs for other ancillary facilities.

Cost of Commercial Property Investment and Operations

Cost of commercial property investment and operations primarily includes staff costs and utility costs associated with the Target Group's asset management companies.

Cost of Comprehensive Services

Cost of comprehensive services primarily includes staff costs and utility costs associated with the Target Group's property management companies and other costs associated with the management of the properties and provision of related services as well as costs related to the operation of the Target Group's hotel, mainly consisting of depreciation expenses and staff costs of the hotel building.

Gross Profit and Gross Profit Margin

Gross profit represents revenue less cost of sales. The Target Group's gross profit for the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015 was RMB243.3 million, RMB809.7 million, RMB2,357.2 million, RMB1,078.2 million and RMB138.0 million, respectively. The Target Group's gross profit margin for the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015 was 50.2%, 41.1%, 48.6%, 47.4% and 66.4%, respectively.

The following table sets forth the Target Group's gross profit margin by segment for the periods indicated.

	For The Year Ended December 31,			For The Four Months Ended April 30,	
	2012	**2013**	**2014**	**2014**	**2015**
	(%)	*(%)*	*(%)*	*(%)*	*(%)*
Gross profit margin of property development and sales	25.1	34.3	46.4	45.9	40.2
Gross profit margin of commercial property investment and operations	72.3	77.1	76.4	75.7	79.2
Gross profit margin of comprehensive service	44.1	44.7	48.0	48.2	44.7
Gross profit margin of the Target Group	**50.2**	**41.1**	**48.6**	**47.4**	**66.4**

Other Revenue

The Target Group's other revenue consists of interest income, other investment income from wealth management and government grants. The Target Group received a discretionary government grant of RMB0.75 million in 2014 and RMB0.3 million for the four months ended April 30, 2015 for its achievements in energy saving and environmental protection.

The following table sets forth a breakdown of the Target Group's other revenue for the periods indicated.

	For The Year Ended December 31,			For The Four Months Ended April 30,	
	2012	**2013**	**2014**	**2014**	**2015**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Other revenue					
Interest income	1,630	5,774	8,491	1,196	4,565
Other investment income	517	1,981	9,372	9,372	12,511
Government grants	–	49	750	725	333
Total	2,147	7,804	18,613	11,293	17,409

Other Net Loss

The Target Group's other net loss consists of net loss/gain on disposals of property, plant and equipment.

Selling Expenses

The Target Group's selling expenses primarily consist of (i) marketing expenses, (ii) commissions paid to external sales agents, and (iii) other expenses related to the selling and marketing activities of the Target Group. For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, the Target Group's selling expenses were RMB77.6 million, RMB53.4 million, RMB41.5 million, RMB7.0 million and RMB8.6 million, respectively.

The following table sets forth a breakdown of the Target Group's selling expenses for the periods indicated.

	For The Year Ended December 31,			For The Four Months Ended April 30,	
	2012	**2013**	**2014**	**2014**	**2015**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Selling expenses					
Marketing expenses	39,565	22,580	24,877	2,971	6,269
Commissions paid to external sales agents	25,430	13,944	7,841	1,867	1,076
Others	12,607	16,919	8,737	2,174	1,240
Total	77,602	53,443	41,455	7,012	8,585

Administrative and Other Operating Expenses

The Target Group's administrative and other operating expenses primarily consist of staff costs, depreciation and amortization, consulting service fees, office administrative expenses, transportation and fuel expenses and other expenses related to the administrative activities of the Target Group. For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, the Target Group's administrative and other operating expenses were RMB126.8 million, RMB143.6 million, RMB151.1 million, RMB48.3 million and RMB42.9 million, respectively.

The following table sets forth a breakdown of the Target Group's administrative and other operating expenses for the periods indicated.

	For The Year Ended December 31,			For The Four Months Ended April 30,	
	2012	2013	2014	2014	2015
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Administrative and other operating expenses					
Staff costs	36,082	46,936	54,200	14,177	17,626
Depreciation and amortization	14,940	27,698	28,898	9,191	10,506
Consulting service fees	9,219	9,400	12,234	8,642	1,234
Office administrative expenses	16,167	8,724	12,183	4,830	1,851
Transportation and fuel expenses	10,971	10,549	11,907	3,023	2,763
Donation expense	6,552	2,100	7,402	4	–
Rental and other operating	14,995	20,100	8,525	3,104	5,468
Others	17,843	18,132	15,749	5,367	3,474
Total	126,769	143,639	151,098	48,338	42,922

Increase in Fair Value of Investment Properties

Increase in fair value of investment properties represents the excess of the current estimated value over the carrying value of the investment properties. Upward fair value adjustments are unrealized capital gains on an investment property as of the relevant reporting date. The amount of the increase in fair value attributable to an investment property depends on the prevailing property market and such increase is a non-cash gain which does not generate any cash inflow as long as the Target Group holds the relevant investment property.

Finance Costs

The Target Group's finance costs mainly consist of interest on bank loans and other borrowings less interest expense capitalized into properties under development.

The following table sets forth the Target Group's finance costs for the periods indicated.

	For The Year Ended December 31,			For The Four Months Ended April 30,	
	2012	2013	2014	2014	2015
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Interest on bank loans and other borrowings	388,445	375,208	589,658	176,529	211,969
Less: Interest expense capitalized into properties under development	(157,002)	(169,692)	(372,334)	(89,150)	(129,364)
Total	231,443	205,516	217,324	87,379	82,605

Income Tax

The Target Group's income tax expenses for a given period include payments and provisions made for corporate income tax and LAT.

Corporate income tax

The Target Group's PRC subsidiaries are subject to a corporate income tax at the rate of 25% according to the EIT Law. For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, the Target Group's effective corporate income tax rate was 27.5%, 25.7%, 27.7%, 24.6% and 29.2%, respectively.

LAT

Under PRC laws and regulations, the Target Group's property development and sales are subject to LAT in respect of the appreciated value of the related land and improvements on such land. LAT applies to both domestic and foreign investors in real estate development in the PRC and is levied on properties for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value. Certain exemptions are available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items (as defined in the relevant tax laws). Whether a property qualifies for the ordinary residential property exemption is determined by the local government. Historically, sales of higher-end properties and commercial properties have had higher appreciation values, and have been therefore generally subject to higher LAT rates. On December 28, 2006, the SAT issued the Notice on the Settlement Management of Land Appreciation Tax on Real Estate Enterprises (《關於房地產開發企業土地增值税清算管理有關問題的通知》), which took effect on February 1, 2007. Such notice provides further clarification regarding the settlement of LAT. Local provincial tax authorities can formulate their own implementation rules according to the notice and local conditions. On May 12, 2009, the SAT issued the Regulations of Land Appreciation Tax Settlement Administration (《土地增值税清算管理規程》), effective on June 1, 2009, which further clarifies the specific conditions and procedures for the settlement of LAT. The Target Group makes provisions for LAT by reference to the Target Group's recognized sales and in accordance with the Target Group's estimates of the LAT which will be payable under relevant PRC laws and regulations, but

only prepay 2% to 3% of the pre-sales proceeds each year as required by the local tax authorities under prevailing market practice. During the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, the Target Group paid RMB128.1 million, RMB142.0 million, RMB27.9 million, RMB8.1 million and RMB56.4 million for LAT for those periods and made LAT provisions of RMB4.0 million, RMB90.2 million and RMB471.1 million, RMB225.1 million and RMB11.4 million, respectively. Please refer to the section headed "Regulatory Overview – PRC Taxation – Land Appreciation Tax" in Appendix II to this circular for more details on the PRC regulations on LAT.

Profit for the Year/Period

For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2014 and 2015, the Target Group had profit of RMB331.4 million, RMB680.3 million, RMB1,729.0 million, RMB958.9 million and RMB77.2 million, respectively. The profit attributable to equity Shareholders of the Target Group was RMB330.3 million, RMB680.4 million, RMB1,728.5 million, RMB958.2 million and RMB75.5 million, for those same periods respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

For the four months ended April 30, 2015 and April 30, 2014

Revenue

The Target Group's revenue was RMB207.9 million for the four months ended April 30, 2015, representing a decrease of RMB2,069.1 million, or approximately 90.9%, from RMB2,277.0 million for the four months ended April 30, 2014. The decrease was mainly attributable to the decrease in revenue from the property development and sales segment from RMB2,112.7 million for the four months ended April 30, 2014 to RMB12.2 million for the four months ended April 30, 2015, which in turn was mainly due to a decrease in total recognized GFA from approximately 107,602 sq.m. for the four months ended April 30, 2014 to approximately 674 sq.m. for the four months ended April 30, 2015. The decrease in total recognized GFA was primarily due to more properties in LVGEM 1866 Garden being delivered in the four months ended April 30, 2014 than in the four months ended April 30, 2015, from which the Target Group recognized GFA of 90,898 sq.m. for the four months ended April 30, 2014 and only recognized GFA of 587 sq.m. for the four months ended April 30, 2015.

The Target Group's revenue from commercial property investment and operations for the four months ended April 30, 2015 was RMB132.0 million, representing an increase of RMB24.3 million, or approximately 22.6%, from RMB107.7 million for the four months ended April 30, 2014. The increase was primarily due to (i) the Target Group receiving rental income from 1866 Zoll Center during the four months ended April 30, 2015 but not during the four months ended April 30, 2014 as 1866 Zoll Center commenced operations in May 2014; and (ii) an overall increase in the rental income from NEO Urban Commercial Complex.

The Target Group's revenue from comprehensive services for the four months ended April 30, 2015 was RMB63.7 million, representing an increase of RMB7.0 million, or approximately 12.3%, from RMB56.7 million for the four months ended April 30, 2014, primarily due to an increase in revenue from property management services. Property management services revenue increased from RMB23.7 million for

the four months ended April 30, 2014 to RMB29.8 million for the four months ended April 30, 2015 primarily due to an increase in the properties managed by the Target Group's property management companies. The Target Group's property management companies started to provide property management services to a substantial part of 1866 Zoll Center from May 2014.

Cost of sales

The Target Group's cost of sales was RMB70.0 million for the four months ended April 30, 2015, representing a decrease of RMB1,128.8 million, or approximately 94.2%, from RMB1,198.8 million for the four months ended April 30, 2014. This decrease was primarily attributable to the decrease in its cost of property development and sales, which in turn was due to the overall decrease in recognized GFA.

Gross profit and gross profit margin

As a result of the foregoing, the Target Group's gross profit decreased by RMB940.2 million, or approximately 87.2%, from RMB1,078.2 million for the four months ended April 30, 2014 to RMB138.0 million for the four months ended April 30, 2015. The Target Group's gross profit margin increased from 47.4% for the four months ended April 30, 2014 to 66.4% for the four months ended April 30, 2015. The increase in the Target Group's gross profit margin was primarily due to (i) an increase in the rental income from the Target Group's commercial property investment and operations segment in the four month ended April 30, 2015 as compared to the four months ended April 30, 2014; and (ii) the decreased proportion of profit contribution from the Target Group's property development and sales segment, which has a lower gross profit margin than that of the commercial property investment and operations segment, for the four months ended April 30, 2015 as compared to the four months ended April 30, 2014, which was partially offset by (i) the decrease of the gross profit margin of the property development and sales segment due to the discounted sales prices of certain remaining properties in its projects and (ii) a slight decrease in gross profit margin of the comprehensive services due to the increase in cost of property management for the four months ended April 30, 2015 as compared to the four months ended April 30, 2014.

Other revenue

Other revenue was RMB17.4 million for the four months ended April 30, 2015, representing an increase of RMB6.1 million, or approximately 54.0%, from RMB11.3 million for the four months ended April 30, 2014, mainly due to the increase in the Target Group's interest income from the pre-sale proceeds of Hongwan Garden and the other investment income from the redemption of wealth management products.

Selling expenses

The Target Group's selling expenses were RMB8.6 million for the four months ended April 30, 2015, representing an increase of RMB1.6 million, or approximately 22.9%, from RMB7.0 million for the four months ended April 30, 2014. This increase was primarily attributable to the increase in its marketing and promotion activities for the pre-sale of Hongwan Garden for the four months ended April 30, 2015.

Administrative and other operating expenses

The Target Group's administrative and other operating expenses were RMB42.9 million for the four months ended April 30, 2015, representing a decrease of RMB5.4 million, or approximately 11.2%, from RMB48.3 million for the four months ended April 30, 2014. The decrease was primarily due to one-time consulting services fees of RMB8.6 million being paid by the Target Group for the review and upgrade of certain internal control systems and policies for the four months ended April 30, 2014 as compared to RMB1.2 million for the four months ended April 30, 2015.

Increase in fair value of investment properties

Increase in fair value of the Target Group's investment properties was RMB89.1 million for the four months ended April 30, 2015, representing a decrease of RMB461.0 million, or approximately 83.8%, from RMB550.1 million for the four months ended April 30, 2014. This was mainly due to a slow down in the rate of increase in the fair value of the Tower A of NEO Urban Commercial Complex, Hongwan Garden and Mangrove Luxury Garden for the four months ended April 30, 2015 as compared to the increase in the fair value of these properties for the four months ended April 30, 2014.

Finance costs

The Target Group's finance costs were RMB82.6 million for the four months ended April 30, 2015, representing a decrease of RMB4.8 million, or approximately 5.5%, from RMB87.4 million for the four months ended April 30, 2014. This decrease was primarily due to the increase in interest expenses capitalized into properties under development for the four months ended April 30, 2015.

Income tax

The Target Group's income tax expense was RMB33.1 million for the four months ended April 30, 2015, representing a decrease of RMB504.9 million, or approximately 93.8%, from RMB538.0 million for the four months ended April 30, 2014, which was in line with the overall decrease in revenue and profit before tax.

Profit for the period and net profit margin

The Target Group's profit was RMB77.2 million for the four months ended April 30, 2015, representing a decrease of RMB881.7 million, or approximately 91.9%, from RMB958.9 million for the four months ended April 30, 2014. The Target Group's net profit margin decreased from 42.1% for the four months ended April 30, 2014 to 37.1% for the four months ended April 30, 2015. The decrease in the net profit margin reflected the effect of the changes in the increase in fair value of investment properties. For

the four months ended April 30, 2014, the Target Group recorded an increase in fair value of investment properties of RMB550.1 million, which had a greater proportionate contribution to the Target Group's profit for that period than the increase in fair value of investment properties of RMB89.1 million did for the four months ended April 30, 2015.

Year ended December 31, 2014 compared to Year ended December 31, 2013

Revenue

The Target Group's revenue was RMB4,850.6 million in 2014, representing an increase of RMB2,880.0 million, or approximately 146.2%, from RMB1,970.6 million in 2013. The increase was mainly attributable to the increase in revenue from the Target Group's property development and sales segment, from RMB1,523.9 million in 2013 to RMB4,300.5 million in 2014, which in turn was mainly due to an increase in total recognized GFA, from approximately 102,682 sq.m. in 2013 to approximately 207,297 sq.m. in 2014. The increase in total recognized GFA was primarily attributable to the sales of properties of LVGEM 1866 Garden, from which the Target Group recognized GFA of 190,347 sq.m. in 2014.

The Target Group's revenue from commercial property investment and operations in 2014 was RMB351.6 million, representing an increase of RMB81.1 million, or approximately 30.0%, from RMB270.5 million in 2013. The increase was primarily due to (i) the Target Group commencing the operation of Chanson Zoll Center in May 2013, and therefore only receiving a half year of rental income in the year ended December 31, 2013 but a full year of rental income in the year ended December 31, 2014; (ii) an increase in the overall rent level of NEO Urban Commercial Complex and Chanson Zoll Center in 2014; and (iii) the commencement of operation of the 1866 Zoll Center in May 2014.

The Target Group's revenue from comprehensive services in 2014 was RMB198.5 million, representing an increase of RMB22.3 million, or approximately 12.7%, from RMB176.2 million in 2013, primarily due to an increase in revenue from property management services and hotel operations. Property management services revenue increased from RMB103.8 million in 2013 to RMB124.8 million in 2014, primarily due to an increase in the residential properties and the commercial properties managed by the Target Group's property management companies. In 2014, the Target Group's property management companies started to provide property management services to its LVGEM 1866 Garden, LVGEM Chanson Meilu Garden and 1866 Zoll Center. In addition, the Target Group commenced the operation of Chanson Zoll Center in May 2013 and therefore only received a half year of property management income from it in the year ended December 31, 2013 but received a full year of property management income in the year ended December 31, 2014. The Target Group's revenue from hotel operation remained relatively stable, increasing from RMB72.3 million in 2013 to RMB73.7 million in 2014.

Cost of sales

The Target Group's cost of sales was RMB2,493.4 million in 2014, representing an increase of RMB1,332.6 million, or approximately 114.8%, from RMB1,160.8 million in 2013. This increase was primarily attributable to the increase in its cost of property development and sales as a result of the delivery of properties in LVGEM 1886 Garden in 2014 and the cost of commercial property investment and operations which were in line with the increases in the revenue generated from those two segments.

Gross profit and gross profit margin

As a result of the foregoing, the Target Group's gross profit increased by RMB1,547.5 million, or approximately 191.1%, from RMB809.7 million in 2013 to RMB2,357.2 million in 2014. The Target Group's gross profit margin increased from 41.1% in 2013 to 48.6% in 2014. The increase in the Target Group's gross profit margin was mainly driven by the increase in the gross profit margin of the property development and sales segment, which increased from 34.3% in 2013 to 46.4% in 2014. Such increase was mainly due to an increase in the recognized ASP of the Target Group from approximately RMB15,700 in 2013 to approximately RMB22,000 in 2014, reflecting the higher selling prices of LVGEM 1866 Garden, whose revenue was recognized in 2014.

Other revenue

Other revenue was RMB18.6 million in 2014, representing an increase of RMB10.8 million, or approximately 138.5%, from RMB7.8 million in 2013, mainly due to the increase in the Target Group's other investment income from wealth management products and interest income.

Selling expenses

The Target Group's selling expenses were RMB41.5 million in 2014, representing a decrease of RMB12.1 million, or approximately 22.7%, from RMB53.4 million in 2013. This decrease was primarily attributable to a decrease in commissions paid to external sales agents. The commissions paid to external sales agents decreased from RMB13.9 million in 2013 to RMB7.8 million in 2014 primarily due to (i) the Target Group's increased utilization of its internal sales team in the sales and promotion of its properties in 2014, resulting in less property sales being concluded by external sales agents and (ii) more commissions being paid to external sales agents in 2013 for pre-sale activities relating to LVGEM 1866 Garden.

Administrative and other operating expenses

The Target Group's administrative and other operating expenses were RMB151.1 million in 2014, representing an increase of RMB7.5 million, or approximately 5.2%, from RMB143.6 million in 2013. The increase was primarily due to an increase of RMB7.3 million in staff cost, from RMB46.9 million in 2013 to RMB54.2 million in 2014. The increase was mainly due to an increase in the remuneration of the Target Group's administrative staff.

Increase in fair value of investment properties

Increase in fair value of investment properties was RMB895.3 million in 2014, representing an increase of RMB303.9 million, or approximately 51.4%, from RMB591.4 million in 2013. The increase was mainly attributable to (i) the increase in the market value of the 1866 Zoll Center when it was put into operation in 2014 compared to its development costs, and (ii) the increase in fair value of NEO Urban Commercial Complex and Chanson Zoll Center due to rising commercial property values in Shenzhen in 2014.

Finance costs

The Target Group's finance costs were RMB217.3 million in 2014, representing an increase of RMB11.8 million, or approximately 5.7%, from RMB205.5 million in 2013. This increase was primarily due to an increase in the Target Group's loans and borrowings from RMB5,492.8 million as of December 31, 2013 to RMB8,016.0 million as of December 31, 2014 for the financing of the Target Group's development of Hongwan Garden and Mangrove Luxury Garden in 2014.

Income tax

The Target Group's income tax expense was RMB1,132.3 million in 2014, representing an increase of RMB806.2 million, or approximately 247.2%, from RMB326.1 million in 2013. This increase was primarily due to the increase in the Target Group's profit before tax, from RMB1,006.4 million in 2013 to RMB2,861.2 million in 2014.

Profit for the year and net profit margin

The Target Group's profit for the year was RMB1,729.0 million in 2014, representing an increase of RMB1,048.7 million, or approximately 154.1%, from RMB680.3 million in 2013. The Target Group's net profit margin increased from 34.5% in 2013 to 35.6% in 2014.

Year ended December 31, 2013 compared to Year ended December 31, 2012

Revenue

The Target Group's revenue was RMB1,970.6 million in 2013, representing an increase of RMB1,485.5 million, or approximately 306.3%, from RMB485.1 million in 2012. The increase was mainly attributable to the increase in revenue from the Target Group's property development and sales segment from RMB138.8 million in 2012 to RMB1,523.9 million in 2013, which in turn was mainly due to an increase in total recognized GFA, from approximately 12,429 sq.m. in 2012 to approximately 102,682 sq.m. in 2013. The increase in total recognized GFA was primarily attributable to the sales of properties of LVGEM Chanson Garden and LVGEM Chanson Meilu Garden (residential properties) from which the Target Group recognized GFA of 86,032 sq.m. and 10,768 sq.m., respectively, in 2013.

The Target Group's revenue from commercial property investment and operations in 2013 was RMB270.5 million, representing an increase of RMB72.6 million, or approximately 36.7%, from RMB197.9 million in 2012, primarily due to (i) the Target Group commencing the operation of the Tower A of NEO Urban Commercial Complex in the second half of 2012 and having only a partial year of rental income from that project in 2012 as compared with a full year of rental income in 2013, and (ii) an increase in the overall rental price and the occupancy rates of NEO Urban Commercial Complex in 2013.

The Target Group's revenue from comprehensive services in 2013 was RMB176.2 million, representing an increase of RMB28.0 million, or approximately 18.9%, from RMB148.2 million in 2012, primarily due to an increase in revenue from its property management services and hotel operations. Revenue from property management services increased from RMB86.2 million in 2012 to RMB103.8 million in 2013, primarily due to an increase in the residential properties and the commercial properties

managed by the Target Group's property management companies including LVGEM Chanson Garden, LVGEM Chanson Meilu Garden and Chanson Zoll Garden, which commenced operations in May 2013. The Target Group's revenue from hotel operation in 2013 was RMB72.3 million, representing an increase of RMB10.2 million, or approximately 16.4%, from RMB62.1 million in 2012, primarily due to the increase of the occupancy rate from 68% in 2012 to 76% in 2013 and an increase of ARR from RMB594 in 2012 to RMB625 in 2013.

Cost of sales

The Target Group's cost of sales was RMB1,160.8 million in 2013, representing an increase of RMB919.1 million, or approximately 380.3%, from RMB241.7 million in 2012. This increase was primarily attributable to the increases in the cost of property development and sales (as a result of the delivery of properties in LVGEM Chanson Garden and LVGEM Chanson Meilu Garden) and the cost of commercial property investment and operations, which were generally in line with the increase in the revenue generated from those two segments.

Gross profit and gross profit margin

As a result of the foregoing, the Target Group's gross profit increased by RMB566.4 million, or approximately 232.8%, from RMB243.3 million in 2012 to RMB809.7 million in 2013. The Target Group's gross profit margin decreased from 50.2% in 2012 to 41.1% in 2013. The decrease in the Target Group's gross profit margin was due to the increased proportion of profit contribution from the Target Group's property development and sales segment in 2013 as compared to 2012. The Target Group's property development and sales segment has a lower gross profit margin than that of the commercial property investment and operations segment in general. Please refer to the paragraph headed "– Description of Selected Line Items of Statements of Profit or Loss – Gross Profit and Gross Profit Margin" in this section for the gross profit margins of the different segments of the Target Group.

Other revenue

Other revenue was RMB7.8 million in 2013, representing an increase of RMB5.7 million, or approximately 263.5%, from RMB2.1 million in 2012, mainly due to the increase the Target Group's interest income and other investment income from wealth management products.

Selling expenses

The Target Group's selling expenses were RMB53.4 million in 2013, representing a decrease of RMB24.2 million, or approximately 31.2%, from RMB77.6 million in 2012. This decrease was primarily attributable to the decrease in marketing expenses and commissions paid to external sales agents. The decrease in the marketing expenses was primarily attributable to a decrease in marketing expenses from RMB39.6 million in 2012, incurred mainly for the pre-sales of LVGEM Chanson Garden, LVGEM Chanson Meilu Garden and LVGEM 1866 Garden, to RMB22.6 million in 2013. The commissions paid to external sales agents decreased from RMB25.4 million in 2012 to RMB13.9 million in 2013 primarily because the Target Group established an internal sales team in 2012 to undertake some of the property sales and promotion activities, and with a full financial year of contribution from this internal sales team in 2013, thus a smaller percentage of property sales were concluded by external sales agents in 2013 compared to 2012.

Administrative and other operating expenses

The Target Group's administrative expenses and other operating expenses were RMB143.6 million in 2013, representing an increase of RMB16.8 million, or approximately 13.2%, from RMB126.8 million in 2012. The increase was primarily due to an increase in depreciation and amortization costs from RMB14.9 million in 2012 to RMB27.7 million in 2013, and an increase in staff costs, from RMB36.1 million in 2012 to RMB46.9 million in 2013. The increase in depreciation and amortization was due to the decoration of the Target Group's office building at Tower A of NEO Urban Commercial Complex in 2012. The increase in staff cost was mainly due to the increase in the remuneration of the Target Group's administrative staff.

Increase in fair value of investment properties

Increase in fair value of investment properties was RMB591.4 million in 2013, representing a slight decrease of RMB60.5 million, or approximately 9.3%, from RMB651.9 million in 2012. The Target Group had higher increase in fair value of investment properties in 2012 as Tower A of NEO Urban Commercial Complex was put into operation in 2012 and thus recorded more increase in fair value to reflect the difference in its market value compared to its development costs.

Finance costs

The Target Group's finance costs were RMB205.5 million in 2013, representing a decrease of RMB25.9 million, or approximately 11.2%, from RMB231.4 million in 2012. This decrease was primarily due to the increase in interest expenses capitalized into properties under development in 2013.

Income tax

The Target Group's income tax expense was RMB326.1 million in 2013, representing an increase of RMB196.4 million, from RMB129.7 million in 2012. This increase was primarily due to the increase in the Target Group's profits before tax, from RMB461.2 million in 2012 to RMB1,006.4 million in 2013.

Profit for the year and net profit margin

The Target Group's profit for the year was RMB680.3 million in 2013, representing an increase of RMB348.9 million, from RMB331.4 million in 2012. The Target Group's net profit margin decreased from 68.3% in 2012 to 34.5% in 2013. The decrease in the net profit margin reflected the effect of the changes in the increase in fair value of investment properties. In 2012, the Target Group recorded an increase in fair value of investment properties of RMB651.9 million, which had a greater proportionate contribution to the Target Group's profit for that year than the increase in fair value of investment properties of RMB591.4 million did in 2013.

LIQUIDITY AND CAPITAL RESOURCES

Property development requires substantial capital investment for land acquisition and construction. To date, the Target Group has funded its operations principally from cash generated from its operations, mainly including proceeds from pre-sales and sales of its properties, receipt of rental income, as well as bank loans and borrowings from financial institutions.

Cash Flow

The following table sets forth a summary of the Target Group's consolidated cash flow statements for the years indicated.

	For The Year Ended December 31,			For The Four Months Ended April 30,	
	2012	**2013**	**2014**	**2014**	**2015**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Selected cash flow statement data					
Net cash generated from/(used in) operating activities	792,091	431,717	(779,865)	(1,170,931)	(220,813)
Net cash (used in) investing activities	(665,556)	(1,262,944)	(690,978)	(336,192)	(90,874)
Net cash generated from/(used in) financing activities	178,422	970,788	1,917,330	1,103,144	(73,881)
Net increase/(decrease) in cash and cash equivalents	304,957	139,561	446,487	(403,979)	(385,568)
Cash and cash equivalent at the beginning of the year	208,027	512,984	652,588	652,588	1,099,118
Effect of foreign exchange rate change	–	43	43	130	(3)
Cash and cash equivalents at the end of the year	512,984	652,588	1,099,118	248,739	713,547

Net cash generated from/(used in) operating activities

In the four months ended April 30, 2015, the Target Group's net cash used in operating activities was RMB220.8 million. Its profit before taxation of RMB110.3 million for the four months ended April 30, 2015 was primarily adjusted by the following items before changes in working capital: a non-cash gain from an increase in the fair value of investment properties of RMB89.1 million as partially offset primarily by finance costs of RMB82.6 million. The amount was further adjusted primarily by the following changes in working capital, which had a negative effect on cash flow: (i) an increase in restricted cash of RMB780.9 million which was primarily related to a deposit of RMB396.4 million for the issuance of a letter of credit and a pledge of certificates of RMB382.0 million by the Target Company for obtaining new loans; and (ii) an increase in inventories of RMB535.3 million which was primarily related to the increase in construction process of Hongwan Garden and Block A2 of LVGEM International Garden as partially offset primarily by an increase in trade and other payables of RMB693.5 million and a decrease in trade and other receivables of RMB356.0 million.

In 2014, the Target Group's net cash used in operating activities was RMB779.9 million. Its profit before taxation of RMB2,861.2 million for 2014 was primarily adjusted by the following items before changes in working capital: (i) a non-cash increase in fair value of investment properties of RMB895.3 million, and (ii) finance costs of RMB217.3 million. The amount was further adjusted primarily by the following changes in working capital, which had a negative effect on cash flow: (i) a decrease of RMB3,117.6 million in trade and other payables, primarily attributable to the significant decrease in receipts

in advance due to the decrease in pre-sales in 2014, (ii) an increase in restricted cash of RMB354.0 million, and (iii) payments for PRC income tax and LAT of RMB218.6 million, which was partially offset by a decrease in inventories of RMB749.7 million.

Net cash generated from operating activities in 2013 was RMB431.7 million, which was primarily attributable to the profit before taxation of RMB1,006.4 million, adjusted by the following items before changes in working capital: (i) a non-cash gain in the fair value of investment properties of RMB591.4 million and (ii) finance cost of RMB205.5 million. The amount was further adjusted by (i) an increase in trade payables and other payables of RMB490.7 million, and (ii) a decrease in inventories of RMB126.0 million, which was partially offset by (i) an increase in restricted cash of RMB344.8 million, (ii) an increase in trade and other receivables of RMB325.3 million, due to an increase in receivables from related parties, and (iii) payments for PRC income tax and LAT of RMB176.3 million.

Net cash generated from operating activities in 2012 was RMB792.1 million, which was primarily attributable to profit before taxation of RMB461.2 million, adjusted by the following items before change in working capital: (i) a non-cash increase in fair value of investment properties of RMB651.9 million and (ii) finance cost of RMB231.4 million. The amount was further adjusted by an increase in trade and other payables of RMB2,581.2 million, primarily attributable to the significant increase in receipts in advance due to the increase in pre-sales in 2012, and partially offset by (i) an increase in inventories of RMB1,769.4 million, and (ii) payments for PRC income tax and LAT of RMB167.6 million.

Net cash (used in) investing activities

Net cash used in investing activities in the four months ended April 30, 2015 was RMB90.9 million, primarily attributable to expenditure for investment properties of RMB364.5 million, mainly related to Mangrove Luxury Garden and Hongwan Garden, as partially offset by proceeds from the disposal of other current assets of RMB273.2 million, due to the redemption of wealth management products.

Net cash used in investing activities in 2014 was RMB691.0 million, primarily attributable to payment for (i) expenditure in investment properties of RMB509.5 million, primarily the Hongwan Garden and Mangrove Luxury Garden, and (ii) purchase of other current financial assets of RMB152.5 million, due to investments in wealth management products.

Net cash used in investing activities in 2013 was RMB1,262.9 million, primarily attributable to payment for (i) expenditures in investment properties of RMB766.9 million, primarily for Hongwan Garden, and (ii) purchase of other investment of RMB440.0 million, due to the investment in wealth management products.

Net cash used in investing activities in 2012 was RMB665.6 million, primarily attributable to payment for (i) expenditures in investment properties of RMB489.3 million, primarily for LVGEM 1866 Garden and LVGEM Chanson Garden, and (ii) purchase of property, plant and equipment of RMB136.6 million, primarily due to the decoration of LVGEM Hotel.

Net cash generated from/(used in) financing activities

Net cash used in financing activities in the four months ended April 30, 2015 was RMB73.9 million, which was primarily attributable to (i) repayments of bank loans and other borrowings of RMB386.7 million and (ii) interest and other borrowing costs paid of RMB197.1 million as partially offset by proceeds from bank loans and other borrowings of RMB510.0 million.

Net cash generated from financing in 2014 was RMB1,917.3 million, which was primarily attributable to proceeds from bank loans of RMB4,390.0 million, partially offset by repayment of bank loans of RMB1,866.7 million and interest and other borrowing costs paid of RMB605.9 million.

Net cash generated from financing in 2013 was RMB970.8 million, which was primarily attributable to proceeds from bank loans of RMB3,251.0 million, partially offset by repayment of bank loans of RMB1,915.0 million and interest and other borrowing costs paid of RMB375.2 million.

Net cash generated from financing in 2012 was RMB178.4 million, which was primarily attributable to proceeds from bank loans of RMB1,571.0 million, partially offset by repayment of bank loans of RMB1,004.1 million and interest and other borrowing costs paid of RMB388.4 million.

Working Capital

The Target Group has historically financed and the Enlarged Group will continue to finance its working capital through proceeds from the pre-sales and sales of properties, receipt of rental income, as well as borrowings from banks and other financial institutions. Taking into account the Enlarged Group's business prospects, the cash generated from its operations, presently available banking facilities and other financial resources available to it, our Directors are satisfied, after due and careful inquiry, that the Enlarged Group will have sufficient available working capital for its present requirements for at least 12 months following the date of this circular.

As of December 31, 2014, the Target Group had capital commitments of RMB886.1 million for the two years ending December 31, 2016. As of the same date, the Target Group had aggregate bank and other borrowings of approximately RMB4,412.3 million to be repaid within the two years ending December 31, 2016. As confirmed by the Directors, the Target Group plans to satisfy such repayment obligations principally through proceeds from pre-sales and sales of properties and new bank borrowings or refinancings. The Directors expect that the Target Group will have significant cash inflow from pre-sales and sales of properties which are currently under development, including Hongwan Garden, Mangrove Luxury Garden and Block A2 of LVGEM International Garden in 2015 and 2016. Hongwan Garden has already been in its later stage of pre-sales, while Block A2 of LVGEM International Garden has commenced its pre-sales in August 2014. It is also expected that Mangrove Luxury Garden may commence its pre-sales in or around the fourth quarter of 2015. As of August 31, 2015, the Target Group had total bank facilities of RMB14,100.0 million, with unused bank facilities of RMB8,780.0 million. The Directors and the Sponsor are of the view that the Target Group has sufficient unused banking facilities and internal resources to fund repay its indebtedness as it comes due, to meet its capital commitments, including for both existing and future development projects.

For details regarding the Target Group's fund and working capital management measures, please refer to the section headed "Business of the Reorganized Target Group – Fund and Working Capital Management" in this circular.

Net Current Assets

The following table sets forth a breakdown of the Target Group's current assets and current liabilities as of the dates indicated.

	As of 31 December,			As of April 30,	As of August 31,
	2012	2013	2014	2015	2015
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Current assets					
Inventories	5,268,118	5,311,839	4,934,458	5,599,140	6,067,347
Prepaid tax	101,104	163,579	17,625	34,740	89,884
Trade and other receivables	446,891	772,171	825,207	469,180	640,720
Restricted cash	43,085	387,898	741,878	1,522,765	1,519,828
Cash and bank balances	512,984	652,588	1,099,118	713,547	1,397,841
Other current assets	20,000	150,000	260,710	–	2,000
Total current assets	6,392,182	7,438,075	7,878,996	8,339,372	9,717,620
Current liabilities					
Trade and other payables	5,501,320	5,813,005	2,646,612	3,155,416	5,164,287
Bank loans and other borrowings	1,874,793	1,029,069	1,762,494	1,622,576	1,619,447
Current tax liabilities	153,784	133,015	655,796	701,542	472,728
Total current liabilities	7,529,897	6,975,089	5,064,902	5,479,534	7,256,462
Net current (liabilities)/ assets	(1,137,715)	462,986	2,814,094	2,859,838	2,461,158

The Target Group's net current liabilities decreased by RMB1,600.7 million, or approximately 140.7%, from a net current liabilities position of RMB1,137.7 million as of December 31, 2012 to a net current assets position of RMB463.0 million as of December 31, 2013 and its net current assets position further increased by RMB2,351.1 million, or approximately 507.8%, to RMB2,814.1 million as of December 31, 2014 and to RMB2,859.8 million as of April 30, 2015 and decreased by RMB398.6 million, or approximately 13.9%, to RMB2,461.2 million as of August 31, 2015.

The Target Group's net current liabilities position as of December 31, 2012, was primarily attributable to the receipts in advance from the pre-sale of LVGEM Chanson Garden and Chanson Meilu Garden in 2012, which were recorded as trade and other payables in current liabilities of the Target Group. Please refer to the section headed "- Certain Items of Statement of Financial Position – Trade and Other Payables – receipts in advance" in this section.

Receipts in advance from customers are only accounted for as liabilities prior to the completion and delivery of the relevant properties. The relevant portion in this category is recognized as revenue upon delivery of the relevant properties. As a significant portion of the Target Group's current liabilities as of December 31, 2012 was attributable to receipts in advance from customers for the pre-sale of the residential properties developed by the Target Group, the Target Group is of the view that such net current liabilities had no material negative impact on the financial position of the Target Group.

CERTAIN ITEMS OF STATEMENT OF FINANCIAL POSITION

Investment Properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer of the Target Group, valued the Target Group's investment properties at RMB8,588.2 million, RMB9,770.8 million, RMB11,143.0 million and RMB11,294.9 million as of December 31, 2012, 2013 and 2014 and as of April 30, 2015, respectively.

The increase in the fair value of the Target Group's investment properties during the Track Record Period reflected the combination of (i) the increased number of the investment properties, and (ii) the increase in their fair value due to rising property values in Shenzhen. The following table sets forth the changes in the fair value of the Target Group's investment properties as of the dates indicated:

	Completed investment properties *(RMB million)*	Investment properties under development *(RMB million)*	Total *(RMB million)*
As of January 1, 2012	6,050.6	1,529.5	7,580.1
Additions	–	356.2	356.2
Net gain from a fair value adjustment	296.3	355.6	651.9
As of December 31, 2012 and January 1, 2013	6,346.9	2,241.3	8,588.2
Additions	–	591.2	591.2
Net gain from a fair value adjustment	447.4	144.0	591.4
Transfer upon completion	1,549.5	(1,549.5)	–
As of December 31, 2013 and January 1, 2014	8,343.8	1,427.0	9,770.8
Additions	–	476.9	476.9
Net gain from a fair value adjustment	580.5	314.8	895.3
At 31 December, 2014 and January 1, 2015	8,924.3	2,218.7	11,143.0
Additions	–	62.8	62.8
Net gain from a fair value adjustment	39.7	49.4	89.1
As of April 30, 2015	8,964.0	2,330.9	11,294.9

Inventories

The table below sets forth the breakdown of the Target Group's inventories as of the dates indicated.

	As of December 31,			As of April 30,
	2012 *(RMB'000)*	2013 *(RMB'000)*	2014 *(RMB'000)*	2015 *(RMB'000)*
Properties held for future development for sale	901,475	576,310	644,660	670,266
Properties under development for sale	2,949,868	1,959,094	3,828,663	4,468,188
Completed properties held for sale	1,415,382	2,774,857	459,143	459,027
Others	1,393	1,578	1,992	1,659
Total	5,268,118	5,311,839	4,934,458	5,599,140

The amount of the Target Group's properties held for future development for sale decreased by RMB325.2 million, from RMB901.5 million as of December 31, 2012 to RMB576.3 million as of December 31, 2013 and remained relatively stable, increasing by RMB68.4 million to RMB644.7 million as of December 31, 2014 and further increased by RMB25.6 million to RMB670.3 million as of April 30, 2015. The decrease in the Target Group's properties held for future development for sale from 2012 to 2013 was mainly because of the development of Block A1 of LVGEM International Garden, which was reclassified as a property under development for sale in 2013. The increase in the Target Group's properties held for future development for sale as of December 31, 2014 to April 30, 2015 was mainly due to the capitalization of certain pre-development expenses for Liguang Project.

The amount of the Target Group's properties under development for sale decreased by RMB990.8 million, from RMB2,949.9 million as of December 31, 2012 to RMB1,959.1 million as of December 31, 2013, then increased by RMB1,869.6 million to RMB3,828.7 million as of December 31, 2014 and further increased by RMB639.5 million to RMB4,468.2 million as of April 30, 2015. The decrease in the Target Group's properties under development for sale from December 31, 2012 to December 31, 2013 was mainly due to (i) the completed development of LVGEM 1866 Garden, which was reclassified as a completed property held for sale, and (ii) the completion and delivery of LVGEM Chanson Garden and LVGEM Chanson Meilu Garden in 2013. Such decrease was partially offset due to the commencement of the development of Hongwan Garden and Mangrove Luxury Garden, which development resulted in an increase in the total properties under development for sale. The increase in the Target Group's properties under development for sale as of December 31, 2013 to December 31, 2014 and to April 30, 2015 mainly reflected the further development of Hongwan Garden, Mangrove Luxury Garden and Block A2 of LVGEM International Garden.

Completed properties held for sale consist of the Target Group's completed properties remaining unsold or sold but not yet delivered as of the end of each reporting period. As of December 31, 2012, 2013 and 2014 and April 30, 2015, the Target Group's completed properties for sale amounted to RMB1,415.4 million, RMB2,774.9 million, RMB459.1 million and RMB459.0 million, respectively. The increase in completed properties held for sale from December 31, 2012 to December 31, 2013 was mainly due to the reclassification of the properties in LVGEM 1866 Garden from properties under development for sale to completed properties held for sale. The amount of completed properties held for sale decreased from RMB2,774.9 million as of December 31, 2013 to RMB459.1 million as of December 31, 2014 and to RMB459.0 million as of April 30, 2015 because of the delivery and sale of LVGEM 1866 Garden.

Trade and Other Receivables

The following table sets forth the Target Group's trade and other receivables as of the dates indicated.

	As of December 31,			As of April 30,
	2012	2013	2014	2015
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Trade debtors	42,764	40,627	39,485	42,691
Less: Allowance for doubtful debts	235	466	773	1,957
	42,529	40,161	38,712	40,734
Deposits, prepayments and other receivables	347,284	410,742	558,080	398,945
Amounts due from related parties	57,078	321,268	228,415	29,501
Total	446,891	772,171	825,207	469,180

The Directors have confirmed that, up to August 31, 2015, RMB200.8 million, representing 42.8% of the outstanding balance of trade and other receivables as at April 30, 2015, have been received.

Trade debtors

Trade debtors mainly represent the outstanding purchase amounts due from purchasers of the Target Group's properties. The Target Group generally does not sell properties on credit to customers and only extends credit terms to a limited number of customers in very rare circumstances. As of August 31, 2015, the Target Group had successfully collected RMB27.9 million from the net trade debtors outstanding balance as of April 30, 2015.

The Target Group's trade debtor turnover days were 22.6 days, 7.7 days, 3.0 days and 22.9 days in 2012, 2013, 2014 and the four months ended April 30, 2015, respectively. The Target Group's trade debtor turnover days are calculated by dividing the average of trade debtors at the beginning and the end of the year or period by revenue and multiply the resulting value by 365 days for the years ended December 31, 2012, 2013 and 2014 or 120 days for the four months ended April 30, 2015. The decrease in the Target Group's trade debtor turnover days from 2012 to 2013 and to 2014 was primarily due to the increases in its revenue. The increase in the Target Group's trade debtor turnover days from the year ended December 31, 2014 to the four months ended April 30, 2015 was primarily attributable to the significant decrease in the revenue for the four months ended April 30, 2015.

The table below sets forth an aging analysis of the Target Group's net trade debtors as of the dates indicated.

	As of December 31,			As of April 30,
	2012	2013	2014	2015
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Within 1 month	3,821	1,630	3,057	2,843
1 to 12 months	20,423	5,567	5,630	4,042
12 to 24 months	10,236	19,955	1,533	4,487
Over 24 months[(1)]	8,049	13,009	28,492	29,362
Total	42,529	40,161	38,712	40,734

Note:

(1) The significant increase of trade debtors aged over 24 months from RMB13.0 million as at December 31, 2013 to RMB28.5 million as at December 31, 2014 and further to RMB29.4 million as at April 30, 2015 was primarily due to an increase in the sales of properties in connection with the increase in recognized GFA. Of the trade debtors aged over 24 months, RMB23.2 million, representing 80.0% of the outstanding balance as at April 30, 2015, have been received up to August 31, 2015, and it is expected that a further RMB5.8 million from the trade debtors will be received before the year ending December 31, 2015 according to settlement schedule agreed with the respective customers. As such, the Directors are of the view that no provision for bad debt is considered necessary during the Track Record Period.

Deposits, prepayments and other receivables

The following table sets forth the Target Group's deposits, prepayments and other receivables as of the dates indicated.

	As of December 31,			As of April 30,
	2012	2013	2014	2015
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Prepaid development costs	131,720	141,360	492,293	302,371
Prepaid tax	164,329	231,138	31,760	66,407
Deposits paid	19,154	5,828	11,941	9,677
Other receivables	32,081	32,416	22,086	20,490
Total	347,284	410,742	558,080	398,945

The Target Group's deposits, prepayments and other receivables amounted to RMB347.3 million, RMB410.7 million, RMB558.1 million and RMB398.9 million as of December 31, 2012, 2013 and 2014 and as of April 30, 2015, respectively.

Prepaid development costs primarily comprise the prepayments to construction contractors for property development. Prepaid development costs increased from RMB131.7 million as of December 31, 2012 to RMB141.4 million as of December 31, 2013 as the Target Group prepaid more construction costs to the construction contractors for the development of LVGEM 1866 Garden in 2012 as compared to 2013. Prepaid development costs increased significantly from RMB141.4 million as of December 31, 2013 to RMB492.3 million as of December 31, 2014 as the Target Group prepaid more construction costs to the construction contractors mainly for the development of Hongwan Garden and Mangrove Luxury Garden in 2014 as compared to 2013. Prepaid development costs decreased from RMB492.3 million as of December 31, 2014 to RMB302.4 million as of April 30, 2015 because a portion of the prepaid development cost for Block A2 of LVGEM International Garden as of December 31, 2014 was recognized as inventory for the four months ended April 30, 2015 as a result of its development progress.

Prepaid tax comprises mainly the business tax and surcharges paid for the pre-sales of the Target Group's properties. The Target Group had a relatively high amount of prepaid tax as of December 31, 2012 and December 31, 2013, primarily due to the pre-sales of LVGEM Chanson Garden and LVGEM 1866 Garden in 2012 and 2013. Prepaid tax increased from RMB31.8 million as of December 31, 2014 to RMB66.4 million as of April 30, 2015 primarily due to the pre-sales of properties in Hongwan Garden.

Amounts due from related parties

Amounts due from related parties represent funds the Target Group advanced to the associates and the subsidiaries of the Controlling Shareholders and the Disposed Subsidiaries to finance their funding needs. Such amounts are unsecured, interest free and have no fixed terms of repayment. As of April 30, 2015, the Target Group's amounts due from related parties was RMB29.5 million, including (i) RMB16.5 million due from China LVGEM, which was non-trade in nature, and (ii) the remaining RMB13.0 million, all of which was trading related. China LVGEM is a company wholly owned by Mr. Wong, our Controlling Shareholder. The Target Group and the Controlling Shareholders have agreed to settle the non-trade portion due from China LVGEM prior to the Closing.

Interest in Joint Ventures

The Target Group's interest in joint ventures includes its 40% shareholding in Shenzhen Anyuan Industrial Development Co., Ltd. (深圳市安元實業發展有限公司)（"**An Yuan**"）and Yiyang Zhonghe Property Management Co., Ltd.

The following table sets forth the Target Group's share of net assets in the joint ventures and the amount due to An Yuan as of the dates indicated.

	As of December 31,			As of April 30,
	2012	2013	2014	2015
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Share of net assets	6,259	6,240	6,200	6,200
Amount due from a joint venture	459,091	498,957	515,557	518,904
Total	465,350	505,197	521,757	525,104

Pursuant to a cooperation agreement entered into in 2004 by An Yuan and a villagers-representative company, which is an Independent Third Party, An Yuan agreed to cooperate with the villagers-representative company to apply for and develop a parcel of land at Guan Hu in Shenzhen (the "**Guan Hu Project**"). Under the cooperation agreement, An Yuan is obliged to provide project development funds for the Guan Hu Project and, if the project is approved by the relevant PRC authorities, will be entitled to 74% of the total GFA of the project. The Guan Hu Project had been temporarily suspended until the Target Group's joint venture investment in An Yuan in 2010, as An Yuan did not have sufficient funds to finance the Guan Hu Project. In this respect, the Target Group had provided shareholder's loans totalling RMB518.9 million as of April 30, 2015 to An Yuan to be used as project development funds, and anticipated that it would benefit from An Yuan's interest in the Guan Hu Project upon completion of the project. The shareholder's loan to An Yuan has been and will be mainly used by An Yuan for payment of resettlement compensations, construction of replacement properties and project designing and planning.

Guan Hu Project had experienced delay mainly due to the revision of its architectural design scheme. According to a reply letter by the Urban Planning, Land and Resources Commission of Shenzhen Municipality in July 2010, the two land lots of the Guan Hu Project are subject to certain height limits. However, according to the minutes of a meeting held by the Binhai Administration Office of the Urban Planning, Land and Resources Commission of Shenzhen Municipality (the "**Binhai Administration Office**") in November 2010 (the "**Minutes**"), the experts in attendance consented that the height limits for the Guan Hu Project could be loosened if necessary. The experts also provided certain revision comments on the architectural design scheme of the Guan Hu Project (the "**Revision Comments**"). Based on the Minutes and to ensure satisfaction of the Revision Comments, the Target Group has been given to understand that An Yuan has since participated in rounds of discussions with the Binhai Administration Office regarding the revisions on the architectural design scheme of the Guan Hu Project, while working on ascertaining the scope and nature of the land lots of the Guan Hu Project in order to facilitate the revision of its architectural design scheme. In March 2012, the Binhai Administration Office issued a letter defining the scope and nature of the land lots of the Guan Hu Project. On such basis, An Yuan has been working with its external architectural firm and, from time to time, tapped on the advices and assistance from the Target Group, in considering various proposed revisions on the architectural design scheme with the aim of refining the design scheme within the scope stipulated by the Binhai Administration Office while best utilising the landscape and scenic resources of the Guan Hu Project. Meanwhile, An Yuan also continued its discussions

with the Binhai Administration Office with the aim of keeping Binhai Administration Office abreast of the various proposed revisions on the architectural design scheme being contemplated. As of the Latest Practicable Date, to the best understanding of the Target Group, a revised architectural design scheme for the purpose of formal submission to the Binhai Administration Office is being finalized, and construction of replacement properties for villagers in concern is principally completed. However, An Yuan has not yet obtained the land use rights certificate for the Guan Hu Project and the project is still considered to be at a planning stage. The Target Group currently has no concrete timetable for the commencement of construction of the Guan Hu Project.

According to the Target Group's construction timetable, "planning stage" refers to the stage when the actual construction of a project has not been commenced. Since the Guan Hu Project is an urban redevelopment project, which involves substantial negotiations with the relevant villagers-representative company and administrative works and communications with the relevant government authorities, longer time is required for it to obtain the land use right as compared to other types of projects. Despite that An Yuan has entered into a cooperation agreement with the relevant villagers-representative company and construction of replacement properties for villagers in concern is principally completed, the Target Group still considers the Guan Hu Project to be in the planning stage according to its construction timetable. The Target Group is of the view that the Guan Hu Project has been progressing according to plan and currently does not foresee any significant obstacles for the progress of the Guan Hu Project going forward upon official confirmation of the revised architectural design scheme by the Binhai Administration Office.

Under the cooperation agreement entered into between An Yuan and the relevant villagers-representative company, it is provided that if An Yuan is approved as the designated urban redeveloper by the relevant government authority, An Yuan will be entitled to 74% of the total GFA of the Guan Hu Project. Considering that (i) the Guan Hu Project is progressing according to plan; (ii) An Yuan is in good standing in terms of its operation and financial condition; and (iii) An Yuan's potential 74% interest in the Guan Hu Project (which has high quality land reserves) and the fact that the Target Group will benefit from its investment in An Yuan if An Yuan is confirmed as the designated urban redeveloper for the Guan Hu Project, the Target Group currently does not envisage any obstacle in recovery of the shareholders' loan to An Yuan and there is no need to make any provision for the loan. The Directors are of the view that there will be no obligations on the Target Group to provide further funding for the urban redevelopment process of the Guan Hu Project before An Yuan becomes formally approved as the designated urban redeveloper by the relevant government authority. Further, the Directors consider that after An Yuan has been approved as the designated urban redeveloper of the Guan Hu Project and granted the land use rights and relevant permits, funding requirements for the development of the Guan Hu Project before the pre-sale of properties can generally be satisfied through development loans from banks. However, in the event that the development loans are insufficient to satisfy the construction costs of the Guan Hu Project, the Target Group may have to provide further funding according to its shareholding percentage in An Yuan.

The timing for obtaining the relevant land planning permit and the land grant contract is uncertain as it will be decided by the relevant government authorities and is out of the control of An Yuan and the Reorganized Target Group. Therefore it is difficult to give a precise estimate of the timeframe for the completion of the Guan Hu Project. The Reorganized Target Group expects that the Guan Hu Project can be completed within two years after An Yuan being confirmed as the designated urban redeveloper and the signing of the relevant land grant contract, assuming An Yuan is confirmed as the designated urban redeveloper. Please refer to the section headed "Risk Factors – The Reorganized Target Group's investment

in its joint venture may not achieve the benefits as anticipated; the Reorganized Target Group cannot control the joint venture at its discretion and the joint venture partner may not always act in the Reorganized Target Group's interest; and the Reorganized Target Group's shareholder loan to the joint venture may not be repaid to the Reorganized Target Group in full or at all." in this circular.

Other current assets

The Target Group's other current assets comprise mainly its wealth management products. The Target Group invests in this type of products to improve its cash management and to seek investment returns, particularly when it has received significant amount of pre-sale proceeds. The investment in wealth management must be made in accordance with the risk management and internal control policies of the Target Group and can only be made when the Target Group's internal cash flow and liquidity forecast indicate that it has sufficient capital resources for operation. The Target Group only purchased such products from reputable financial institutions including commercial banks. During the Track Record Period, the Target Group was able to receive all the principal back with the expected investment income. The Target Group takes the view that investing in such type of wealth management products will enable it to generate additional income stream with minimal risk.

The following table sets forth the Target Group's other current assets as of the dates indicated.

	As of December 31,			As of April 30,
	2012	2013	2014	2015
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Principal protected with guaranteed return	–	150,000	–	–
Floating return without principal protection	20,000	–	260,710	–
Total	20,000	150,000	260,710	–

Restricted Cash

As of December 31, 2012, 2013 and 2014 and as of April 30, 2015, the Target Group's restricted cash amounted to RMB43.1 million, RMB387.9 million, RMB741.9 million and RMB1,522.8 million, respectively. The increase in restricted cash from December 31, 2012 to December 31, 2013 was mainly due to a pledge of certificates of deposits of RMB 350 million by Zhengxinglong Real Estate (Shenzhen) Co., Ltd., a subsidiary of the Target Company, in order to obtain bank loans. Such cash is restricted from being used or transferred before the repayment of the relevant bank loans. The increase in restricted cash from December 31, 2013 to December 31, 2014 was mainly due to (i) a deposit of RMB230.7 million for the issuance of a letter of credit, and (ii) a pledge of certificates of deposits of RMB117.0 million in order to obtain bank loans by Shenzhen LVGEM Asset Management Co., Ltd. to provide security for the financing of China LVGEM. China LVGEM and the Target Group have agreed to release all such security upon the

Closing. The increase in restricted cash from December 31, 2014 to April 30, 2015 was mainly due to (i) a deposit of RMB396.4 million in a bank for the issuance of a letter of credit; and (ii) a pledge of certificates of deposits of RMB382.0 million by the Target Company for obtaining new loans.

Trade and Other Payables

The following table sets out a breakdown of the Target Group's trade and other payables as of the dates indicated.

	As of December 31,			As of April 30,
	2012	2013	2014	2015
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Receipts in advance	3,530,645	4,176,802	679,195	1,285,491
Trade payables	1,431,761	1,068,488	1,474,703	1,420,304
Interest payables	–	20,390	4,119	10,705
Other payables and accruals	435,337	455,738	382,432	217,754
Amounts due to the Controlling Shareholders	94,676	88,671	100,411	189,322
Amounts due to related parties	8,901	2,916	5,752	31,840
Total	5,501,320	5,813,005	2,646,612	3,155,416

Directors have confirmed that, up to August 31, 2015, RMB1,258.7 million, representing 39.9% of the outstanding balance of trade and other payables as at April 30, 2015, have been settled.

Receipts in advance

Receipts in advance mainly represent the deposits and pre-sales proceeds received from customers for properties sold but not yet recognized. The Target Group's receipts in advance were RMB3,530.6 million, RMB4,176.8 million, RMB679.2million and RMB1,285.5 million as of December 31, 2012, 2013 and 2014 and April 30, 2015, respectively. The fluctuations in the Target Group's receipts in advance were primarily attributable to its property development timetables and, in particular, to pre-sale proceeds received in relation to LVGEM 1866 Garden and LVGEM Chanson Garden in 2012, to LVGEM 1866 Garden in 2013, to Hongwan Garden in 2014 and to Hongwan Garden and Block A1 of LVGEM International Garden as of April 30, 2015.

Trade payables

The Target Group's trade payables mainly represent payables to third party construction contractors. The Target Group's trade payables were RMB1,431.8 million, RMB1,068.5 million, RMB1,474.7 million and RMB1,420.3 million as of December 31, 2012, 2013 and 2014 and April 30, 2015, mainly representing the payables to the Target Group's construction contractors for their construction work for LVGEM 1866 Garden and LVGEM Chanson Garden for 2012, LVGEM 1866 Garden and Hongwan Garden for 2013,

Hongwan Garden and Mangrove Luxury Garden for 2014 and Hongwan Garden and Block A1 of LVGEM International Garden, Block A2 of LVGEM International Garden and Mangrove Luxury Garden as of April 30, 2015.

The Target Group's trade payable turnover days were 1,941.5 days, 393.1 days, 186.1 days and 2,482.8 days, respectively, in 2012, 2013 and 2014 and four months ended April 30, 2015. The Target Group's trade payable turnover days are calculated by dividing the average of trade payables at the beginning and the end of the year by cost of sales and multiply the resulting value by 365 days for the years ended December 31, 2012, 2013 and 2014 or 120 days for the four months ended April 30, 2015. The decrease in the Target Group's trade payable turnover days from the year of 2012 to 2014 was primarily due to the increase in the recognition of cost of sales in relation to the delivery of completed properties held for sale. The increase in the Target Group's trade payable turnover days from the year of 2014 to the four months ended April 30, 2015 was primarily resulted from the combined effect of (i) the significant drop of recognized cost of sales during the four months ended April 30, 2015 due to the significantly lower total GFA delivered by the Target Group (and correspondingly revenue recognized) during the said period, which substantially reduced the denominator for calculating the Target Group's trade payable turnover days; and (ii) a substantial portion of the reported trade payables outstanding as of April 30, 2015 consisted of accrued construction payables which were recognised based on the percentage of completion of the relevant projects in accordance with relevant accounting standards adopted by the Target Group, and were not due to be billed or payable according to the relevant contract terms, resulting in a relatively large nominator for calculating the Target Group's trade payable turnover days.

The table below sets forth an aging analysis of the Target Group's trade payables as of the dates indicated.

	As of December 31,			As of April 30,
	2012	2013	2014	2015
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Within 1 month	1,222,297	797,223	1,088,048	983,860
1 to 12 months	158,537	155,037	336,282	392,749
12 to 24 months	46,394	95,528	24,022	21,878
Over 24 months	4,533	20,700	26,351	21,817
Total	1,431,761	1,068,488	1,474,703	1,420,304

Other payables and accruals

The following table sets forth the Target Group's other payables and accruals as of the dates indicated.

	As of December 31,			As of April 30,
	2012	**2013**	**2014**	**2015**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Deposits received	252,463	323,257	247,956	126,444
Receipts on behalf	146,978	86,322	97,426	51,481
Salaries payables	15,334	18,514	12,919	4,883
Other payables	20,562	27,645	24,131	34,946
Total	435,337	455,738	382,432	217,754

The Target Group's other payables and accruals amounted to RMB435.3 million, RMB455.7 million and RMB382.4 million and RMB217.8 million as of December 31, 2012, 2013 and 2014 and April 30, 2015, respectively.

Deposits received comprise mainly the quality deposit payable to the construction contractors. The Target Group generally settles up to 95% of the total contract price within two months of the completion of construction, and retains the remaining 5% as quality deposit for one to five years.

Receipts on behalf comprise mainly the utility fees the Target Group received from its customers, which will be paid by the Target Group to utility companies on behalf of the customers subsequently. As of December 31, 2012, the Target Group also sold some properties on behalf of a village representative company and thus had a sale proceeds of RMB87.2 million held as receipts on behalf.

Amounts due to the Controlling Shareholders

As of April 30, 2015, the Target Group's amount due to the Controlling Shareholders was RMB189.3 million (including the dividend of RMB89.1 million declared to the sole shareholder of the Target Group on April 30, 2015). As a result of the Reorganization, the Target Group disposed of the Disposed Subsidiaries to the Controlling Shareholders and is entitled to receive an aggregate consideration of RMB683.0 million. After setting off the amounts due from Controlling Shareholders of RMB189.3 million (including the dividend declared on April 30, 2015) with part of the consideration receivable from the disposal of the Disposed Subsidiaries, the outstanding consideration due from the Controlling Shareholders was RMB493.7 million. The Target Group further declared dividend of RMB504.4 million to the Controlling Shareholder in August 2015, which was applied to fully offset the outstanding consideration due from the Controlling Shareholder in the same month. The remaining balance of RMB10.7 million due to the Controlling Shareholder will be fully offset by the outstanding balance due from China LVGEM as disclosed on page 264 of this circular prior to Closing.

Amounts due to related parties

As of April 30, 2015, the Target Group's amount due to related parties was RMB31.8 million. The Target Group intends to settle such outstanding amount due to related parties before the Closing.

CAPITAL COMMITMENTS

The table below sets forth the Target Group's commitments for land and development costs for its properties under development as of the dates indicated.

	As of December 31,			As of April 30,
	2012	2013	2014	2015
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Commitments on property development expenditure	1,198,325	916,144	903,967	498,610
Total	1,198,325	916,144	903,967	498,610

CAPITAL EXPENDITURES

The table below sets forth the Target Group's estimated amount of capital expenditures in 2015, 2016 and 2017.

	For The Years Ended December 31,		
	2015	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Capital expenditure in respect of property	592,481	293,595	17,891
Total	592,481	293,595	17,891

OPERATING LEASES

The following table sets forth the total future minimum lease payments payable by the Target Group under non-cancellable operating leases as of the dates indicated.

	As of December 31,			As of April 30,
	2012	2013	2014	2015
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Within 1 year	23,488	23,444	23,889	23,955
After 1 year but within 5 years	87,297	81,803	76,712	74,586
After 5 years	96,517	78,634	60,745	54,782
Total	207,302	183,881	161,346	153,323

The following table sets forth the total future minimum lease payments receivable by the Target Group under non-cancellable operating leases of the dates indicated.

	As of December 31,			As of April 30,
	2012	2013	2014	2015
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Within 1 year	178,188	217,379	259,910	358,003
After 1 year but within 5 years	330,565	387,704	455,291	696,363
After 5 years	46,599	195,075	94,628	283,564
Total	555,352	800,158	809,829	1,337,930

INDEBTEDNESS

The following table sets forth a breakdown of the Target Group's loans and borrowings as of the dates indicated.

	As of December 31,			As of April 30,	As of August 31,
	2012	2013	2014	2015	2015
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Current					
– Secured bank loans	1,795,793	625,069	1,170,494	1,082,576	1,619,447
– Guaranteed bank loans	4,000	404,000	22,000	20,000	–
– Secured other borrowings[(1)]	75,000	–	570,000	520,000	–
	1,874,793	1,029,069	1,762,494	1,622,576	1,619,447
Non-current					
– Secured bank loans	2,255,985	3,941,705	5,143,538	5,396,720	5,767,402
– Guaranteed bank loans	26,000	22,000	–	–	–
– Secured other borrowings[(1)]	–	500,000	1,110,000	1,120,000	850,000
	2,281,985	4,463,705	6,253,538	6,516,720	6,617,402
Total	4,156,778	5,492,774	8,016,032	8,139,296	8,236,849

Notes:

(1) The Target Group's other borrowings include trust financings and entrusted loans.

The Target Group's outstanding current and non-current secured bank loans, guaranteed bank loans and secured other borrowings in aggregate amounted to RMB4,156.8 million, RMB5,492.8 million, RMB8,016.0 million, RMB8,139.3 million and RMB8,236.8 million as of December 31, 2012, 2013 and 2014 and April 30, 2015 and August 31, 2015, respectively.

Certain of the Target Group's bank loans and other borrowings are secured by pledged bank deposits, properties (including but not limited to the Target Group's interest in NEO Urban Commercial Complex and other investment properties) and inventories. In addition, certain of the Target Group's bank loans and its other borrowings are also guaranteed by Mr. Wong, his wife, and/or their affiliated companies. As of August 31, 2015, RMB3,869.5 million in bank loans and other borrowings were guaranteed by Mr. Wong, his wife, and/or their affiliated companies. All such guarantees will be released prior to the Closing.

The table below sets forth aging analysis of the Target Group's interest-bearing borrowings as of the dates indicated.

	As of December 31,			As of April 30,	As of August 31,
	2012	2013	2014	2015	2015
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Within 1 year or demand	1,874,793	1,029,069	1,762,494	1,622,576	1,619,447
After 1 year but within 2 years	449,080	1,793,613	2,649,807	2,661,126	2,209,177
After 2 years but within 5 years	1,198,396	1,479,140	2,336,610	2,692,257	2,711,460
After 5 years	634,509	1,190,952	1,267,121	1,163,337	1,696,765
	2,281,985	4,463,705	6,253,538	6,516,720	6,617,402
Total	4,156,778	5,492,774	8,016,032	8,139,296	8,236,849

Certain of the loan and other borrowing agreements of the companies in the Target Group contain restrictive covenants which include, among other things, (i) that the borrower must notify the lender or obtain consent from the lender prior to incurring additional indebtedness, or division, merger, joint venture, reorganization, application for bankruptcy, change of registered capital and other material events that may affect the borrower's ability to repay the loans; (ii) that the borrower must obtain consent from the lender before providing guarantees in favor of any third party and before making advanced payment of the outstanding principal and interest and must not conduct any activities which may adversely affect its financial condition and its performance of the obligations under the loan or borrowing agreement; (iii) the borrower must not change the use of the borrowings without the prior consent of the lender; (iv) the borrower must provide timely notice to the lender regarding each of its connected transactions which amount to 10% of its net assets, including the relationship among the parties of the connected transactions, transaction project, transaction nature, transaction amount and the corresponding proportion rate and pricing policies; (v) the borrower must maintain a debt-to-asset ratio of less than 90%; (vi) the borrower must not pay any dividend or other distribution without the lender's prior consent before the repayment of the outstanding principal, interest and any other amounts due under the loan agreements and (vii) the borrower must not pay any dividend or other distribution where there is no net profit or there is a net loss, or where net profit is insufficient to make up for the losses in the previous fiscal year, or where the profit before tax has not been used to pay off the principal, interest and other amounts becoming due during the fiscal year, or where the profit before tax is insufficient to pay off the principal, interest and other amounts due in the next period. These restrictions may limit the ability of the companies in the Target Group to pay dividends or make other distributions to the Company in the future. As confirmed by the Directors, none of the dividend declarations and/or payments made by companies in the Target Group during the Track Record Period and up to the Latest Practicable Date violated the terms of any relevant loan or borrowing agreement.

As of August 31, 2015, the Target Group had total bank facilities of RMB14,100.0 million, with unused bank facilities of RMB8,780.0 million.

As of August 31, 2015, being the latest practicable date for the purpose of this indebtedness statement, except as disclosed in the section headed "– Indebtedness in this section, the Target Group did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits. The Target Group experienced no material change in its indebtedness position from April 30, 2015 up to the latest practicable date for the purposes of this indebtedness statement. During the Track Record Period and up to the Latest Practicable Date, the Target Group did not (a) experience any difficulty in obtaining credit facilities, (b) experience any withdrawal of banking facilities by a bank or receive any request to make early repayment, or (c) default in the payment or breach of the financial covenants of its bank borrowings. The Directors have confirmed that, saved as two new bank loans amounting to RMB2,424.4 million entered into by the Target Group between July 1, 2015 and August 31, 2015, none of which is backed by signed contract or documentation, the Target Group has not entered into any new loan or borrowing arrangement that is backed by signed contract or documentation.

CONTINGENT LIABILITIES

Mortgage Guarantees

The Target Group provides guarantees to banks to secure the mortgage arrangements of purchasers of its properties. As of December 31, 2012, 2013 and 2014 and April 30, 2015 the maximum amount of guarantees given by the Target Group to the banks for mortgage facilities amounted to RMB1,903.2 million, RMB2,099.6 million, RMB169.9 million and RMB384.3 million, respectively. These include guarantees which will be terminated upon the completion of the transfer procedures with the purchasers in respect of the legal title of the properties, and guarantees which will be terminated upon the full repayment of mortgage loans by the purchasers to the banks.

The Target Group does not consider it probable that it will sustain a loss under these guarantees as the banks have the right to sell the property and recover the outstanding loan balances from the sale proceeds if the property purchasers default on these payment obligations. The Target Group has not recognized any deferred income in respect of these guarantees as their fair value is considered to be minimal by the Target Group.

Legal Contingencies

In the normal course of business, the Target Group may be involved in lawsuits and other proceedings. While the outcomes of such contingences, lawsuits or other proceedings cannot be determined at present, the Target Group believes that any resulting liabilities will not, individually or in the aggregate, have a material adverse effect on its financial position or results of operations.

As of the Latest Practicable Date, the Target Group had no other material contingent liabilities other than those disclosed in this circular.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contingent liabilities described above, the Target Group has not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties. The Target Group does not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to the Target Group or engages in leasing or hedging or research and development services with the Target Group.

MARKET RISKS

The Target Group is exposed to various types of market risks from its use of financial instruments, in the normal course of the Target Group's operations, mainly including credit risk, liquidity risk, interest rate risk and foreign currency risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Target Group's credit risk is primarily attributable to the Target Group's cash and cash equivalents, pledged deposits, trade and other receivables and other financial assets. The Target Group has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

Cash and cash equivalents and pledged deposits held by the Target Group are mainly deposited in financial institutions such as commercial banks which have sound reputations and financial conditions. Our management does not foresee any significant credit risks from these cash and cash equivalents and pledged deposits. The Target Group sets deposit limits based on the financial institutions credit risks.

In respect of trade receivables, credit risk is minimized as the Target Group normally receives full payment from buyers before the transfer of property ownership. For outstanding receivables from property sales and property leasing, the Target Group continuously monitors defaults of leasing, customers and other counter, parties, identifies individually and incorporates this information into its credit risk.

In respect of amounts due from associates and joint ventures, the Target Group facilitates their capital demand by assessing and closely monitoring their financial condition and profitability.

In respect of other receivables due from third parties, the Target Group reviews the exposure and manages them based on the need of operation.

Except for the financial guarantees given by the Target Group as set forth in "– Contingent liabilities in this section, the Target Group did not provide any other guarantees which would expose it to material credit risks.

Liquidity Risk

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in meeting obligations associated with financial liabilities. The Target Group regularly monitors its liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long terms.

The tables below show the contractual maturities as of the dates indicated of the Target Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the end of the reporting period) and the earliest date that the Target Group is required to pay:

	As of April 30, 2015					
	Carrying amount *(RMB'000)*	**Total contractual undiscounted cash flow** *(RMB'000)*	**Within 1 year or on demand** *(RMB'000)*	**More than 1 year but less than two years** *(RMB'000)*	**More than 2 years but less than 5 years** *(RMB'000)*	**More than 5 years** *(RMB'000)*
Trade and other payables	3,155,416	3,155,416	3,048,763	106,653	–	–
Bank loans and other borrowings	8,139,296	9,603,761	2,233,918	3,164,948	2,955,875	1,249,020
Total	11,294,712	12,759,177	5,282,681	3,271,601	2,955,875	1,249,020

	As of December 31, 2014					
	Carrying amount *(RMB'000)*	**Total contractual undiscounted cash flow** *(RMB'000)*	**Within 1 year or on demand** *(RMB'000)*	**More than 1 year but less than two years** *(RMB'000)*	**More than 2 years but less than 5 years** *(RMB'000)*	**More than 5 years** *(RMB'000)*
Trade and other payables	2,646,612	2,646,612	2,534,798	111,814	–	–
Bank loans and other borrowings	8,016,032	9,534,963	2,398,737	3,152,064	2,618,034	1,366,128
Total	10,662,644	12,181,575	4,933,535	3,263,878	2,618,034	1,366,128

	As of December 31, 2013					
	Carrying amount *(RMB'000)*	Total contractual undiscounted cash flow *(RMB'000)*	Within 1 year or on demand *(RMB'000)*	More than 1 year but less than 2 years *(RMB'000)*	More than 2 years but less than 5 years *(RMB'000)*	More than 5 years *(RMB'000)*
Trade and other payables	5,813,005	5,813,005	5,714,643	98,362	–	–
Bank loans and other borrowings	5,492,774	6,510,063	1,434,204	2,122,808	1,673,675	1,279,376
Total	11,305,779	12,323,068	7,148,847	2,221,170	1,673,675	1,279,376

	As of December 31, 2012					
	Carrying amount *(RMB'000)*	Total contractual undiscounted cash flow *(RMB'000)*	Within 1 year or on demand *(RMB'000)*	More than 1 year but less than 2 years *(RMB'000)*	More than 2 years but less than 5 years *(RMB'000)*	More than 5 years *(RMB'000)*
Trade and other payables	5,501,320	5,501,320	5,421,184	80,136	–	–
Bank loans and other borrowings	4,156,778	4,818,663	2,186,558	617,672	1,333,145	681,288
Total	9,658,098	10,319,983	7,607,742	697,808	1,333,145	681,288

Interest Rate Risk

The Target Group's interest rate risk results primarily from the Target Group's cash and bank loans and borrowings from financial institutions. Cash and bank loans and borrowings from financial institutions issued at variable rates expose the Target Group to cash flow interest rate risk.

As of April 30, 2015, it is estimated that a general increase of 50 basis points in the interest rates of the Target Group's cash and bank loans and borrowings from financial institutions, with all other variables held constant, would have decreased the Target Group's profit after tax and total equity by approximately RMB9.3 million.

As of December 31, 2014, it is estimated that a general increase of 50 basis points in the interest rates of the Target Group's cash and bank loans and borrowings from financial institutions, with all other variables held constant, would have decreased the Target Group's profit after tax and total equity by approximately RMB8.7 million.

As of December 31, 2013, it is estimated that a general increase of 50 basis points in the interest rates of the Target Group's cash and bank loans and borrowings from financial institutions, with all other variables held constant, would have decreased the Target Group's profit after tax and total equity by approximately RMB9.4 million.

As of December 31, 2012, it is estimated that a general increase of 50 basis points in the interest rates of the Target Group's cash and bank loans and borrowings from financial institutions, with all other variables held constant, would have decreased the Target Group's profit after tax and total equity by approximately RMB9.1 million.

The sensitivity analysis above assumes that the changes in interest rates would have occurred as of the dates indicated and had been applied to all of the Target Group's floating rate loans and borrowings from financial institutions, without taking into account the impact of interest capitalization.

Currency Risk

The Target Group's business is principally conducted in RMB and most of the Target Group's monetary assets and liabilities are denominated in RMB. Accordingly, the Target Group considers its exposure to currency risk to be insignificant.

DIVIDEND AND DISTRIBUTABLE RESERVES

The Target Group did not pay any cash dividends during the Track Record Period. The Target Group's distributable reserves as of December 31, 2012, 2013 and 2014 and April 30, 2015 were nil, nil, nil and RMB504.4 million, respectively. On April 30, 2015, the Target Group declared a dividend of RMB89.1 million to its sole shareholder. The Target Group declared another dividend of RMB504.4 million to its sole shareholder in August 2015. Both of the dividends declared in April 2015 and August 2015 were settled in late August 2015.

The Company has no fixed dividend policy and, subject to compliance with the relevant laws of the Cayman Islands and the Articles, the Board has absolute discretion in determining whether to recommend a declaration of any dividend for any period, and the amount of dividend to be paid. In determining any dividend payment, the Board will evaluate the Company's earnings, cash flow, financial condition, capital requirements, prevailing economic conditions and any other factors that the Directors deem relevant. There can be no assurance that dividends will be paid in any amount in the future, or at all.

Certain subsidiaries of the Target Group are subject to restrictions on dividend payment under certain outstanding loan agreements. As confirmed by the Directors, none of the dividend declarations and/or payments made by the Target Group during the Track Record Period and up to the Latest Practicable Date were in violation of any restrictions in its loan agreements.

KEY FINANCIAL RATIOS

	For The Years Ended and as of December 31,			For The Four Months Ended and as of April 30,
	2012	2013	2014	2015
Gross profit margin (%)[1]	50.2	41.1	48.6	66.4
Net profit margin (%)[2]	68.3	34.5	35.6	37.1
Return on equity (%)[3]	7.3	13.0	24.8	1.1
Current ratio (times)[4]	0.8	1.1	1.6	1.5
Gearing ratio (%)[5]	91.2	104.6	114.8	117.0
Interest coverage ratio (times)[6]	2.2	3.7	5.9	1.5

Notes:

(1) Gross profit margin for the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2015 was calculated based on the Target Group's gross profit of respective periods divided by the Target Group's revenue of respective periods and multiplied by 100%.

(2) Net profit margin for the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2015 was calculated based on the Target Group's net profit of respective periods divided by the Target Group's revenue of respective periods and multiplied by 100%.

(3) Return on equity for each of the year ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2015 was calculated based on the Target Group's net profit of the respective periods divided by the equity as of the end of the respective periods and multiplied by 100%.

(4) Current ratios as of December 31, 2012, 2013 and 2014 and April 30, 2015 were calculated based on the Target Group's total current assets as of the respective dates divided by the Target Group's total current liabilities as of the respective dates.

(5) Gearing ratios as of December 31, 2012, 2013 and 2014 and April 30, 2015 was calculated as total debt divided by total equity of the Target Group as of the respective date. The total debt was calculated as total loans and borrowings of the Target Group as of the respective dates.

(6) Interest coverage ratio for each of the years ended December 31, 2012, 2013 and 2014 and April 30, 2015 was calculated based on the Target Group's profit for the period before income tax expenses, adding interest expenses which includes capitalized interest in the Target Group's consolidated financial statements, divided by the Target Group's interest on interest- bearing borrowings which includes capitalized interest as of the respective periods.

Gross Profit Margin

The Target Group's gross profit margin was 50.2%, 41.1%, 48.6% and 66.4% in the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2015, respectively. Please refer to the paragraph headed "– Management's Discussion and Analysis of Results of Operations" in this section for a detailed discussion.

Net Profit Margin

The Target Group's net profit margin was 68.3%, 34.5%, 35.6% and 37.1% in the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2015 respectively. Please refer to the paragraph headed "– Management's Discussion and Analysis of Results of Operations" in this section for a detailed discussion.

Return on Equity

The Target Group's return on equity was 7.3%, 13.0%, 24.8% and 1.1% for the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2015, respectively. The increase in the Target Group's return on equity from 2012 to 2013 and to 2014 was primarily due to an increase in the Target Group's profit. The Target Group's return on equity decreased to 1.1% in the four months ended April 30, 2015 primarily due to a decrease in the Target Group's net profit for the period.

Current Ratio

The Target Group's current ratio was 0.8, 1.1, 1.6 and 1.5 as of December 31, 2012, 2013 and 2014 and April 30, 2015, respectively. The increase in the Target Group's current ratio from December 31, 2012 to December 31, 2014 was primarily due to the decrease in the Target Group's current liabilities as a more significant portion of receipts in advance were recognized as revenue. The Target Group's current ratio remained relatively stable from December 31, 2014 to April 30, 2015.

Gearing Ratio

The Target Group's gearing ratio was 91.2%, 104.6%, 114.8% and 117.0% as of December 31, 2012, 2013 and 2014 and April 30, 2015, respectively. The increase in the gearing ratio from December 31, 2012 to December 31, 2014 was primarily due to the overall increase in total loan and borrowing level during the Track Record Period.

Interest coverage ratio

The Target Group's interest coverage ratio was 2.2, 3.7, 5.9 and 1.5 as of December 31, 2012, 2013 and 2014 and April 30, 2015, respectively. The increases in the Target Group's interest coverage ratio from December 31, 2012 to December 31, 2014 was primarily due to its operating profit increasing more significantly than its interest on interest bearing borrowings. The Target Group's interest coverage ratio decreased to 1.5 as of April 30, 2015 primarily due to a decrease in the Target Group's profit for the period.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

As of the Latest Practicable Date, there were no circumstances which would have given rise to any disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules in respect of the Target Group.

NO MATERIAL ADVERSE CHANGE

The Directors have confirmed that, since April 30, 2015 and up to the date of this circular, there had been no material adverse change in the Target Group's financial position or prospects and no event had occurred that would materially and adversely affect the information shown in the accountants' report in Appendix III to this circular.

ACQUISITION EXPENSES

As of April 30, 2015, the estimated total expenses in relation to the Acquisition amounted to approximately RMB38.3 million, which will be charged to the consolidated statements of profit or loss and other comprehensive income of the Enlarged Group for the year ending December 31, 2015, assuming the Acquisition is completed on or before December 31, 2015. These acquisition expenses mainly comprise legal and professional fees for the legal advisors, the reporting accountants, the independent financial advisor and the Sole Sponsor.

PROPERTY INTERESTS AND PROPERTY VALUATION

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has valued the Reorganized Target Group's property interests as of July 31, 2015 and is of the opinion that the aggregate value of the Reorganized Target Group's property interests as of such date was RMB25,339.4 million. The full text of the letter and summary disclosure of values with regard to such property interests are set forth in the property valuation report contained in Appendix V to this circular.

The statement below shows the reconciliation of the aggregate value of certain properties as reflected in the consolidated financial information as of April 30, 2015 as set out in Appendix III to this circular with the valuation of these properties as of July 31, 2015 as set out in the property valuation report contained in Appendix V to this circular.

	RMB (million)	*RMB (million)*
Valuation of properties as of July 31, 2015 as set out in the property valuation report contained in Appendix V to this circular		25,339.4
Net book value of the following properties as of April 30, 2015 as set out in Appendix III to this circular:		
– Hotel and other buildings held for own use	324.1	
– Investment properties[(1)]	11,294.9	
– Properties held for development	670.3	
– Properties under development	4,468.2	
– Completed properties for sale	459.0	
Net book value as of April 30, 2015	17,216.5	
Movement for the period from April 30, 2015 to July 31, 2015	160.3	
Property activities interests excluded from valuation	848.2	
Net book value as of July 31, 2015		16,528.6
Net valuation surplus		8,810.8

Note:

(1) including the leasehold land on which the Target Group's investment properties are located.

In order to provide investors and Shareholders a better understanding of the Reorganized Target Group that will be acquired pursuant to the Acquisition, we set forth in this section the financial information of the Reorganized Target Group which excludes the financial information of each of the Disposed Subsidiaries except Shenzhen Wanghaiyikang, as the Disposed Subsidiaries together with their respective operating assets (except the main operating assets of Shenzhen Wanghaiyikang) were disposed of by the Target Group after the Track Record Period and will not be acquired by the Company pursuant to the Acquisition, while the main operating assets of Shenzhen Wanghaiyikang were retained in the Reorganized Target Group as part of the Reorganization.

The historical results of the Reorganized Target Group do not necessarily indicate results expected for the future. The following discussion and analysis contains certain forward-looking statements that involve risks and uncertainties. The actual results of the Reorganized Target Group may differ from those anticipated in these forward-looking statements as a result of a number of factors, including those described in the sections entitled "Risk Factors" and "Business" of the Reorganized Target Group.

RECONCILIATION

The following tables set forth the reconciliation of the financial information of the Target Group with the Reorganized Target Group during the Track Record Period, reflecting financial condition of the Reorganized Target Group excluding the financial information of each of the Disposed Subsidiaries except Shenzhen Wanghaiyikang.

	For The Year Ended December 31,				For The Year Ended December 31,				For The Year Ended December 31,				For The Four Months Ended April 30,				For The Four Months Ended April 30,			
	2012	2012	2012	2012	2013	2013	2013	2013	2014	2014	2014	2014	2014	2014	2014	2014	2015	2015	2015	2015
				Reorganized				Reorganized				Reorganized				Reorganized				Reorganized
	The Target Group	Disposed Subsidiaries	Pro-forma adjustment	Target Group	The Target Group	Disposed Subsidiaries	Pro-forma adjustment	Target Group	The Target Group	Disposed Subsidiaries	Pro-forma adjustment	Target Group	The Target Group	Disposed Subsidiaries	Pro-forma adjustment	Target Group	The Target Group	Disposed Subsidiaries	Pro-forma adjustment	Target Group
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Turnover	485,013	15,843	–	**469,170**	1,970,580	68,382	–	**1,902,198**	4,850,634	13,103	–	**4,837,531**	2,277,044	4,260	–	**2,272,784**	207,936	4,073	(90,754)[(i)]	**294,617**
Cost of sales	(241,746)	(4,515)	–	**(237,231)**	(1,160,836)	(39,352)	–	**(1,121,484)**	(2,493,449)	(3,941)	–	**(2,489,508)**	(1,198,838)	(1,071)	–	**(1,197,767)**	(69,962)	(1,176)	42,326[(i)]	**(111,112)**
Gross profit	243,267	11,328	–	**231,939**	809,744	29,030	–	**780,714**	2,357,185	9,162	–	**2,348,023**	1,078,206	3,189	–	**1,075,017**	137,974	2,897	(48,428)	**183,505**
Other revenue	2,147	30	–	**2,117**	7,804	160	–	**7,644**	18,613	979	–	**17,634**	11,293	16	–	**11,277**	17,409	10	–	**17,399**
Other net (loss)/income	(152)	–	–	**(152)**	70	–	–	**70**	–	–	–	**-**	–	–	–	**-**	–	–	–	**-**
Selling expenses	(77,602)	(4,074)	–	**(73,528)**	(53,443)	(7,673)	–	**(45,770)**	(41,455)	(2,843)	–	**(38,612)**	(7,012)	(649)	–	**(6,363)**	(8,585)	(444)	–	**(8,141)**
Administrative and other operating expenses	(126,769)	(7,993)	–	**118,776**	(143,639)	(9,568)	–	**134,071**	(151,098)	(10,395)	–	**140,703**	(48,338)	(2,650)	–	**(45,688)**	(42,922)	(2,240)	–	**(40,682)**
Profit from operations before increase in fair value of investment properties	40,891	(709)	–	**41,600**	620,536	11,949	–	**608,587**	2,183,245	(3,097)	–	**2,186,342**	1,034,149	(94)	–	**1,034,243**	103,876	223	(48,428)	**152,081**
Increase in fair value of investment properties	651,866	–	–	**651,866**	591,353	–	–	**591,353**	895,341	–	–	**895,341**	550,085	–	–	**550,085**	89,064	–	–	**89,064**
Profit from operations after increase in fair value of investment properties	692,757	(709)	–	**693,466**	1,211,889	11,949	–	**1,199,940**	3,078,586	(3,097)	–	**3,081,683**	1,584,234	(94)	–	**1,584,328**	192,940	223	(48,428)	**241,145**
Finance costs	(231,443)	–	–	**(231,443)**	(205,516)	–	–	**(205,516)**	(217,324)	(2,185)	–	**(215,139)**	(87,379)	(834)	–	**(86,545)**	(82,605)	–	–	**(82,605)**
Share of loss of joint ventures	(137)	–	–	**(137)**	(19)	–	–	**(19)**	(40)	–	–	**(40)**	–	–	–	**-**	–	–	–	**-**
Profit before taxation	461,177	(709)	–	**461,886**	1,006,354	11,949	–	**994,405**	2,861,222	(5,282)	–	**2,866,504**	1,496,855	(928)	–	**1,497,783**	110,335	223	(48,428)	**158,540**
Income tax expense	(129,748)	(2,485)	–	**(127,263)**	(326,056)	(5,785)	–	**(320,271)**	(1,132,263)	(10,582)	–	**(1,121,681)**	(537,966)	(107)	–	**(537,859)**	(33,142)	(28)	17,792	**(50,906)**
Profit for the year/period	331,429	(3,194)	–	**334,623**	680,298	6,164	–	**674,134**	1,728,959	(15,864)	–	**1,744,823**	958,889	(1,035)	-	**959,924**	77,193	195	(30,636)	**107,634**
Attributable to:																				
Equity shareholders of the Company	330,342	(3,194)	–	**333,536**	680,416	6,164	–	**674,252**	1,728,473	(15,862)	–	**1,744,335**	958,249	(1,035)	–	**959,284**	75,543	195	(30,636)	**105,984**
Non-controlling interests	1,087	–	–	**1,087**	(118)	–	–	**(118)**	486	(2)	–	**488**	640	–	–	**640**	1,650	–	–	**1,650**
Profit for the year/period	331,429	(3,194)	–	**334,623**	680,298	6,164	–	**674,134**	1,728,959	(15,864)	–	**1,744,823**	958,889	(1,035)	–	**959,924**	77,193	195	(30,636)	**107,634**

Note: (i) The adjustment represents elimination of sales of properties from the Reorganized Target Group to the Disposed Subsidiaries, and the corresponding tax effect.

	For The Year Ended December 31,				For The Year Ended December 31,				For The Year Ended December 31,				For The Four Months Ended April 30,				For The Four Months Ended April 30,			
	2012	2012	2012	2012	2013	2013	2013	2013	2014	2014	2014	2014	2014	2014	2014	2014	2015	2015	2015	2015
	The Target Group	Disposed Subsidiaries	Pro-forma adjustment	Reorganized Target Group	The Target Group	Disposed Subsidiaries	Pro-forma adjustment	Reorganized Target Group	The Target Group	Disposed Subsidiaries	Pro-forma adjustment	Reorganized Target Group	The Target Group	Disposed Subsidiaries	Pro-forma adjustment	Reorganized Target Group	The Target Group	Disposed Subsidiaries	Pro-forma adjustment	Reorganized Target Group
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Profit for the year/period	331,429	(3,194)	–	**334,623**	680,298	6,164	–	**674,134**	1,728,959	(15,864)	–	**1,744,823**	958,889	(1,035)	–	**959,924**	77,193	195	(30,636)	**107,634**
Other comprehensive income for the year (after tax and reclassification adjustments)																				
Items that will not be reclassified to profit or loss:																				
– Exchange differences on translation of financial statements of non-Mainland China operations	(8)	26	–	**(34)**	3,227	(6,393)	–	**9,620**	(135)	702	–	**(837)**	(404)	2,105	–	**(2,509)**	5	(26)	–	**31**
– Available-for-sale securities: net movement in the fair value reserve	99	–	–	**99**	139	–	–	**139**	(165)	–	–	**(165)**	(220)	–	–	**(220)**	–	–	–	**–**
Other comprehensive income for the year/period	91	26	–	**65**	3,366	(6,393)	–	**9,759**	(300)	702	–	**(1,002)**	(624)	2,105	–	**(2,729)**	5	(26)	–	**31**
Total comprehensive income for the year/period	331,520	(3,168)	–	**334,688**	683,664	(229)	–	**683,893**	1,728,659	(15,162)	–	**1,743,821**	958,265	1,070	–	**957,195**	77,198	169	(30,636)	**107,665**
Attributable to:																				
Equity shareholders of the Group	330,433	(3,168)	–	**333,601**	683,782	(229)	–	**684,011**	1,728,173	(15,160)	–	**1,743,333**	957,625	1,070	–	**956,555**	75,548	169	(30,636)[(i)]	**106,015**
Non-controlling interests	1,087	–	–	**1,087**	(118)	–	–	**(118)**	486	(2)	–	**488**	640	–	–	**640**	1,650	–	–	**1,650**
Total comprehensive income for the year/period	331,520	(3,168)	–	**334,688**	683,664	(229)	–	**683,893**	1,728,659	(15,162)	–	**1,743,821**	958,265	1,070	–	**957,195**	77,198	169	(30,636)	**107,665**

Note: (i) The adjustment represents elimination of sales of properties from the Reorganized Target Group to the Disposed Subsidiaries, and the corresponding tax effect.

	As of December 31,															
	2012	2012	2012	2012	2013	2013	2013	2013	2014	2014	2014	2014	2015	2015	2015	2015
	The Target Group	Disposed Subsidiaries	Pro-forma adjustment	Reorganized Target Group	The Target Group	Disposed Subsidiaries	Pro-forma adjustment	Reorganized Target Group	The Target Group	Disposed Subsidiaries	Pro-forma adjustment	Reorganized Target Group	The Target Group	Disposed Subsidiaries	Pro-forma adjustment	Reorganized Target Group
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Non-current assets																
Property, plant and equipment	427,663	1,502	–	**426,161**	419,332	5,704	–	**413,628**	391,883	6,699	–	**385,184**	375,043	6,629	–	**368,414**
Intangible assets	1,427	–	–	**1,427**	3,041	–	–	**3,041**	3,756	–	–	**3,756**	3,826	–	–	**3,826**
Investment properties	8,588,246	–	–	**8,588,246**	9,770,764	–	–	**9,770,764**	11,143,025	–	–	**11,143,025**	11,294,875	–	–	**11,294,875**
Interest in joint venture/ Long- term investment	465,350	–	(782,146)[ii]	**1,247,496**	505,197	–	(843,420)[ii]	**1,348,617**	521,757	–	(843,420)[ii]	**1,365,177**	525,104	–	(745,430)[ii]	**1,270,534**
Other investment	5,535	–	–	**5,535**	297,620	–	–	**297,620**	347,767	–	–	**347,767**	347,767	–	–	**347,767**
Deferred tax assets	195,821	–	–	**195,821**	137,441	–	–	**137,441**	221,317	–	–	**221,317**	239,404	–	17,792[i]	**221,612**
Non-current assets total	9,684,042	1,502	(782,146)	**10,464,686**	11,133,395	5,704	(843,420)	**11,971,111**	12,629,505	6,699	(843,420)	**13,466,226**	12,786,019	6,629	(727,638)	**13,507,028**
Current assets																
Inventories	5,268,118	640,766	–	**4,627,352**	5,311,839	651,122	–	**4,660,717**	4,934,458	711,036	–	**4,223,422**	5,599,140	806,051	(48,428)[i]	**4,841,517**
Trade and other receivables	446,891	218,749	(222,802)[ii]	**450,944**	772,171	221,552	(205,377)[ii]	**755,996**	825,207	194,051	(210,596)[ii]	**841,752**	469,180	97,485	(210,061)[ii]	**581,756**
Restricted cash	43,085	–	–	**43,085**	387,898	–	–	**387,898**	741,878	–	–	**741,878**	1,522,765	–	–	**1,522,765**
Cash and cash equivalents	512,984	15,774	–	**497,210**	652,588	24,249	–	**628,339**	1,099,118	7,734	–	**1,091,384**	713,547	10,453	–	**703,094**
Other current assets	20,000	–	–	**20,000**	150,000	–	–	**150,000**	260,710	–	–	**260,710**	–	–	–	**-**
Prepaid tax	101,104	75	–	**101,029**	163,579	239	–	**163,340**	17,625	239	–	**17,386**	34,740	239	–	**34,501**
Current assets total	6,392,182	875,364	(222,802)	**5,739,620**	7,438,075	897,162	(205,377)	**6,746,290**	7,878,996	913,060	(210,596)	**7,176,532**	8,339,372	914,228	(258,489)	**7,683,633**
Total assets	16,076,224	876,866	(1,004,948)	**16,204,306**	18,571,470	902,866	(1,048,797)	**18,717,401**	20,508,501	919,759	(1,054,016)	**20,642,758**	21,125,391	920,857	(986,127)	**21,190,661**
Current liabilities																
Bank loans and other borrowings	1,874,793	–	–	**1,874,793**	1,029,069	–	–	**1,029,069**	1,762,494	–	–	**1,762,494**	1,622,576	–	–	**1,622,576**
Trade and other payables	5,501,320	62,077	(214,797)[ii]	**5,654,040**	5,813,005	25,114	(205,377)[ii]	**5,993,268**	2,646,612	47,262	(210,596)[ii]	**2,809,946**	3,155,416	142,271	(210,061)[ii]	**3,223,206**
Current tax liabilities	153,784	890	–	**152,894**	133,015	368	–	**132,647**	655,796	66	–	**655,730**	701,542	9,710	–	**691,832**
Current liabilities total	7,529,897	62,967	(214,797)	**7,681,727**	6,975,089	25,482	(205,377)	**7,154,984**	5,064,902	47,328	(210,596)	**5,228,170**	5,479,534	151,981	(210,061)	**5,537,614**
Net current (liabilities)/assets	(1,137,715)	812,397	(8,005)	**(1,942,107)**	462,986	871,680	–	**(408,694)**	2,814,094	865,732	–	**1,948,362**	2,859,838	762,247	(48,428)	**2,146,019**
Total assets less current liabilities	8,546,327	813,899	(790,151)	**8,522,579**	11,596,381	877,384	(843,420)	**11,562,417**	15,443,599	872,431	(843,420)	**15,414,588**	15,645,857	768,876	(776,066)	**15,653,047**

Note: (ii) The adjustment represents elimination of investment costs and intercompany balances between the Reorganized Target Group and the Disposed Subsidiaries.

	As of December 31,															
	2012	2012	2012	2012	2013	2013	2013	2013	2014	2014	2014	2014	2015	2015	2015	2015
	The Target Group	Disposed Subsidiaries	Pro-forma adjustment	Reorganized Target Group	The Target Group	Disposed Subsidiaries	Pro-forma adjustment	Reorganized Target Group	The Target Group	Disposed Subsidiaries	Pro-forma adjustment	Reorganized Target Group	The Target Group	Disposed Subsidiaries	Pro-forma adjustment	Reorganized Target Group
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Non-current liabilities																
Bank loans and other borrowings	2,281,985	–	–	**2,281,985**	4,463,705	–	–	**4,463,705**	6,253,538	–	–	**6,253,538**	6,516,720	–	–	**6,516,720**
Deferred tax liabilities	1,706,825	9,825	–	**1,697,000**	1,881,495	10,270	–	**1,871,225**	2,210,221	20,479	–	**2,189,742**	2,174,315	10,863	–	**2,163,452**
Non-current liabilities total	3,988,810	9,825	–	**3,978,985**	6,345,200	10,270	–	**6,334,930**	8,463,759	20,479	–	**8,443,280**	8,691,035	10,863	–	**8,680,172**
NET ASSETS	4,557,517	804,074	(790,151)	**4,543,594**	5,251,181	867,114	(843,420)	**5,227,487**	6,979,840	851,952	(843,420)	**6,971,308**	6,954,822	758,013	(776,066)	**6,976,875**
CAPITAL AND RESERVES																
Share capital	11	44,335	(44,335)[ii]	**11**	11	97,604	(97,604)[ii]	**11**	11	97,604	(97,604)[ii]	**11**	11	97,604	(97,604)[ii]	**11**
Reserves	4,541,871	759,739	(745,816)[ii]	**4,527,948**	5,225,653	759,510	(745,816)[ii]	**5,211,959**	6,953,826	744,350	(745,816)[ii]	**6,955,292**	6,940,312	650,411	(678,462)[i],[ii]	**6,968,363**
Total equity attributable to equity shareholders of the Company	4,541,882	804,074	(790,151)	**4,527,959**	5,225,664	857,114	(843,420)	**5,211,970**	6,953,837	841,954	(843,420)	**6,955,303**	6,940,323	748,015	(776,066)	**6,968,374**
Non-controlling interests	15,635	–	–	**15,635**	25,517	10,000	–	**15,517**	26,003	9,998	–	**16,005**	14,499	9,998	–	**4,501**
TOTAL EQUITY	4,557,517	804,074	(790,151)	**4,543,594**	5,251,181	867,114	(843,420)	**5,227,487**	6,979,840	851,952	(843,420)	**6,971,308**	6,954,822	758,013	(776,066)	**6,972,875**

Notes:

(i) The adjustment represents elimination of sales of properties from the Reorganized Target Group to the Disposed Subsidiaries, and the corresponding tax effect.

(ii) The adjustment represents elimination of investment costs and inter company balances between the Reorganised Target Group and the Disposed Subsidiaries.

	For The Year Ended December 31,				For The Year Ended December 31,				For The Year Ended December 31,				For The Four Months Ended April 30,				For The Four Months Ended April 30,			
	2012	2012	2012	2012	2013	2013	2013	2013	2014	2014	2014	2014	2014	2014	2014	2014	2015	2015	2015	2015
	The Target Group	Disposed Subsidiaries	Pro-forma adjustment	Reorganized Target Group	The Target Group	Disposed Subsidiaries	Pro-forma adjustment	Reorganized Target Group	The Target Group	Disposed Subsidiaries	Pro-forma adjustment	Reorganized Target Group	The Target Group	Disposed Subsidiaries	Pro-forma adjustment	Reorganized Target Group	The Target Group	Disposed Subsidiaries	Pro-forma adjustment	Reorganized Target Group
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Operating activities																				
Profit before taxation	461,177	(709)	–	**461,886**	1,006,354	11,949	–	**994,405**	2,861,222	(5,282)	–	**2,866,504**	1,496,855	(928)	–	**1,497,783**	110,335	223	(48,428)[i]	**158,540**
Adjustments for:																				
Increase in fair value of investment properties	(651,866)	–	–	**(651,866)**	(591,353)	–	–	**(591,353)**	(895,341)	–	–	**(895,341)**	(550,085)	–	–	**(550,085)**	(89,064)	–	–	**(89,064)**
Depreciation and amortization	30,369	583	–	**29,786**	48,749	527	–	**48,222**	48,444	481	–	**47,963**	15,599	162	–	**15,437**	17,584	112	–	**17,472**
Loss/(gain) on disposal of property, plant and equipment	152	–	–	**152**	(70)	–	–	**(70)**	–	–	–	**–**	–	–	–	**–**	–	–	–	**–**
Finance costs	231,443	–	–	**231,443**	205,516	–	–	**205,516**	217,324	2,185	–	**215,139**	87,379	834	–	**86,545**	82,605	–	–	**82,605**
Interest income	(1,630)	(28)	–	**(1,602)**	(5,774)	(74)	–	**(5,700)**	(8,491)	(979)	–	**(7,512)**	(1,196)	(16)	–	**(1,180)**	(4,565)	(10)	–	**(4,555)**
Investment income	(517)	–	–	**(517)**	(1,981)	–	–	**(1,981)**	(9,372)	–	–	**(9,372)**	(9,372)	–	–	**(9,372)**	(12,511)	–	–	**(12,511)**
Share of loss of joint ventures	137	–	–	**137**	19	–	–	**19**	40	–	–	**40**	–	–	–	**–**	–	–	–	**–**
Changes in working capital:																				
(Increase)/decrease in inventories	(1,769,363)	(17,634)	–	**(1,751,729)**	125,971	(10,356)	–	**136,327**	749,715	(59,914)	–	**809,629**	1,986,363	(34,914)	–	**2,021,277**	(535,318)	(4,261)	48,428[ii]	**(579,485)**
Increase in restricted cash	(8,846)	–	–	**(8,846)**	(344,813)	–	–	**(344,813)**	(353,980)	–	–	**(353,980)**	(974,729)	–	–	**(974,729)**	(780,887)	–	–	**(780,887)**
Decrease/(increase) in trade and other receivables	87,467	99,764	(38,197)[iii]	**25,900**	(325,268)	50,466	(47,680)[iii]	**(328,054)**	(53,215)	27,501	(34,318)[iii]	**(46,398)**	(205,052)	21,624	141,313[iii]	**(367,989)**	356,027	5,786	132,571[iii]	**217,670**
Increase/(decrease) in trade payable and other payables	2,581,150	(30,224)	38,197[iii]	**2,573,177**	490,663	(43,344)	47,680[iii]	**486,327**	(3,117,588)	23,837	34,318[iii]	**(3,175,743)**	(2,992,211)	(4,001)	(141,313)[iii]	**(2,846,897)**	693,485	901	(132,571)[iii]	**825,155**
Cash generated from/(used in) operations	959,673	51,752	–	**907,921**	608,013	9,168	–	**598,845**	(561,242)	(12,171)	–	**(549,071)**	(1,146,449)	(17,239)	–	**(1,129,210)**	(162,309)	2,751	–	**(165,060)**
PRC Corporate Income Tax paid	(39,456)	(11,056)	–	**(28,400)**	(34,338)	(1,485)	–	**(32,853)**	(190,727)	(1,456)	–	**(189,271)**	(16,404)	(218)	–	**(16,186)**	(2,100)	–	–	**(2,100)**
PRC Land Appreciation Tax paid	(128,126)	(37,894)	–	**(90,232)**	(141,958)	(4,541)	–	**(137,417)**	(27,896)	(207)	–	**(27,689)**	(8,078)	–	–	**(8,078)**	(56,404)	–	–	**(56,404)**
Net cash generated from/(used in) operating activities	792,091	2,802	–	**789,289**	431,717	3,142	–	**428,575**	(779,865)	(13,834)	–	**(766,031)**	(1,170,931)	(17,457)	–	**(1,153,474)**	(220,813)	2,751	–	**(223,564)**

Notes:

(i) The adjustment represents elimination of sales of properties from the Reorganized Target Group to the Disposed Subsidiaries, and the corresponding tax effect.

(ii) The adjustment represents elimination of investment costs and inter company balances between the Reorganised Target Group and the Disposed Subsidiaries.

	For The Year Ended December 31,				For The Year Ended December 31,				For The Year Ended December 31,				For The Four Months Ended April 30,				For The Four Months Ended April 30,			
	2012	2012	2012	2012	2013	2013	2013	2013	2014	2014	2014	2014	2014	2014	2014	2014	2015	2015	2015	2015
	The Target Group	Disposed Subsidiaries	Pro-forma adjustment	Reorganized Target Group	The Target Group	Disposed Subsidiaries	Pro-forma adjustment	Reorganized Target Group	The Target Group	Disposed Subsidiaries	Pro-forma adjustment	Reorganized Target Group	The Target Group	Disposed Subsidiaries	Pro-forma adjustment	Reorganized Target Group	The Target Group	Disposed Subsidiaries	Pro-forma adjustment	Reorganized Target Group
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Investing activities																				
Payment for purchase of property, plant and equipment	(136,560)	(383)	–	**(136,177)**	(39,938)	(4,729)	–	**(35,209)**	(20,316)	(1,476)	–	**(18,840)**	(5,880)	(1,277)	–	**(4,603)**	(451)	(42)	–	**(409)**
Proceeds from disposal of property, plant and equipment	106	–	–	**106**	90	–	–	**90**	–	–	–	**–**	–	–	–	**–**	–	–	–	**–**
Proceeds from disposal of other current assets	–	–	–	**–**	20,000	–	–	**20,000**	835	–	–	**835**	835	–	–	**835**	273,221	–	–	**273,221**
Payment for intangible assets	(1,296)	–	–	**(1,296)**	(2,114)	–	–	**(2,114)**	(1,395)	–	–	**(1,395)**	–	–	–	**–**	(363)	–	–	**(363)**
Advance to a joint venture	(30,632)	–	–	**(30,632)**	(39,866)	–	–	**(39,866)**	(16,600)	–	–	**(16,600)**	(2,541)	–	–	**(2,541)**	(3,347)	–	–	**(3,347)**
Payment for purchases of other investments	(9,492)	–	–	**(9,492)**	(439,965)	–	–	**(439,965)**	(152,485)	–	–	**(152,485)**	(103,453)	–	–	**(103,453)**	–	–	–	**–**
Payment for expenditure in investment properties	(489,312)	–	–	**(489,312)**	(766,925)	–	–	**(766,925)**	(509,508)	–	–	**(509,508)**	(226,349)	–	–	**(226,349)**	(364,499)	–	–	**(364,499)**
Interest received	1,630	28	–	**1,602**	5,774	74	–	**5,700**	8,491	979	–	**7,512**	1,196	16	–	**1,180**	4,565	10	–	**4,555**
Net cash used in investing activities	(665,556)	(355)	–	**(665,201)**	(1,262,944)	(4,655)	–	**(1,258,289)**	(690,978)	(497)	–	**(690,481)**	(336,192)	(1,261)	–	**(334,931)**	(90,874)	(32)	–	**(90,842)**
Financing activities																				
Capital injection by non-controlling interests	–	–	–	**–**	10,000	10,000	–	**–**	–	–	–	**–**	–	–	–	**–**	–	–	–	**–**
Proceeds from bank loans and other borrowings	1,571,001	–	–	**1,571,001**	3,251,000	–	–	**3,251,000**	4,390,000	60,000	–	**4,330,000**	1,954,000	60,000	–	**1,894,000**	510,000	–	–	**510,000**
Repayments of bank loans and other borrowings	(1,004,134)	–	–	**(1,004,134)**	(1,915,004)	–	–	**(1,915,004)**	(1,866,741)	(60,000)	–	**(1,806,741)**	(694,559)	–	–	**(694,559)**	(386,736)	–	–	**(386,736)**
Interest and other borrowing costs paid	(388,445)	–	–	**(388,445)**	(375,208)	–	–	**(375,208)**	(605,929)	(2,185)	–	**(603,744)**	(156,297)	(834)	–	**(155,463)**	(197,145)	–	–	**(197,145)**
Net cash generated from/(used in) financing activities	178,422	–	–	**178,422**	970,788	10,000	–	**960,788**	1,917,330	(2,185)	–	**1,919,515**	1,103,144	59,166	–	**1,043,978**	(73,881)	–	–	**(73,881)**
Net increase/(decrease) in cash and cash equivalents	304,957	2,447	–	**302,510**	139,561	8,487	–	**131,074**	446,487	(16,516)	–	**463,003**	(403,979)	40,448	–	**(444,427)**	(385,568)	2,719	–	**(388,287)**
Cash and cash equivalent at 1 January	208,027	13,327	–	**194,700**	512,984	15,774	–	**497,210**	652,588	24,249	–	**628,339**	652,588	24,249	–	**628,339**	1,099,118	7,734	–	**1,091,384**
Effect of foreign exchange rate changes	–	–	–	**–**	43	(12)	–	**55**	43	1	–	**42**	130	–	–	**130**	(3)	–	–	**(3)**
Cash and cash equivalents at December 31/ April 30	512,984	15,774	–	**497,210**	652,588	24,249	–	**628,339**	1,099,118	7,734	–	**1,091,384**	248,739	64,697	–	**184,042**	713,547	10,453	–	**703,094**

KEY FINANCIAL RATIOS OF THE REORGANIZED TARGET GROUP

	For the Years Ended and as of December 31,			For The Four Months Ended and as of April 30,
	2012	2013	2014	2015
Gross profit margin (%)[1]	49.4	41.0	48.5	62.3
Net profit margin (%)[2]	71.3	35.4	36.1	36.5
Return on equity (%)[3]	7.4	12.9	25.0	1.5
Current ratio (times)[4]	0.7	0.9	1.4	1.4
Gearing ratio (%)[5]	91.5	105.1	115.0	116.7
Interest coverage ratio (times)[6]	2.2	3.7	5.7	1.8

Notes:

(1) Gross profit margin for the years ended December 31, 2012, 2013, 2014 and four months ended April 30, 2015 was calculated based on the Reorganized Target Group's gross profit for the respective periods divided by the Reorganized Target Group's revenue for the respective periods and multiplied by 100%.

(2) Net profit margin for the years ended December 31, 2012, 2013, 2014 and four months ended April 30, 2015 was calculated based on the Reorganized Target Group's net profit for the respective periods divided by the Reorganized Target Group's revenue for the respective periods and multiplied by 100%.

(3) Return on equity for the years ended December 31, 2012, 2013, 2014 and the four months ended April 30, 2015 was calculated based on the Reorganized Target Group's net profit for the respective periods divided by the equity as of the end of the respective periods and multiplied by 100%.

(4) The current ratio as of December 31, 2012, 2013, 2014 and the four months ended April 30, 2015 was calculated based on the Reorganized Target Group's total current assets as of the respective dates divided by the Reorganized Target Group's total current liabilities as of the respective dates.

(5) The gearing ratios as of December 31, 2012, 2013, 2014 and April 30, 2015 was calculated as total debt divided by total equity of the Reorganized Target Group as of the respective date. The total debt was calculated as total loans and borrowings of the Reorganized Target Group as of the respective dates.

(6) The interest coverage ratio for the years ended December 31, 2012, 2013, 2014 and the four months ended April 30, 2015 was calculated based on the Reorganized Target Group's profit for the period before income tax expenses, adding interest expenses (which includes capitalized interest in the Reorganized Target Group's combined financial statements), divided by the Reorganized Target Group's interest from interest- bearing borrowings (which includes capitalized interest) as of the respective periods.

BREAKDOWN OF CERTAIN LINE ITEMS OF THE REORGANIZED TARGET GROUP

Revenue

The following table sets forth the Reorganized Target Group's revenue by segment for the periods indicated.

	For The Year Ended December 31,						For Four Months Ended April 30,			
	2012		2013		2014		2014		2015	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Revenue										
Property development and sales	136,975	29.2	1,470,355	77.3	4,300,500	88.9	2,112,686	93.0	102,961	34.9
Commercial property investment and operations	188,423	40.2	262,155	13.8	342,896	7.1	104,889	4.6	129,272	43.9
Comprehensive services	143,772	30.6	169,688	8.9	194,135	4.0	55,209	2.4	62,384	21.2
Total	**469,170**	**100**	**1,902,198**	**100**	**4,837,531**	**100**	**2,272,784**	**100**	**294,617**	**100**

The following table sets forth a breakdown of the Reorganized Target Group's revenue recognized from sales of properties, recognized GFA and recognized ASP by project for the periods indicated.

	For The Year Ended December 31,									For Four Months Ended April 30,					
	2012			2013			2014			2014			2015		
Project Name	Revenue before business tax and surcharges	Recognized GFA	Recognized ASP	Revenue before business tax and surcharges	Recognized GFA	Recognized ASP	Revenue before business tax and surcharges	Recognized GFA	Recognized ASP	Revenue before business tax and surcharges	Recognized GFA	Recognized ASP	Revenue before business tax and surcharges	Recognized GFA	Recognized ASP
	(RMB'000)	*(sq.m.)*	*(RMB'000)/ sq.m.*	*(RMB'000)*	*(sq.m.)*	*(RMB'000)/ sq.m.*	*(RMB'000)*	*(sq.m.)*	*(RMB'000)/ sq.m.*	*(RMB'000)*	*(sq.m.)*	*(RMB'000)/ sq.m.*	*(RMB'000)*	*(sq.m.)*	*(RMB'000)/ sq.m.*
LVGEM 1866 Garden	–	–	–	–	–	–	4,367,708	190,347	22.9	2,054,688	90,898	22.6	11,321	587	19.3
Zhongcheng Tianyi Garden	29,749	1,919	15.5	1,100	137	8.0	–	–	–	–	–	–	–	–	–
LVGEM Chanson Garden	–	–	–	1,354,063	86,032	15.7	25,456	1,052	24.2	20,409	806	25.3	1,971	87	22.7
LVGEM Chanson Meilu Garden (residential properties)	–	–	–	163,321	10,768	15.2	3,259	177	18.4	3,259	177	18.4	–	–	–
LVGEM Chanson Meilu Garden – affordable housing (安居房)	–	–	–	–	–	–	45,267	10,059	4.5	45,267	10,059	4.5	–	–	–
LVGEM Chanson Meilu Garden (commercial properties)	–	–	–	–	–	–	53,596	2,672	20.1	53,596	2,672	20.1	–	–	–
City Garden (residential properties)	14,417	1,069	13.5	7,647	486	15.7	2,054	140	14.7	2,054	140	14.7	–	–	–
City Garden (commercial properties)	48,066	4,015	12.0	–	–	–	30,636	2,042	15.0	30,636	2,042	15.0	–	–	–
Tower B and Tower C of NEO Complex	41,030	1,847	22.2	27,097	1,314	20.6	25,046	808	31.0	25,046	808	31.0	90,754	2,372	38.3
Phase I of Zhonghe Tixiang Famous Garden (residential properties)	12,015	3,476	3.5	3,002	869	3.5	–	–	–	–	–	–	–	–	–
Phase I of Zhonghe Tixiang Famous Garden (retail spaces)	–	–	–	1,704	201	8.5	–	–	–	–	–	–	–	–	–
Total	**145,277**	**12,326**	**11.8**	**1,557,934**	**99,807**	**15.6**	**4,553,022**	**207,297**	**22.0**	**2,234,955**	**107,602**	**20.8**	**104,046**	**3,046**	**34.2**

Commercial property investment and operations

The following table sets forth a breakdown of the revenue generated by the Reorganized Target Group's commercial properties by project for the periods indicated.

	For The Year Ended 31 December						For Four Months Ended April 30,			
	2012		2013		2014		2014		2015	
	Revenue *(RMB'000)*	% of total revenue from the investment properties *%*	Revenue *(RMB'000)*	% of total revenue from the investment properties *%*	Revenue *(RMB'000)*	% of total revenue from the investment properties *%*	Revenue *(RMB'000)*	% of total revenue from the investment properties *%*	Revenue *(RMB'000)*	% of total revenue from the investment properties *%*
Zoll Centers										
– Chanson Zoll Center(1)	N/A	N/A	14,111	5.4	37,415	10.9	11,361	10.8	12,495	9.7
– 1866 Zoll Center(2)	N/A	N/A	N/A	N/A	14,473	4.2	183	0.2	11,946	9.2
NEO Urban Commercial Complex	151,682	80.5	206,546	78.8	248,906	72.6	85,887	81.9	95,173	73.6
Other commercial properties	36,741	19.5	41,498	15.8	42,102	12.3	7,458	7.1	9,658	7.5
Total	**188,423**	**100**	**262,155**	**100**	**342,896**	**100**	**104,889**	**100**	**129,272**	**100**

Notes:

(1) Chanson Zoll Center commenced operations in May 2013.

(2) 1866 Zoll Center Commenced operations in May 2014.

Comprehensive services

The following table sets forth a breakdown of the revenue generated by the Reorganized Target Group's comprehensive services for the periods indicated.

	For The Year Ended 31 December						For Four Months Ended April 30,			
	2012		2013		2014		2014		2015	
	Revenue *(RMB'000)*	% of total revenue from the investment properties *%*	Revenue *(RMB'000)*	% of total revenue from the investment properties *%*	Revenue *(RMB'000)*	% of total revenue from the investment properties *%*	Revenue *(RMB'000)*	% of total revenue from the investment properties *%*	Revenue *(RMB'000)*	% of total revenue from the investment properties *%*
Property management	48,770	33.9	56,706	33.4	75,238	38.8	22,323	40.4	28,696	46.0
Hotel operation	62,065	43.2	72,344	42.6	73,736	38.0	23,588	42.7	22,123	35.5
Other services	32,937	22.9	40,638	24.0	45,161	23.2	9,298	16.9	11,565	18.5
Total	143,772	100	169,688	100	194,135	100	55,209	100	62,384	100

Cost of Sales

The following table sets forth a breakdown of the Reorganized Target Group's cost of sales for the periods indicated.

	For The Year Ended 31 December						For Four Months Ended April 30,			
	2012		2013		2014		2014		2015	
	(RMB'000)	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*
Cost of property development and sales										
Construction costs	48,702	20.5	688,637	61.4	1,722,113	69.2	847,559	70.8	17,967	16.2
Land acquisition costs	36,289	15.3	142,111	12.7	400,566	16.1	188,854	15.8	27,758	25.0
Others	18,876	8.0	135,796	12.1	184,355	7.4	106,928	8.8	3,901	3.5
Sub-total	103,867	43.8	966,544	86.2	2,307,034	92.7	1,143,341	95.4	49,626	44.7
Cost of commercial property investment and operations	53,902	22.7	61,080	5.4	82,285	3.3	25,924	2.2	27,149	24.4
Cost of comprehensive services	79,462	33.5	93,860	8.4	100,189	4.0	28,502	2.4	34,337	30.9
Total	**237,231**	**100**	**1,121,484**	**100**	**2,489,508**	**100**	**1,197,767**	**100.0**	**111,112**	**100.0**

Gross Profit Margin

The following table sets forth the Reorganized Target Group's gross profit margin by segment for the periods indicated.

	For The Year Ended December 31,			For Four Months Ended April 30,	
	2012	2013	2014	2014	2015
	(%)	*(%)*	*(%)*	*(%)*	*(%)*
Gross profit margin of property development and sales	24.2	34.3	46.4	45.9	51.8
Gross profit margin of commercial property investment and operations	71.4	76.7	76.0	75.3	79.0
Gross profit margin of comprehensive service	44.7	44.7	48.4	48.4	45.0
Gross profit margin of the Reorganized Target Group	49.4	41.0	48.5	47.3	62.3

INDEBTEDNESS/CAPITAL COMMITMENTS/CAPITAL EXPENDITURES

The Reorganized Target Group's indebtedness, capital commitments and capital expenditures are the same as the Target Group. For detailed information regarding the indebtedness, capital commitments and capital expenditures of the Reorganized Target Group, please refer to the related paragraphs in the section headed "Financial Information of the Target Group" in this circular.

RECENT DEVELOPMENT OF THE REORGANIZED TARGET GROUP

Pursuant to the Reorganization undertaken in preparation for the Acquisition, Green View Holding Company Limited disposed of seven of its subsidiaries after the Track Record Period. The disposal of the Disposed Subsidiaries was completed on June 19, 2015. The disposal of the Disposed Subsidiaries is considered a non-adjusting subsequent event of Green View Holding Company Limited. Please refer to the section headed "Financial Information of the Target Group – Basis of Presentation" on page 225 of this circular for details.

The real estate market has seen a gradual recovery since the PRC government loosened certain restrictions on the property market in the first quarter of 2015, including lowering the minimum down payment requirement from 60% to 40% for second home purchases in March 2015. According to the Market Research Report, Shenzhen ranked first in China in terms of sales price increases for residential properties in the three quarters of 2015, and also ranked first in China in terms of rental price increases for Grade A office space in the first half of 2015.

Based on the unaudited management accounts of the Reorganized Target Group, the revenue and profit of the Reorganized Target Group decreased significantly in the four months ended August 31, 2015, as compared to the same period in 2014. This decrease was primarily due to the decrease in revenue in its property development and sales segment, which in turn was attributable to the fact that the Reorganized Target Group had more recognized GFA for the sales of properties (principally in LVGEM 1866 Garden) in the four months ended August 31, 2014 than the same period in 2015. This was in turn due to the fact that more GFA was completed and delivered in the four months ended August 31, 2014 than the same period in 2015 according to the construction timetable of the Reorganized Target Group's various projects.

Since the total GFA to be delivered by the Target Group in 2015 will be significantly lower than that in 2014, the Target Group expects a significant decrease in revenue for 2015 as compared to 2014, which in turn is expected to have a significant negative impact on the financial performance of the Reorganized Target Group for the year ending December 31, 2015. According to the accounting policy adopted by the Reorganized Target Group as disclosed in this circular, revenue from sales of properties is recognized upon the signing of sale and purchase agreements, the receipt of the deposits and confirmation or arrangement of settlement of remaining sale proceeds or the achievement of status ready for hand-over to customers as stipulated in the sale and purchase agreements, whichever is the latest. As a substantial portion of the properties pre-sold in 2015 are scheduled to be delivered in 2016 according to the timetable of the Reorganized Target Group, the Reorganized Target Group will not recognize much of its pre-sales of the properties in 2015 as revenue, but as and when those pre-sold properties are delivered at a later time.

Despite of the decrease in revenue and profit, the pre-sale proceeds of the property development and sales segment of the Reorganized Target Group amounted to RMB1,919.6 million in the four months ended August 31, 2015, which was primarily attributable to the pre-sales of properties in Hongwan Garden and Block A2 of LVGEM International Garden.

The Reorganized Target Group continued to experience stable growth in the revenue and profit of its commercial property investment and operations segment and comprehensive services segment for the four months ended August 31, 2015, as compared to the same period in 2014.

The Reorganized Target Group confirms that, since April 30, 2015 and up to the Latest Practicable Date, there was not any material adverse change in its results of operations or financial condition and no event had occurred that would materially and adversely affect its results of operations or financial condition.

CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, the immediate controlling shareholder of the Company is China LVGEM, which was interested in approximately 73.03% of the issued shares capital of the Company. China LVGEM is an investment holding company established in the Cayman Islands. It is wholly owned by Go Great International Limited which is an investment company established in BVI, wholly owned by Mr. Wong. Upon Completion, Mr. Wong, Go Great International Limited, China LVGEM, Evergreen Holdings and Kinson Group will be our Controlling Shareholders.

Apart from our Company, the Reorganized Target Group and the Disposed Subsidiaries following completion of the Reorganization, Mr. Wong also owns a number of other companies that are primarily engaged in the provision of security system installation services, high-technology development and social healthcare. Of the Disposed Subsidiaries, Zhuhai Management is involved in the provision of property management services, and Shenzhen Lvsheng owns an industrial factory area in Nanshan district in Shenzhen. Our Directors are of the view that the businesses of our Controlling Shareholders are not in competition with the businesses of the Enlarged Group.

DELINEATION OF BUSINESSES

Upon Completion, the Enlarged Group will primarily focus on the development of urban boutique residences, community-based lifestyle and shopping centers and urban complexes and the provision of property management services.

Of the Disposed Subsidiaries indirectly owned by Mr. Wong after the Reorganization, Zhuhai Management is involved in the provision of property management services to a property project in Zhuhai, Phoenix Hill No. 1. Shenzhen Lvsheng, also one of the Disposed Subsidiaries, holds the interest in the industrial factory area in Nanshan district in Shenzhen. Although both Zhuhai Management and Shenzhen Lvsheng involved in similar business as that of the Enlarged Group, namely property leasing and property management services, our Directors are of the view that the businesses of Zhuhai Management and Shenzhen Lvsheng will not be in competition with the Enlarged Group for the following reasons:

Clear delineation between the businesses

Property Management Services

While the Enlarged Group will provide property management services primarily to properties developed by our Group, the management services of Zhuhai Management provides property management services only exclusively for one project in Zhuhai, Phoenix Hill No. 1, the development of which was completed and the property substantially sold out prior to the Track Record Period and accordingly has been excluded from the Reorganized Target Group for the purpose of the Acquisition. Given that the Enlarged Group's property management services are of much larger scale, multi-projects focused and covering property management services for residential, shopping centers and urban complexes, it can be delineated from the property management services being provided by Zhuhai Management, which has its own independent management team to manage its operation of the provision of residential property management services to only one project, Phoenix Hill No. 1. Zhuhai Management will not provide property management services to properties other than Phoenix Hill No. 1. As such, our Directors are of the view that the property

management business of Zhuhai Management, with its single project focus which will not form part of the Reorganized Target Group for the purpose of the Acquisition, will not compete with the property management business of the Enlarged Group, and that it is not in the interest of our Group to acquire a property management company that serves exclusively only one property project.

Industrial Factory Area

The Enlarged Group is interested in an industrial park (the "**Industrial Park**") located in Baoan district, Shenzhen which was acquired on April 30, 2015. The Industrial Park has a site area of 22,891.64 square meters and a GFA of approximately 36,465 square meters and is intended to be leased to larger scale industrial undertakings. On the other hand Shenzhen Lvsheng, one of the Disposed Subsidiaries, owns an industrial factory area in Nanshan, Shenzhen (the "**Shenzhen Project**") which is old and pending demolishment, with only a few tenants and generates insignificant rental income. Accordingly, the Shenzhen Project does not form part of the Acquisition as our Directors are of the view that neither the scale of the Shenzhen Project nor its status are of interest to our Group. Our Directors are also of the view that the Shenzhen Project will not be in competition with the Industrial Park, as it is old and pending demolishment, and has few tenants.

Notwithstanding the differences in the scope and scale of businesses of Zhuhai Management and Shenzhen Lvsheng with that of the business of the Enlarged Group, pursuant to the Deed of Non-Competition, our Company has been granted an option to acquire the businesses of Zhuhai Management and Shenzhen Lvsheng if and when our Company sees appropriate and elects to do so.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Management and operational independence

Upon Completion, the business of the Enlarged Group and the businesses of our Controlling Shareholders will be managed and operated by separate management teams. None of the Directors holds or will hold directorships or management positions in the businesses of the Controlling Shareholders.

In this connection, the Directors are of the view that the business of the Enlarged Group will be managed separately and independently from the business of our Controlling Shareholders.

Financial Independence

Following Completion, the Enlarged Group will have an independent accounting, financial and internal control system, and will make financial decisions according to its own business needs. In addition, it will also have an independent financial system and finance team which is responsible for the treasury functions, cash receipts and payments of the Enlarged Group. The Enlarged Group will also have its own independent access to third party financing. The Directors believe that the Enlarged Group is capable of obtaining financing from third parties without relying on any loan, guarantee or security provided by our Controlling Shareholders following Completion. Therefore, our Directors are of the view that the Enlarged Group will be able to function independently from our Controlling Shareholders.

DEED OF NON-COMPETITION

Our Controlling Shareholders will enter into the Deed of Non-competition with our Company to be effective at Completion to the effect that each of them will not, and will procure any of their respective associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses. In relation to the businesses of Zhuhai Management and Shenzhen Lvsheng (the "**Option Businesses**"), our Controlling Shareholders have also undertaken in the Deed of Non-competition that (i) our Company has the option to acquire the Option Businesses (the "**Option**") if and when our Company sees appropriate and elects to do so, and (ii) subject to the terms of the Deed of Non-competition they will not, and shall procure that their controlled affiliates (other than members of our Company) will not engage in any property development businesses in China including (without limitation) the following activities:

(i) acquiring, holding, developing, transferring, disposing or otherwise dealing in, whether directly or indirectly, residences and commercial property development, and property management services (except for the properties occupied and used by our Controlling Shareholders for the purpose of their business operations);

(ii) engaging, having a right or in any way having an economic interest, in the promotion or development of or investment in land or real estate properties (except for the properties occupied and used by our Controlling Shareholders for the purpose of their business operations);

(iii) acquiring, holding, transferring, disposing or otherwise dealing in any option, right or interest over any of the matters set out in paragraphs (i) and (ii) above;

(iv) acquiring, holding, transferring, disposing or otherwise dealing in, directly or indirectly, shares of any company, joint venture, corporation or entity of any nature, whether or not incorporated, with any interest in the matters set out in paragraphs (i) to (iii) above; or

(v) acquiring, holding, developing, transferring, disposing or otherwise dealing in, whether directly or indirectly, property-related investments, provided that, subject to the option granted by our Controlling Shareholders to our Company to acquire any of their business, our Controlling Shareholders may continue to operate the Option Businesses.

In considering whether to exercise the Option, our independent non-executive Directors will take into account ordinary commercial considerations such as the business and financial condition, management efficiency, operational results, level of profitability of the Option Businesses, our Group's prevailing development strategy, and whether the terms of the acquisition are fair and reasonable and on normal commercial terms with reference to the value of the assets and rental income of the Option Businesses at the time of the acquisition. Our Group considers that it is not practicable to determine at this stage the precise pre-conditions for exercise of the Option. In view of our Group's established corporate governance measures, the decision as to whether our Company should exercise the Option will be made by our independent non-executive Directors who will act in the best interests of our Company and our Shareholders as a whole at the relevant time with reference to the prevailing circumstances. The review and exercise of

the Option would be in accordance with the decision-making process and corporate governance measures set out in "– Relationship with Our Controlling Shareholders – Deed of Non-competition" and "– Relationship with Our Controlling Shareholders – Corporate Governance Measures" in this section.

The exercise of the Option under the Deed of Non-competition will constitute a connected transaction for our Company, and our Company will comply with the procedures set out in Chapter 14A of the Listing Rules in respect of connected transactions, including Independent Shareholders' approval if required. Any decision relating to the exercise of the Option under the Deed of Non-competition will be made by our independent non-executive Directors.

Further, pursuant to the Deed of Non-competition, our Controlling Shareholders will not conduct any property development or hotel operation except for the management of the Option Businesses. If any future business opportunity involving businesses which may compete with our principal business is made available to our Controlling Shareholders or any of their associates, our Controlling Shareholders will promptly refer such business opportunity to our Group. Our Company has a right within three months thereafter to request our Controlling Shareholders to allow our Company to take up such business opportunity and in the event that our Company decides to take up the opportunity, our Controlling Shareholders will use their best endeavors to assist our Company to obtain the opportunity. The relevant Controlling Shareholders will provide the details of any such business opportunity to the Board in writing within seven days after it becomes aware of such business opportunity. When considering whether or not to take up a new business opportunity, our independent non-executive Directors will take into account the written proposal prepared by our management regarding such business opportunity and consider whether the relevant business opportunity is expected to present a sustainable level of profitability, accords with our development strategy at that time, and whether the terms of the new business opportunity are fair and reasonable and on normal commercial terms with reference to the prevailing market prices of such business opportunity. Our independent non-executive Directors may from time to time commission the assistance of external professional advisors (including an independent financial advisor) at the cost of our Company as they consider necessary or desirable to advise them regarding the terms of any such new business opportunity or any such other information reasonably required by our independent non-executive Directors and/or independent financial advisor to assist them in their assessment of the new business opportunity.

The decision-making process regarding the Deed of Non-competition will be monitored as follows:

- our independent non-executive Directors will be responsible for deciding, without attendance by any other executive Directors or non-executive Director (except as invited by our independent non-executive Directors to assist them), whether or not to exercise the Option or to accept a new business opportunity referred to our Company by our Controlling Shareholders or any other matter arising under the terms of the Deed of Non-competition from time to time;

- our independent non-executive Directors will review the compliance and enforcement of the Deed of Non-competition by the Controlling Shareholders from time to time as required and on a half yearly basis; and

- our independent non-executive Directors will review, on an annual basis, any decision in relation to any new business opportunity referred to our Company by our Controlling Shareholders or the exercise of the Option, and state the basis of their decision in relation to the new business opportunity and the exercise of the Option in our annual report and/or by announcement to the public.

Our Controlling Shareholders shall not pursue any business opportunity involving business which may compete with our principal business unless and until our independent non-executive Directors (a) resolve that our Company does not intend to take up such business opportunity; or (b) do not resolve whether or not to pursue such business opportunity within three months after our Controlling Shareholders notify our Company in writing of the opportunity.

In addition, to ensure our independent non-executive Directors are able to conduct the above decision-making process, each of our Controlling Shareholders has undertaken in the Deed of Non-competition to provide and to procure the provision to us of all information necessary for the enforcement of the undertakings contained therein.

Each of our Controlling Shareholders has further undertaken to make a statement in our annual report confirming their compliance and that of their respective affiliates with the terms of the Deed of Non-competition. Our Company will disclose in our annual report how the undertakings in the Deed of Non-competition were complied with and enforced.

The Deed of Non-competition will terminate if our Controlling Shareholders in aggregate beneficially own less than a 10% interest in us or the Shares cease to be listed on the Stock Exchange.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, our Company has implemented the following measures to strengthen protection of the interests of our Shareholders:

(i) our Group is committed to ensuring that the Board has a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is sufficient independence on the Board, which can effectively exercise independent judgment. Our independent non-executive Directors, details of whom are set out in the section headed "Directors and Senior Management of the Enlarged Group" in this circular, are of sufficient number and business acumen for their views to carry weight. All of our independent non-executive Directors have experience as directors of listed companies and will be able to provide impartial and professional advice to protect the interests of our minority shareholders;

(ii) any Director with material interest in any matter in respect of which a conflict or potential conflict of interest with the Enlarged Group may arise must make full disclosure in respect of such matter to the Board, and any conflicted Director (including any Director who holds a position in China LVGEM or Go Great International Limited), will abstain from participation

in any board meeting when matters relating to any connected transactions pursuant to contractual arrangements with the China LVGEM are discussed. Notwithstanding his attendance, he shall not vote or be counted towards the quorum in respect of such matters;

(iii) our independent non-executive Directors will review, on annual basis, the compliance and enforcement of the Deed of Non-competition. Each of our Controlling Shareholders will provide all information requested by the Enlarged Group which is necessary for such review by the independent non-executive Directors. Our Company will disclose the compliance of the Deed of Non-competition in its annual reports or by way of public announcements;

(iv) our Company will disclose the decisions on matters reviewed by our independent non-executive Directors (including the reasons for not taking up the Option Businesses referred to our Company) either through our annual report or by way of announcement to the public;

(v) each of our Controlling Shareholders will make an annual declaration on its compliance with the Deed of Non-competition in the annual report of our Company and ensure that the disclosure of details of the compliance with and the enforcement of the Deed of Non-competition;

(vi) as required by the Listing Rules, our independent non-executive Directors will review any continuing connected transactions annually and confirm in our Company's annual report that such transactions have been entered into in the Enlarged Group's ordinary and usual course of business, are either on normal commercial terms or on terms no less favorable to the Enlarged Group than those available to or from independent third parties, and are in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of our Company and its Shareholders as a whole; and

(vii) our Company has appointed Innovax Capital Limited as its compliance advisor who will provide us with professional advice and guidance, in respect of compliance with the Listing Rules and applicable laws including various requirements relating to directors' duties and corporate governance.

OVERVIEW

Mr. Wong, Go Great International Limited, China LVGEM, Evergreen Holdings and Kinson Group are our Controlling Shareholders. Upon Completion, members of the Reorganized Target Group will become part of the Enlarged Group. Any transactions between the Enlarged Group and our Controlling Shareholders and their respective associates will constitute connected transactions or continuing connected transactions for our Company under the Listing Rules. It is expected that the following transactions between the Enlarged Group and our Controlling Shareholders and their respective associates will continue in their ordinary course of business after Completion ("**Post-Completion Transactions**"), which will constitute continuing connected transactions for our Company. Details of the Post-Completion Transactions are as follows:

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

The following Post-Completion Transaction constitutes non-exempt continuing connected transaction of our Company and will be subject to the requirements of reporting, announcement and annual review, and exempt from the approval of the Independent Shareholders under Chapter 14A of the Listing Rules.

(a) Security Services Agreement

Date: October 26, 2015

Parties: Our Company

Shenzhen Forsafe System Technology Co., Ltd. ("**Forsafe**")
Forsafe is a company wholly-owned by Mr. Wong and his associates

Subject: Forsafe will provide security products, intelligent security system design, engineering and installation services, including fire security system and low current intelligent system to our Company and/or its subsidiaries (the "**Services**")

Cap amounts: The cap amounts of the Services for each of the three financial years ending December 31, 2017 will be as follows:

	For the financial year ending December 31,		
	2015	**2016**	**2017**
	RMB' million	*RMB' million*	*RMB' million*
Cap amount for the Services	10.0	30.0	30.0

The lower annual cap for 2015 is because Forsafe historically has only been supplying security products to the Reorganized Target Group. It did not possess the license to provide intelligent security system design, engineering and installation services. As it is not expected that Forsafe will be able to obtain its license for the provision of the intelligent security system design, engineering and installation services until the end of 2015/early 2016 and that the Services will only become continuing connected transactions of the Enlarged Group upon completion of the Acquisition, which is expected to be in end of 2015, the annual cap for the continuing connected transactions for 2015 has been set lower than that of 2016 and 2017.

The historical transaction amounts between the Reorganized Target Group and Forsafe and/or its associates for the purchase of security products during the Track Record Period were as follows:

	For the financial year ending December 31,			For the four months ended April 30,
	2012	**2013**	**2014**	**2015**
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*
Purchase amount	4.8	4.1	0.7	0.0

Security products supplied by Forsafe to the Reorganized Target Group from May 1, 2015 to the Latest Practicable Date amounted to approximately RMB19.8 million.

In determining the annual caps for 2016 and 2017, we have taken into consideration the historical transaction amounts and the projected increase in the provision of Services by Foresafe during the term of the Security Services Agreement. The annual caps have been set at a much higher level than the historical transaction amounts in anticipation of Forsafe obtaining its engineering and installation services licenses in late 2015/early 2016, and the additional design, engineering and installation services that could be provided by Forsafe in relation thereto. In determining the annual caps for 2016 and 2017, we have referred to the cost of design, engineering and installation services provided by independent contractors for the projects of the Reorganized Target Group in the past and the anticipated number of projects of the Enlarged Group, including Hongwan and Mangrove Luxury Garden, two projects under development of the Reorganized Target Group with an aggregated GFA of approximately 526,000 sq.m. which intended to utilize the intelligent security system design, engineering and installation

services of Forsafe, during the term of the Security Services Agreement. Since Forsafe has not provided the intelligent security system design, engineering and installation services previously, the Directors are of the view that with the increased scope of services, the additional annual caps for 2016 and 2017 which were determined with reference to services to be provided for the anticipated projects of the Reorganized Target Group, is fair and reasonable.

Term: The Security Services Agreement has a fixed term of three financial years ending December 31, 2017.

Condition: The Security Services Agreement is subject to completion of the Acquisition, the reverse takeover as a result of the Acquisition being approved by the Listing Committee and a waiver in respect of the transactions contemplated under the Security Services Agreement has been granted by the Stock Exchange.

Price: The basis of determining the service fees payable under the Security Services Agreement will be by reference to the prevailing market prices of the same or substantially similar services, taking into account the prices of the same or substantially similar services with comparable quality offered by other suppliers, and on terms which are no less favourable to the Enlarged Group than prevailing market practices. In determining the prevailing market prices for the services, the Enlarged Group will invite quotations from at least three independent suppliers (if available) to give a reference on the prevailing market prices for the relevant services to be provided. Such quotations will be reviewed and evaluated from both the technical and commercial perspectives by qualified personnel of the Enlarged Group to ensure that the services to be provided from a connected person or his/her/its associates are comparable to the prices for such services being offered in the market.

To ensure that the actual prices for the continuing connected transactions of the Enlarged Group are on normal commercial terms and on terms no less favourable to the Enlarged Group than that of transactions with independent third parties, the Enlarged Group will conduct regular checks to review and assess whether the services have been provided in accordance with the terms of the relevant agreement. In addition, we will engage its auditor to conduct an annual review of the continuing connected transactions of the Enlarged Group.

Payment terms: Payment of the service fees will be in stages depending on progress of the projects involved.

Reasons for the Security Services Agreement

The Reorganized Target Group is engaged in the property development business and would require the Services during its project development process. The Reorganized Target Group has procured the Services from Forsafe during the Track Record Period in its normal and ordinary course of business. It is expected that the Enlarged Group would continue to require the Services upon Completion for the development of the projects of the Enlarged Group and the Security Services Agreement was entered into to facilitate the continued provision of the Services by Forsafe to the Enlarged Group.

Our Directors believe that the Security Services Agreement would be beneficial to the Enlarged Group for the following reasons:

(a) the Enlarged Group would have a reliable and experienced service provider for the Services;

(b) the Services will be carried out in the normal and ordinary course of business of the Enlarged Group; and

(c) the Services will be conducted under arm's length basis, on normal commercial terms, and at competitive prices which are no less favourable to the Enlarged Group than that of transactions with independent third parties.

Since the applicable ratios under the Listing Rules in respect of the annual caps for the Security Services Agreement are expected to be more than 0.1% but less than 5%, the transactions under the Security Services Agreement will be subject to the reporting, announcement and annual review requirements and exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

EXEMPT CONTINUING CONNECTED TRANSACTION

The following Post-Completion Transaction constitutes exempt continuing connected transaction for the Company under the Listing Rules, as it is free of consideration and the annual caps will be below HK$3,000,000 and the applicable ratios under the Listing Rules in respect of the annual caps are less than 5%. This transaction will be exempted from the connected transaction requirements under Chapter 14A of the Listing Rules.

(b) Trademark License Agreement

Date: October 26, 2015

Parties: Our Company

LVGEM Management Group, which is a company wholly-owned by Mr. Wong and his associates

Subject:	LVGEM Management Group will grant to the Enlarged Group a non-exclusive and non-transferrable license to use certain trademarks (the "**Licensed Trademarks**") in the Enlarged Group's day-to-day business.
Term:	The right to use the Licensed Trademarks is granted on a royalty-free basis. The Trademark License Agreement has a term of three years ending on December 31, 2017 and is renewable upon its expiry at the option of our Company. LVGEM Management Group has undertaken to our Company to renew the registration of the Licensed Trademarks upon the expiry of their respective current term.

Reasons for the Trademark License Agreement

The license will enable the Enlarged Group to use the Licensed Trademark in the day-to-day business of the Enlarged Group. Since the license is granted on a royalty-free basis, our Directors are of the view that the Trademark License Agreement is on terms better than normal commercial terms. Given that no consideration is payable and therefore each of the applicable ratios under the Listing Rules for the Trademark License Agreement will be less than 5% and the consideration will be less than HK$3,000,000, the Trademark License Agreement will be exempted from the connected transaction requirements under Chapter 14A of the Listing Rules.

WAIVER

We have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement requirement in respect of the continuing connected transactions under the Security Services Agreement.

CONFIRMATION FROM THE DIRECTORS

Our Directors are of the view that (i) the Post-Completion Transactions have been entered into in the ordinary and usual course of business of the Enlarged Group; (ii) all of the above agreements and the transactions contemplated therein have been negotiated on an arm's length basis, on normal commercial terms and are fair and reasonable and in the interests of our Company and the Shareholders as a whole; and (iii) the annual caps for the non-exempt continuing connected transactions under the Security Services Agreement are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

SPONSOR'S VIEWS

The Sponsor is of the view that (i) the Security Services Agreement has been entered into in the ordinary and usual course of business of the Enlarged Group; (ii) the Security Services Agreement and the transactions contemplated therein are on normal commercial terms and are fair and reasonable and in the interests of our Company and the Shareholders as a whole; and (iii) the annual caps for the non-exempt continuing connected transactions under the Security Service Agreement are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

DIRECTORS

The Board consists of eight Directors as of the Latest Practicable Date, comprising five executive Directors, and three independent non-executive Directors.

The following table sets out certain information of the Directors and their roles and responsibilities in the Company upon Completion:

List of Directors:

Name	Age	Present Position	Roles and Responsibilities	Date of Appointment as Directors	Joined Year for the Enlarged Group
Miss Huang Jingshu (黃敬舒)	27	Executive Director and Chairman	Responsible for the overall business development of the Enlarged Group	May 15, 2014	2014
Mr. Yim Chun Leung (嚴振亮)	53	Executive Director and Chief Executive Officer	Responsible for the corporate administrative management, and investor relationship functions of the Enlarged Group	December 23, 2004	2004
Mr. Ye Xingan (葉興安)	51	Executive Director	Responsible for the overall project development and management of the Enlarged Group	May 15, 2014	2007
Mr. Chen Tieshen (陳鐵身)	52	Executive Director	Responsible for the overall strategic direction, business branding and property management of the Enlarged Group	May 15, 2014	2008
Ms. Deng Chengying (鄧承英)	54	Executive Director	Responsible for the overall finance and taxation management, internal control and compliance management of the Enlarged Group	May 15, 2014	2007

Name	Age	Present Position	Roles and Responsibilities	Date of Appointment as Directors	Joined Year for the Enlarged Group
Mr. Zhu Jiusheng (祝九勝)	46	Independent non-executive Director	Provides independent judgement and scrutinizes the performance of the Enlarged Group	May 15, 2014	2014
Mr. Wang Jing (王敬)	47	Independent non-executive Director	Provides independent judgement and scrutinizes the performance of the Enlarged Group	May 15, 2014	2014
Ms. Hu Gin Ing (胡競英)	56	Independent non-executive Director	Provides independent judgement and scrutinizes the performance of the Enlarged Group	May 15, 2014	2014

Executive Directors

Miss Huang Jingshu (黃敬舒), aged 27, was appointed as an executive Director on May 15, 2014 and the Chairman on June 5, 2014, respectively, and is responsible for the overall business development of the Enlarged Group. From August 2012 to July 2013, Miss Huang served in the Guangzhou branch of Deloitte Touche Tohmatsu (Special General Partnership) and her last position was analyst of Corporate Risk Management Service Division, where she was primarily responsible for providing professional services to the clients. Since November 2010, Miss Huang started serving in LVGEM Management Group. Her current position is the vice general manager of the investment management department and is responsible for corporate development and planning matters. Miss Huang obtained her Bachelor of Arts with Honours degree in Accounting and Finance from University of Exeter in the United Kingdom in July 2010, and her Master of Science degree in Accounting and Finance in November 2011. Miss Huang is the daughter of Mr. Wong.

Mr. Yim Chun Leung (嚴振亮), aged 53, was appointed as an executive Director on December 23, 2004 and the Chief Executive Officer on July 7, 2014, respectively, and is responsible for the corporate administrative management and investor relationship functions of the Enlarged Group. Since May 31, 2014, Mr. Yim was appointed as an independent non-executive director of China New City Commercial Development Limited (中國新城市商業發展有限公司) (a company listed on the Stock Exchange with a stock code of 1321). From September 2004 to August 2007, Mr. Yim served as an independent non-executive director of ERA Information & Entertainment Limited, the shares of which were previously listed on the Growth Enterprise Market of the Stock Exchange. From January 1994 to December 1997, Mr. Yim served as the finance director of Tysan Holdings Limited (a company listed on the Stock Exchange with a stock code of 687). From January 1998 to February 1999, Mr. Yim served as an executive director of NPH International Holdings Limited (currently known as Concord New Energy Group Limited, a company listed

on the Stock Exchange with a stock code of 182). Mr. Yim obtained his Master of Business Administration degree from University of Manchester in the United Kingdom in June 2008. Mr. Yim is a fellow of the Association of Chartered Certified Accountants, and a fellow of the Institute of Chartered Accountants in England and Wales and a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

Mr. Ye Xingan (葉興安), aged 51, was appointed as an executive Director on May 15, 2014, and is responsible for the overall project development and management of the Enlarged Group. He joined LVGEM Management Group in March 2007 and currently serves as the executive vice president and is responsible for its overall operation management. Prior to joining us, from March 1993 to August 2002, Mr. Ye served various positions in China Vanke Co., Ltd. (萬科企業股份有限公司), a company primarily engaged in real estate development. From August 2002 to March 2005, Mr. Ye served as a director and general manager of Chengdu Xinyi Investment Industry Co., Ltd. (成都心怡投資實業有限公司) and was primarily responsible for overall management. From March 2005 to March 2007, Mr. Ye served as a director and general manager of Shenzhen Xinyi Real Estate Investment Development Co., Ltd. (深圳市心怡房地產投資發展有限公司) and was primarily responsible for its overall management. Mr. Ye obtained his associate degree in accounting from Jiangxi College of Finance and Economics (江西財經學院, now known as Jiangxi University of Finance and Economics (江西財經大學)) in the PRC in June 1986, and he studied courses of master's degree in business administration at International Business Administration School of University of International Business and Economics (對外經濟貿易大學國際工商管理學院) in the PRC from September 2000 to September 2001.

Mr. Chen Tieshen (陳鐵身), aged 52, was appointed as an executive Director on May 15, 2014, and is responsible for the overall strategic direction, business branding and property management of the Enlarged Group. Since August 2008, Mr. Chen started serving in LVGEM Management Group. His current position is the vice president and is responsible for the commercial real estate operation and management. Prior to joining us, Mr. Chen had over 20 years' experience in real estate development and construction related industries and had served in various companies including China National Building Materials Group Corporation (中國建築材料集團有限公司), China Fiberglass Co., Ltd. (中國玻纖股份有限公司), China Building Material and Equipment Import and Export Zhujiang Company (中國建築材料及設備進出口珠江公司), Beixin Technology Development Co., Ltd. (北新科技發展有限公司) and Shenzhen Xinghe Real Estate Development Co., Ltd. (深圳市星河房地產開發有限公司). Mr. Chen was honored as an Exceptional Person of Driving Force for China Commercial Real Estate (中國商業地產卓越推動人物) in 2015 and Person of the Year in China Commercial Real Estate (中國商業地產風雲人物) in 2012 and 2013. Mr. Chen obtained his Master of Business Administration degree from China Europe International Business School (中歐國際工商學院) in the PRC in September 2007.

Ms. Deng Chengying (鄧承英), aged 54, was appointed as an executive Director on May 15, 2014, and is responsible for the overall finance and taxation management, internal control and compliance management of the Enlarged Group. Since July 2007, Ms. Deng started serving in LVGEM Management Group. She is currently the audit director and responsible for the overall audit, tax planning, risk control and compliance matters. Prior to joining us, from 1993 to 2013, Ms. Deng assumed various positions including accounting director and chief financial officer in Shenzhen Xinzhou Industry Co., Ltd. (深圳市新洲實業股份有限公司), a company primarily engaged in real estate development and property lease management, and was responsible for accounting and finance matters. Ms. Deng obtained her specialty graduation certificate in industrial accounting (工業會計) from Hunan Radio and TV University (湖南廣播電視大學) in the PRC

in July 1986 and studied specialty courses of master's degree in business administration in the Research Institute of Tsinghua University in Shenzhen (深圳清華大學研究院培訓中心) in the PRC in December 2002. Ms. Deng obtained her intermediate accounting professional qualifications of the People's Republic of China (中華人民共和國中級會計專業技術資格證書) in May 2002.

Independent non-executive Directors

Mr. Zhu Jiusheng (祝九勝), aged 46, was appointed as an independent non-executive Director on May 15, 2014, and is responsible for providing independent judgement and scrutinizing the performance of the Enlarged Group. Before joining us, from July 1993 to May 2012, Mr. Zhu held various positions in the Shenzhen branch of China Construction Bank Corporation (中國建設銀行股份有限公司深圳市分行), the shares of which are listed on the Stock Exchange and Shanghai Stock Exchange with a stock code of 939 and 601939 respectively, and the last position he held was vice president of the Shenzhen branch. Mr. Zhu currently serves as a director of Shenzhen Kondarl (Group) Co., Ltd. (深圳市康達爾(集團)股份有限公司) (a company listed on the Shenzhen Stock Exchange with a stock code of 000048), as a senior vice president of China Vanke Co., Ltd. (萬科企業股份有限公司) (a company listed on the Shenzhen Stock Exchange with a stock code of 000002), and as a non-executive director of Huishang Bank Corporation Limited (徽商銀行股份有限公司) (a company listed on the Stock Exchange with a stock code of 3698), respectively. Mr. Zhu obtained his master's degree in economics from Zhongnan University of Economics ((中南財經大學), now known as Zhongnan University of Economics and Law (中南財經政法大學)) in the PRC in June 1993, and his doctorate degree in economics from Zhongnan University of Economics and Law (中南財經政法大學) in the PRC in December 2003.

Mr. Wang Jing (王敬), aged 47, was appointed as an independent non-executive Director on May 15, 2014, and is responsible for providing independent judgement and scrutinizing the performance of the Enlarged Group. Mr. Wang currently serves as an independent director of Better-Life Commercial Chain Share Co., Ltd. (步步高商業連鎖股份有限公司) (a company listed on the Shenzhen Stock Exchange with a stock code of 002251) and as the chairman of the board of directors of Land Vision (Shanghai) Investment Management Co., Ltd. (九洲遠景(上海)投資管理有限公司), a professional service provider in commercial property industry, and is responsible for its overall management. Mr. Wang obtained his Bachelor of Engineering Degree from Heilongjiang Business School (黑龍江商學院) in the PRC in July 1990, and his master's degree in business administration from University of International Business and Economics (對外經濟貿易大學) in the PRC in July 1997.

Ms. Hu Gin Ing (胡競英), aged 56, was appointed as an independent non-executive Director on May 15, 2014, and is responsible for providing independent judgement and scrutinizing the performance of the Enlarged Group. Before joining us, from August 2013 to October 2014, Ms. Hu served as a non-executive director of SMI Culture Group Holdings Limited ((星美文化集團控股有限公司), formerly known as Qin Jia Yuan Media Services Company Limited (勤+緣媒體服務有限公司), a company listed on the Stock Exchange with a stock code of 2366). Ms. Hu served as an independent director of GigaMedia Limited (a company listed on the NASDAQ Stock Exchange (NASDAQ: GIGM)) from July 2003 to October 2013, and as an independent director of Evendata Holding Company Limited (a company previously listed on the Taiwan Stock Exchange) from April 2011 to May 2013. Since May 2014, Ms. Hu has been serving as the global chief finance officer of Acer Incorporated (宏碁股份有限公司), a company listed on the Taiwan Stock Exchange with a stock code of 2353. She serves as an independent non-executive director of Carnival Group International Holdings Limited (嘉年華國際控股有限公司), Enterprise Development Holdings

Limited (企展控股有限公司) and United Pacific Industries Limited (聯太工業有限公司), all of which are companies listed on the Stock Exchange with a stock code of 996, 1808, and 176, respectively. Ms. Hu also served as an independent director of Arich Enterprise Co. Ltd. (久裕企業股份有限公司) (a company listed on the GreTai Securities Market in Taiwan with a stock code of 4173) from December 2012 to June 2015. Ms. Hu obtained her Bachelor of Arts degree from National Taiwan University in June 1981, her Master of Science degree of science from Barry University in the United States of America in May 1988 and her Master of Business Administration degree from Florida International University in the United States of America in August 1990.

Save as disclosed in this circular, each of our Directors has confirmed that (i) he/she has no other interests in our Shares within the meaning of Part XV of the SFO, (ii) he/she is independent from, and is not related to, any other Directors, members of senior management, substantial Shareholders or Controlling Shareholders, (iii) he/she has not held any other directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years, and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 13.51(2) of the Listing Rules, nor are there any matters which need to be brought to the attention of the Shareholders in connection with his appointment as a Director.

Senior Management

The following table sets out certain information in respect of our senior management:

List of Senior Management

Name	Age	Present Position	Roles and Responsibilities	Date of Appointment to Senior Management
Ms. Hu Yong (呼勇)	53	Vice president	Responsible for the financing of the Enlarged Group	November 2006
Mr. Ren Hongbing (任紅兵)	46	Vice president	Responsible for the project construction and development of the Enlarged Group	February 2010

Ms. Hu Yong (呼勇), aged 53, is the vice president of the Enlarged Group and is responsible for its financing. Prior to joining us in January 2005, from July 2003 to December 2004, Ms. Hu served as the assistant to general manager as well as the manager of the finance department in China Jiantou Commerce & Trading Co., Ltd. (中建投商貿有限公司) and was responsible for finance duties. From January 1987 to January 2001, she served in various positions in Shenzhen Petrochemical Chemical Co., Ltd. (深圳石化化工有限公司), including general manager from July 1996 to January 2001. She was responsible for financial and accounting matters. Ms. Hu obtained her associate degree in accounting from Shenzhen University (深圳大學) in July 1989, and studied strategic financing management courses in the Research Institute of Tsinghua University in Shenzhen (深圳清華大學研究院) in the PRC in April 2008. She has been a senior accountant authorized by Hunan Personnel Department (湖南省人事廳) since June 2006.

Mr. Ren Hongbing (任紅兵), aged 46, is the vice president of the Enlarged Group and is responsible for the project construction and development. Mr. Ren joined us in March 2001. He had served various positions including the vice general manager and general manager of Zhuhai LVGEM Real Estate Development Co., Ltd. (珠海綠景房地產開發有限公司) and was responsible for project development. Prior to joining us, Mr. Ren served as various positions in Shenzhen Huatai Enterprises Company (深圳華泰企業公司) and was responsible for technology and engineering matters. Mr. Ren obtained his bachelor's degree in industrial and civil buildings (工業與民用建築) from Yangzhou Construction Engineering Institute (揚州建築工程學校) in the PRC in July 1988, and his Master of Business Administration degree from University of Wales in January 2012.

Save as disclosed in this circular, each of our Senior Management has confirmed that (i) he/she is independent from, and is not related to, any other Directors, members of senior management, substantial Shareholders or Controlling Shareholders, and (ii) he/she has not held any other directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Company Secretary

Mr. Lai Siu Hung (賴兆鴻), aged 50, has been appointed as the Company Secretary of the Company with effect from 1 November 2012. Mr. Lai obtained his Master of Business Administration from University of South Australia in March 2006. Mr. Lai has been an associate of The Hong Kong Institute of Chartered Secretaries and an associate of the Institute of Chartered Secretaries and Administrators since September 2007. Mr. Lai is also a fellow of the Association of Chartered Certified Accountants, a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a member of the Chartered Accountants Australia and New Zealand.

Save as disclosed in this circular, Mr. Lai does not hold any directorships in other Hong Kong or overseas listed public companies in the last three years and does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company.

NON-COMPETITION

Each of the Directors has confirmed that save as disclosed in the sections headed "Relationship with the Controlling Shareholders" and "Directors and Senior Management of the Enlarged Group", he or she and his/her respective associate(s) are not engaged in, or interested in any business which, directly or indirectly, competes or may compete with the business of the Enlarged Group.

EXECUTIVE COMMITTEE

The Company established its executive committee (the "Executive Committee") on December 2, 2005. The Executive Committee is currently chaired by Miss Huang Jingshu, the executive Director and chairman of the Company. Its other members are Mr. Yim Chun Leung, Mr. Ye Xingan, Mr. Chen Tieshen and Ms. Deng Chengying. All of the above Directors are executive Directors.

The functions of the Executive Committee are taking in charge of major decision making in relation to the day-to-day business operations of the Company; administering the Company's routine resolutions and dealing with adhoc matters; ensuring adequate funding; reporting periodically to the Board; developing, reviewing and monitoring the policies and practices on corporate governance of the Group and making recommendations to the Board; reviewing and monitoring the Company's policies and practices on the legal and regulatory compliance; reviewing and monitoring the code of conduct and ethical behaviour applicable to the Directors and employees and the training and continuous professional development of Directors and senior management; and reviewing the Company's compliance with the Code and disclosure in the corporate governance report.

AUDIT COMMITTEE

The Company established its audit committee (the "Audit Committee") on November 14, 2005. The Audit Committee is currently chaired by Mr. Zhu Jiusheng, who possesses relevant financial management experience. Its other members are Mr. Wang Jing and Ms. Hu Gin Ing. All of the above Directors are independent non-executive Directors.

The functions of the Audit Committee are reviewing and approving the financial reporting process and internal control systems of the Group; and discussing the matters relating to the internal control of the Group with an external professional.

REMUNERATION COMMITTEE

The Company established its remuneration committee (the "Remuneration Committee") on November 14, 2005. The Remuneration Committee is currently chaired by Ms. Hu Gin Ing. Its other members are Miss Huang Jingshu and Mr. Zhu Jiusheng. Ms. Hu Gin Ing and Mr. Zhu Jiusheng are independent non-executive Directors.

The functions of the Remuneration Committee are reviewing and determining the terms of remuneration packages, bonuses and other compensation payable to Directors and senior management; and considering and reviewing the existing terms of remuneration of all the Directors based on factors including time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

NOMINATION COMMITTEE

The Company established its nomination committee (the "Nomination Committee") on November 14, 2005. The Nomination Committee is currently chaired by Miss Huang Jingshu. Its other members are Mr. Zhu Jiusheng and Mr. Wang Jing. Mr. Zhu Jiusheng and Mr. Wang Jing are independent non-executive Directors.

The function of the Nomination Committee are making recommendations to the Board on appointing and removal of Directors and management of Board succession; considering the past performance, qualification, general market conditions and the Company's articles of association in selecting and recommending directors for retirement by rotation and re-election; reviewing the Board Diversity Policy, as appropriate; and reviewing the measurable objectives that have been set for implementing the Board Diversity Policy, and reviewing the progress on achieving the objectives.

REMUNERATION

The aggregate amounts of emoluments paid to our Directors for the years ended December 31, 2012, 2013 and 2014 were RMB609,000, RMB713,000 and RMB716,000, respectively.

The aggregate amounts of emoluments paid to the five highest paid employees other than Directors for the years ended December 31, 2012, 2013 and 2014 were RMB2,970,000, RMB3,177,000 and RMB3,237,000, respectively.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

Under the arrangements currently in force, we estimate that the aggregate amounts of emoluments (including salaries and other benefits, performance related bonus, retirement benefit scheme contribution) payable to our Directors for the year ended December 31, 2015 will be HK$8,099,000.

We have not experienced any significant problems with our employees or disruption to our operations due to labor disputes, nor have we experienced any difficulties in the recruitment and retention of experienced staff.

COMPLIANCE ADVISOR

The Company has appointed Innovax Capital Limited as its compliance advisor pursuant to Rule 3A. 19 of the Listing Rules to advise the Company on the following matters in accordance with Rule 3A. 23 of the Listing Rules:

(1) before the publication of any regulatory announcement, circular or financial report;

(2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(3) where the business activities, developments or results of the Enlarged Group deviate from any forecast, estimate, or other information in this circular; and

(4) where the Stock Exchange makes an enquiry of the Company of unusual movements in the price of trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The terms of the appointment will commence upon Completion and end on the date on which the Company sends its financial results as required under Rule 13.46 of the Listing Rules for the first full financial year commencing after Completion or until the compliance advisor resigns or its agreement is terminated, whichever is earlier. Where the compliance advisor resigns or its agreement is terminated earlier, the Company shall appoint a replacement compliance advisor within three months of the resignation or termination.

DEALING IN THE SHARES OF THE COMPANY PRIOR TO LISTING

According to Rule 9.09(b) of the Listing Rules, there must be no dealing in the securities for which listing is sought by any connected person of the issuer from four clear business days before the expected hearing date until listing is granted.

As of the Latest Practicable Date, so far as the Company is aware, the Controlling Shareholders are the only substantial shareholders of the Company within the meaning of the Listing Rules. Given that the Shares are already publicly traded on the Stock Exchange, the Company is not in a position to control dealings in the Shares by any person (other than the Controlling Shareholders and the Directors, whether or not they are existing holders of the Shares) who may, as a result of such dealing, become a connected person of the Company within the meaning of the Listing Rules. The Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 9.09(b) of the Listing Rules in respect of any dealing by any holder of the Shares (other than the Controlling Shareholders and the Directors and any of their respective associates) from four clear business days before the expected hearing date until listing is granted, on condition that:

a. The Company promptly releases any inside information to the public in accordance with the listing rules and the SFO;

b. The Company procures that none of the Controlling Shareholders and the Directors and any of their respective associates deals in the Shares (other than the allotment of the Consideration Shares) from four clear business days before the expected hearing date until listing is granted;

c. The Company notifies the stock exchange if it has come to its knowledge that there is any dealing or suspected dealing in the Shares by any of its connected persons from four clear business days before the expected hearing date until listing is granted; and

d. for any person (other than the Controlling Shareholders) who, as a result of dealing in the securities of the Company from four clear business days before the expected hearing date until listing is granted, becomes a substantial shareholder of the company (the "**Potential New Substantial Shareholder**"), the company confirms that:

   (i) such Potential New Substantial Shareholder is currently not a Director or a member of the senior management of the Company or any of its subsidiaries and, to the knowledge of the Company as of the Latest Practicable Date, would not become a Director or a member of the senior management of the Enlarged Group after Completion; and

   (ii) the Company and its management have not had control over the investment decisions of such Potential New Substantial Shareholder or its associates.

CONTINUING CONNECTED TRANSACTIONS

The Enlarged Group has entered into, and are expected to continue after Completion, certain continuing connected transactions. The Company has applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement requirement in respect of the continuing connected transactions under the Security Services Agreement. Further information is disclosed in the section headed "Connected Transactions" in this circular.

SHARE CAPITAL

As at the Latest Practicable Date, the Company had only one class of shares in issue, namely ordinary shares of HK$0.01 each. The authorized share capital of the Company is HK$300,000,000 divided into 30,000,000,000 ordinary shares of HK$0.01 each.

The following table sets out the share capital of the Company upon Completion:

Authorized share capital

		HK$
30,000,000,000	Ordinary shares of HK$0.01 each as at the Latest Practicable Date	300,000,000
66,000,000	Convertible preference shares of HK$0.01 each to be created pursuant to resolutions proposed at the EGM	66,000,000
		366,000,000

Issued share capital

Ordinary shares

		HK$
1,384,240,281	Shares in issue as at the Latest Practicable Date	13,842,402.81
5,094,546,345	Consideration Shares that may be issued to satisfy the consideration of the Acquisition	50,945,463.45
1,661,734,611	Placing Shares that may be issued pursuant to the Placing	16,617,346.11
		81,405,212.40

Convertible Preference Shares

		HK$
6,582,405,062	Convertible Preference Shares that may be issued to satisfy the consideration of the Acquisition, assuming that no Placing Shares are issued.	65,824,050.62

RANKING

The Consideration Shares and the Conversion Shares will rank equally among themselves and pari passu in all respects with all Shares in issue or to be issued as mentioned in this circular and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this circular.

The Convertible Preference Shares will form a new class of shares of the Company and will rank priority to the Shares as to dividends. Holders of the Convertible Preference Shares will be entitled to attend the general meetings of the Company but are not permitted to vote unless a resolution is proposed to vary the rights of the holders of the Convertible Preference Shares or a resolution is proposed to wind up the Company.

PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) the Listing Rules, upon Completion and at all times thereafter, the Company must maintain a minimum public float of 25% of the total number of Shares in issue from time to time. Given that the Vendor has covenanted and undertaken to the Company that the shareholding of the Vendor and its associates in the Company after the allotment and issue of the Consideration Shares will not result in the percentage of Shares held by the public falling below the minimum public float requirement under Rule 8.08 of the Listing Rules, and the Purchaser will, to the extent necessary, reduce the number of Consideration Shares to be provided for the satisfaction of the consideration with such amount of reduction to be satisfied by cash payment and/or the issue of the Convertible Preference Shares, the issue of the Consideration Shares will not cause the Company to breach the minimum public float requirement under the Listing Rules.

SHARE OPTION SCHEMES

Our Directors (including executive and non-executive Directors) and employees (including full-time employees and part-time employees) are entitled to participate in the Share Option Scheme, which was adopted by the Shareholders at the annual general meeting of the Company held on November 14, 2005. The principal terms of the Share Option Scheme are summarized under the section headed "Statutory and General Information – E. Share Option Scheme" in Appendix VIII to this circular.

GENERAL MANDATE

The Directors have been granted an unconditional general mandate to allot, issue and deal with unissued ordinary Shares and to make or grant offers, agreements and options, including warrants to subscribe for Shares. The total number of Shares to be allotted and issued shall not exceed 20% of the total number of Shares of the Company in issue as of the date of passing of the relevant resolution on May 14, 2015, which based on 1,384,240,281 Shares in issue as of the date of passing of the resolution, would be 276,848,056 Shares. The general mandate to issue Shares may be extended by such number of Shares that may be repurchased by the Company under the share buy-back mandate described below.

SHARE BUY-BACK MANDATE

The Directors have been granted an unconditional general mandate to exercise the powers to repurchase Shares representing not more than 10% of the total number of Shares in issue as of the date of the passing of the relevant resolution on May 14, 2015, which based on 1,384,240,281 Shares in issue as of the date of passing of the resolution, would be 138,424,028 Shares.

The general mandate only relates to repurchases made on the Stock Exchange, or on any other securities exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and requirements of the Listing Rules.

UNDERTAKING BY THE CONTROLLING SHAREHOLDERS

Pursuant to Rule 10.07 of the Listing Rules, the Controlling Shareholders have undertaken to the Stock Exchange and to the Company that, it shall not, and shall procure that the relevant registered holders shall not, without the prior written consent of the Stock Exchange:

(a) in the period commencing on the date of this circular and ending on the date (the "**End Date**") which is six months from the Completion Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of the Shares in respect of which it is shown by the circular to be the beneficial owner;

(b) in the period of six months commencing from the End Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the ordinary Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder of the Company; and

(c) within the period commencing on the date of the circular and ending on the date which is 12 months from the Completion Date, it will:

  (i) when it pledges or charges any ordinary Shares beneficially owned by it in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of ordinary Shares so pledged or charged; and

  (ii) when it receives indications, either verbal or written, from the pledge or charger that any of the pledged or charged ordinary Shares will be disposed of, immediately inform the Company of such indications.

As of the Latest Practicable Date and immediately upon Completion, the following companies have/will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group:

Interests in the issued Shares (exclude the interests in respect of the Consideration Shares and conversion of the Convertible Bonds) as of the Latest Practicable Date

Name of shareholder	**Capacity and nature of interest**	**Number of Shares/ underlying Shares**	**Approximate percentage of the Company's issued share capital**	*Note*
China LVGEM	Beneficial owner	1,010,844,583L	73.03%	*1, 2*
Go Great International Limited	Interests of controlled corporation	1,010,844,583L	73.03%	*1, 2*
Mr. Wong	Interests of controlled corporation	1,010,844,583L	73.03%	*1, 2*

Notes:

(1) The Letter "L" denotes a long position in the Shares and/or underlying Shares; the letter "S" denotes a short position in the Shares and/or underlying Shares.

(2) China LVGEM is owned as to 100% by Go Great International Limited, which is in turn owned as to 100% by Mr. Wong. Accordingly, Go Great International Limited and Mr. Wong Hong King are deemed to be interested in the 1,010,844,583 Shares held by China LVGEM.

Pursuant to the Acquisition Agreement, Consideration Shares will be issued to satisfy part of the consideration for the Acquisition. In addition, Convertible Preference Shares may also be issued to satisfy part of the consideration. The table below illustrates the interests and long positions of the substantial shareholders in Shares and underlying Shares upon Completion.

		Assuming Placing of only 600,000,000 new Shares was conducted						
	Capacity and nature of interest	Immediately upon Completion *(Note 1)*			Immediately upon Completion and assuming all Convertible Preference Shares have been converted *(Note 2)*		Assuming completion of the Placing of an aggregate of 1,661,734,611 new Shares to investors *(Note 3)*	
		Number of Shares	Number of Convertible Preference Shares	Approximate percentage of the Company's issued Shares	Number of Shares	Approximate percentage of the Company's issued Shares	Number of Shares	Approximate percentage of the Company's issued Shares
China LVGEM	Beneficial owner	2,920,187,094	4,205,706,033	75.00	7,125,893,127	88.00	6,105,390,928	75.00
Go Great International Limited	Interests of controlled corporation	2,920,187,094	4,205,706,033	75.00	7,125,893,127	88.00	6,105,390,928	75.00
Mr. Wong	Interests of controlled corporation	2,920,187,094	4,205,706,033	75.00	7,125,893,127	88.00	6,105,390,928	75.00

Notes:

(1) This represents the shareholding structure of the Company upon Completion where only 600,000,000 Placing Shares have been placed. The shareholding percentage of Mr. Wong and his associates in the Company only takes into account the Shares held but not the Convertible Preference Shares held. The relevant Shares are held by China LVGEM. China LVGEM is wholly owned by Go Great, which is in turn wholly owned by Mr. Wong.

(2) This represents the shareholding structure of the Company upon Completion where only 600,000,000 Placing Shares have been placed and assuming that all 4,205,706,033 Convertible Preference Shares issued to Mr. Wong are converted into Conversion Shares. The figure is for illustration purpose only. Holders of the Convertible Preference Shares may not exercise the conversion rights if upon conversion, the percentage of Shares held by the public would fall below the minimum public float requirement under Rule 8.08 of the Listing Rules.

(3) This represents the shareholding structure of the Company upon Completion where the Company has conducted a Placing and a maximum of 1,661,734,611 Shares have been placed.

Save as disclosed above, the Directors of the Company were not aware of any person who will have an interest or short position in the Shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group.

The information and statistics set out in this section have been extracted and derived from various official government publications, publicly available sources and private publications, unless otherwise indicated. We believe that the sources of this information and statistics are appropriate sources for such information and statistics and reasonable care has been exercised by our Directors in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information false or misleading. None of our Company, the Sole Sponsor, the Underwriters or our or their respective directors, advisors and affiliates have independently verified such information and statistics. Accordingly, none of our Company, the Sole Sponsor, or our or their respective directors and advisors or any other parties involved in the Listing makes any representation as to the accuracy and completeness of such information and statistics. As such, the official and non-official sources contained herein should not be unduly relied upon. Furthermore, due to the inherent time-lag involved in collecting any industry and economic data, some of the data contained in this section may only represent the state of affairs at the time such data were collected. As such, you should also take into account subsequent movements in the industry and the PRC economy when you evaluate the information contained in this section.

SOURCE OF INFORMATION

In connection with the Acquisition, we have engaged Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**"), an Independent Third Party, to conduct a study relating to the property markets of China and Shenzhen. JLL is an international real estate consultancy group which provides a range of services including valuation and consultancy for occupiers, investors and developers across all sectors of the real estate market. JLL has licensed offices in Beijing, Shanghai, Guangzhou, Shenzhen and Chengdu in China, as well as Hong Kong, Singapore and so on in Asia.

For the purpose of the Acquisition, JLL also serves as our property valuer. A property valuation report prepared by JLL relating to our property interests is included in Appendix V to this circular. JLL provides industry consulting and property valuation services through two business teams which are independent from each other. The Market Research Report was prepared primarily by the designated market research team of JLL based on data collected from various government publications, site visits and interviews, the proprietary database of JLL, as well as the CREIS China Index Database, on relevant property markets. The CREIS China Index Database is developed by the China Index Academy. China Index Academy, an Independent Third Party, is a renowned Chinese property research institution which was integrated in 2004 from a number of China research resources, including the China Real Estate Index System, Soufun Research Institute, China Villa Index System and Top 10 China Real Estate Research Group. The database has been widely used and relied upon by the PRC property industry.

It is a general market practice to adopt official data and announcements from various Chinese government agencies, and JLL understands the collection methodology and data sources of the data in the proprietary database of JLL and the subscribed database from the China Index Academy. As such, JLL adopted the above sources of information and considered them reliable.

While preparing this section, JLL had relied on the following assumptions: (i) all land transaction records and contracted average selling prices of select projects provided by the Company were true and correct; (ii) all published data by the Statistics Bureaus were true and correct; (iii) all collected information relating to residential sales transactions from relevant local housing administrative bureaus were true and correct; (iv) all land transaction records collected from the Land Resources Administrative Bureaus were

true and correct; and (v) where subscribed data were obtained from renowned public institutions, JLL had relied upon the apparent integrity and expertise of such institutions. JLL had not verified the accuracy of such information or reports, and assumed no responsibility for their accuracy.

We have agreed to pay JLL a total fee of HKD250,000 for the preparation of the Market Research Report. The payment of such amount is not contingent upon the success of the Acquisition or the findings of the Market Research Report. We believe the payment is in line with the market rate for such report.

Our Directors, upon taking reasonable care, confirm that there have been no adverse changes in the market information since the Latest Practicable Date which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF THE ECONOMY IN CHINA

Over the past six years, China's nominal GDP had increased from RMB34,090 billion in 2009 to RMB63,646 billion in 2014, representing a CAGR of approximately 13.3%. Meanwhile, China's nominal GDP per capita grew at a CAGR of 12.8% from RMB25,608 in 2009 to RMB46,652 in 2014, demonstrating a significant increase in the purchasing power of China's population. The table below sets out selected economic statistics of China for the periods indicated.

	2009	2010	2011	2012	2013	2014	2009-2014 CAGR *(%)*
Population (million)	1,335	1,341	1,347	1,354	1,361	1,368	0.49
Nominal GDP (RMB' billion)	34,090	40,151	47,310	51,947	56,885	63,646	13.3
Real GDP growth rate (%)	9.2	10.4	9.3	7.7	7.7	7.4	8.6*
GDP per capita (RMB)	25,608	30,015	35,198	38,459	41,908	46,652	12.8
Fixed asset investment (RMB' billion)	22,460	25,168	31,149	37,469	44,629	51,276	18.0
Unemployment rate (%)	4.3	4.1	4.1	4.1	4.1	4.1	4.1*

Source: National Bureau of Statistics of China
*Note: * is the arithmetic mean of 2009 to 2014*

KEY DRIVERS OF THE PRC PROPERTY MARKET

China's real estate industry was part of the nation's planned economy prior to the 1990s, since when China's real estate and housing sector began transitioning into a market-oriented system and solid economic conditions of China have driven strong growth in the property market. For example, fixed assets investment in China accelerated from RMB22,460 billion in 2009 to RMB51,276 billion in 2014, representing a CAGR of 18.0%. Growths in per capita disposable income and urbanization have also provided strong support to the property market development.

Per Capita Disposable Income in China

The rapid economic development in China had resulted in steady growth of the per capita disposable income of urban households, rising from RMB17,175 in 2009 to RMB28,844 in 2014 at a CAGR of 10.9%. Such growth boosted the purchasing power of urban households throughout China, resulting in an upsurge in

China's wholesale and retail market as evidenced by an increase in China's retail sales of consumer goods with a CAGR of 14.6% over 2009 to 2014. The table below sets out the per capita disposable income levels of urban households for the periods indicated.

	2009	2010	2011	2012	2013	2014	2009-2013/2014 CAGR *(%)*
Per capita disposable income of urban households (RMB)	17,175	19,109	21,810	24,565	26,955	28,844	10.9
Total retail sales of consumer goods (RMB' billion)	13,268	15,700	18,392	21,031	23,781	26,239	14.6
CPI*	99.3	103.3	105.4	102.6	102.6	N/A	102.6**#
Growth rate of CPI (%)	-0.7	3.3	5.4	2.6	2.6	N/A	2.6**#

Source: National Bureau of Statistics of China
*Note: * Preceding year=100; ** is the arithmetic mean; # is based on data from 2009 to 2013*

Urbanization in China

China's reform and opening-up has brought about rapid economic development and urbanization since the 1990s. The urbanization rate in China increased from 48.3% in 2009 to 54.8% in 2014, with the total urban population rising from 645 million in 2009 to 749 million in 2014. The growth of urban population has contributed to greater demand for residential properties in urban cities. According to the National Plan on New Urbanization (2014-2020) promulgated by the State Council of the PRC, the urbanization rate of urban residence is expected to reach 60% by 2020. It is expected that more people will be moving to urban cities, fueling an increase in demand for residential properties in the future. The table below sets out data regarding China's urbanization rate for the periods indicated.

	2009	2010	2011	2012	2013	2014	2009-2014 CAGR *(%)*
Urban population (million)	645	670	691	712	731	749	3.0
Population (million)	1,335	1,341	1,347	1,354	1,361	1,368	0.5
Urbanization (%)	48.3	50.0	51.3	52.6	53.7	54.8	2.6

Source: National Bureau of Statistics of China

OVERVIEW OF THE PROPERTY MARKET IN CHINA

As a result of China's rapid economic growth and strong disposable income growth, China's property market has been developing significantly in the past years. The amount of property investment in China rose from approximately RMB3,624 billion in 2009 to approximately RMB9,504 billion in 2014, and the total GFA of properties sold per year increased from 948 million sq.m. in 2009 to 1,206 million sq.m. in 2014.

Supply and demand for properties for commercial uses, office buildings and hotels have seen a steady increase over the same period. According to the National Bureau of Statistics of China, there was an increase in the GFA of properties completed and GFA of properties sold for commercial properties and office buildings between 2009 and 2014. The table below sets out certain statistics relating to different sectors of China's property market for the periods indicated.

	2009	2010	2011	2012	2013	2014	2009-2013/2014 CAGR *(%)*
Overall							
Total real estate investment commodity properties (RMB' billion)	3,624	4,826	6,180	7,180	8,601	9,504	21.3
Total GFA of commodity properties completed (million sq.m.)	727	787	926	994	1,014	1,075	8.1
Total GFA of commodity properties sold (million sq.m.)	948	1,048	1,094	1,113	1,306	1,206	4.9

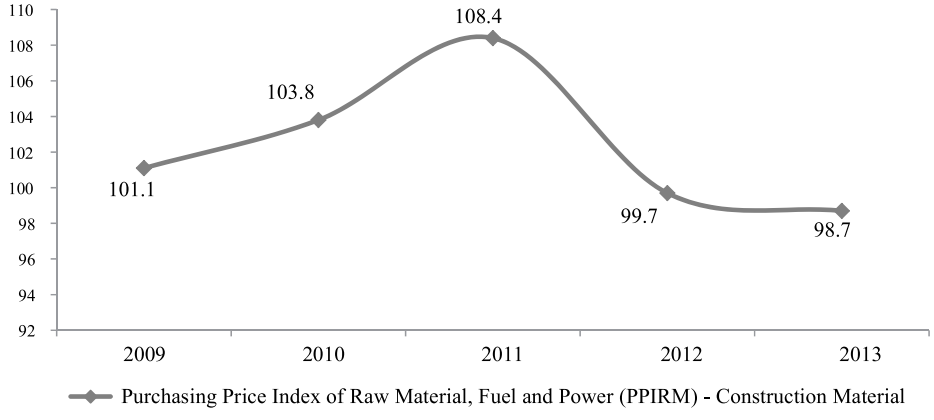
	2009	2010	2011	2012	2013	2014	2009-2013/2014 CAGR (%)
Total GFA of commodity properties under construction (million sq.m.)	3,204	4,054	5,068	5,734	6,656	7,265	17.8
Average price of commodity properties (RMB per sq.m.)	4,681	5,032	5,357	5,791	6,237	6,324	6.2
Residential Properties							
Real estate investment of residential properties (RMB' billion)	2,561	3,403	4,432	4,937	5,895	6,435	20.2
GFA of residential properties completed (million sq.m.)	596	634	743	790	787	809	6.3
GFA of residential properties sold (million sq.m.)	862	934	965	985	1,157	1,052	4.1
GFA of residential properties under construction (million sq.m.)	2,513	3,148	3,877	4,290	4,863	5,151	15.4
Average price of residential properties (RMB per sq.m.)	4,459	4,725	4,993	5,430	5,850	5,932	5.9
Retail Properties							
Real estate investment of retail properties (RMB' billion)	418	565	742	931	1,194	1,435	28.0
GFA of retail properties completed (million sq.m.)	N/A	N/A	N/A	102	109	121	N/A
GFA of retail properties sold (million sq.m.)	53	70	79	78	85	91	11.4
Average price of retail properties (RMB per sq.m.)	6,871	7,747	8,488	9,021	9,777	9,814	7.4
Office							
Real estate investment of office properties (RMB' billion)	138	181	256	337	465	564	32.5
GFA of office properties completed (million sq.m.)	N/A	N/A	N/A	23	28	31	N/A
GFA of office properties sold (million sq.m.)	15	19	20	23	29	25	10.8
Average price of office properties (RMB per sq.m.)	10,608	11,406	12,327	12,306	12,997	N/A	5.2#

Source: National Bureau of Statistics of China
Note: # is based on data from 2009 to 2013

Historical Price Trend

Raw Materials

The Purchasing Price Index of Raw Material, Fuel and Power ("**PPIRM**") is a common benchmark to predict the construction cost for real estate developers. According to a report conducted by the National Bureau of Statistics of China, the PPIRM for construction materials has exhibited an inverted U-shape between 2009 and 2014. The index climbed from 101.1 in 2009 to a peak of 108.4 in 2011 and subsequently declined to 99.7 in 2012 and 98.7 in 2013, manifesting year-to-year fluctuations in the prices of raw materials which are attributable to economic, political and social changes.



Source: National Bureau of Statistics of China

Construction Cost

The cost of construction materials is another important factor for real estate developers and the prices of steel and cement constitute a major part of the cost of construction materials. From 2009 to 2014, the steel product price index and China's producer price index for the manufacture of cement recorded a CAGR of -6.2% and -0.64%, respectively. The table below sets out the respective price indexes over the periods indicated.

	2009	2010	2011	2012	2013	2014	2009-2014 CAGR *(%)*
Steel product price index	3,910	4,760	4,480	3,800	3,600	2,840	-6.2
China's producer price index – manufacture of cement	95.3	112.2	112.3	92.2	102.8	92.3	-0.64

Source: Standard Commodity Trade Centre (西本新幹線電子商務有限公司), Bloomberg

Land Price

Land price, which is a crucial factor for real estate operations, is significantly affected by factors such as land supply, policies and characteristics. China's total site area sold grew from 828 million sq.m. in 2009 to 1,703 million sq.m. in 2014, representing a CAGR of 15.5%. In general, it is anticipated that the land cost will continue to increase in the future, creating greater pressure on real estate developers. The table below sets out data regarding the site areas sold and average site values for the periods indicated.

	2009	2010	2011	2012	2013	2014	2009-2014 CAGR *(%)*
Total site area sold (million sq.m.)	828	1,238	2,698	2,919	2,969	1,703	15.5
Site area sold – residential (million sq.m.)	378	557	845	804	983	534	7.2
Site area sold – retail and office (million sq.m.)	83	129	297	402	462	271	26.7
Average site value –residential (RMB per sq.m.)	2,969	3,336	2,405	2,418	3,083	3,918	5.7
Average site value – retail and office (RMB per sq.m.)	2,570	2,809	2,157	1,863	2,626	3,066	3.6

Source: CREIS

REGULATORY ENVIRONMENT OF THE PRC PROPERTY INDUSTRY

Please refer to the section headed "Regulatory Overview" in Appendix II to this circular.

OVERVIEW OF THE PEARL RIVER DELTA REGION

The Greater Pearl River Delta region ("**GPRD**") covers nine cities in Guangdong province, including Guangzhou, Shenzhen, Zhuhai, Dongguan, Zhongshan, Foshan, Huizhou, Jiangmen and Zhaoqing, and two Special Administrative Regions, which are Hong Kong and Macau. GPRD is traditionally reputable for its high level of exports of commodities and is an important economic powerhouse in coastal China, particularly the southern region.

According to "The Outline of the Plan for the Reform and Development of the Pearl River Delta (2008-2020)" formulated by the National Development and Reform Commission approved by the State Council, the GDP per capita of GPRD is expected to reach RMB135,000 in 2020, with the service sector accounting for 60% of the GDP of the region. In the "National Territory Development Plan" released by the State Council in December 2010, the Pearl River Delta region is the only region in southern China to be selected as one of the three National Optimized Development Zones. Massive infrastructural projects carried out in Qianhai in Shenzhen, Nansha District in Guangzhou and Hengqin in Zhuhai have been granted national status. In particular, Qianhai is expected to complete its infrastructure development in 2015 entailing reclamation of the development zone and building of the railway networks and the first phase of commercial premises, which complements the reform initiatives that it has been implementing on investment

regulation, corporate governance, international dispute settlement and talent attraction. Driven by rapid industrialization and urbanization, a "polycentric metropolis" is taking shape in GPRD, with the "modern service sector" being the prime focus.

OVERVIEW OF THE ECONOMY OF SHENZHEN

With a total population of 10.8 million in 2014, Shenzhen is the second largest city in Guangdong province. The city covers an area of 1,991.64 square kilometers and consists of six districts and four new districts. Located at the forefront of the Pearl River Delta and connected to Hong Kong in the south and Daya Bay in the east, Shenzhen is an important coastal communication hub in southern China, and it ranked fourth among all cities in China in terms of the economic output in 2014.

Shenzhen has maintained a sustainable growth on its GDP over the past 6 years, with an average growth rate of 14.3% from 2009 to 2014. Moreover, the GDP per capital increased at an average rate of 12.2% from RMB84,147 in 2009 to RMB149,500 in 2014. The economic growth has led to an increase in the consumption power of Shenzhen residents, as evidenced by the increase in the retail sales of consumer goods with an average growth rate of 13.5% from 2009 to 2014. The table below sets out selected economic statistics of Shenzhen for the periods indicated.

	2009	2010	2011	2012	2013	2014	2009-2014 CAGR *(%)*
Population (million)	10.0	10.4	10.5	10.6	10.6	10.8	1.6
Nominal GDP (RMB' billion)	820.1	958.2	1,150.6	1,295.0	1,450.0	1,600.2	14.3
Real GDP growth rate (%)	10.7	12.2	10.0	10.0	10.5	8.8	10.4*
GDP per capita (RMB)	84,147	94,296	110,421	123,247	136,947	149,500	12.2
Per capita disposable income (RMB)	29,245	32,381	36,505	40,742	44,653	40,948	7.0
Retail sales of consumer goods (RMB' billion)	256.8	300.1	352.1	400.9	443.4	484.4	13.5
CPI	98.7	103.5	105.4	102.8	102.7	102.0	102.5*
Domestic visitors (million)	19.4	22.7	26.3	29.4	33.5	38.1	14.4
International visitors (million)	9.0	10.2	11.1	12.1	12.2	11.8	5.7

Source: Shenzhen Statistics Bureau
*Note: * is the arithmetic mean*

OVERVIEW OF THE PROPERTY MARKET IN SHENZHEN

As a rapidly growing metropolis, Shenzhen has seen a growth of investment in the city's fixed assets, especially in the real estate sector. The total real estate investment in Shenzhen increased from RMB43.8 billion in 2009 to approximately RMB107.0 billion in 2014, representing a CAGR of 19.6%. In the real estate sector, focus has been particularly placed on the retail properties segment. The total GFA of retail properties newly completed reached 0.53 million sq.m. in 2013 from 0.32 million sq.m. in 2009, and representing a CAGR of 13.4%. On the other hand, the average selling price of residential properties

increased from RMB14,858 per sq.m. in 2009 to RMB21,808 per sq.m. in 2013, representing a CAGR of 10.1%. The table below sets out certain selected statistics relating to the property market in Shenzhen for the periods indicated.

	2009	2010	2011	2012	2013	2014	2009-2013/2014 CAGR (%)
Fixed asset investment (RMB' billion)	170.9	194.5	206.1	219.4	240.2	271.7	9.7
Real estate investment (RMB' billion)	43.8	45.9	51.5	73.7	88.8	107.0	19.6
GFA of residential properties completed (million sq.m.)	2.7	2.5	2.3	2.9	2.0	2.7	0.0
GFA of office properties completed (million sq.m.)	0.25	0.32	0.21	0.12	0.31	N/A	5.5
GFA of retail properties completed (million sq.m.)	0.32	0.25	0.36	0.40	0.53	N/A	13.4
GFA of residential properties sold (million sq.m.)	7.2	4.1	4.7	4.9	5.3	N/A	-7.4
GFA of office properties sold (million sq.m.)	0.20	0.15	0.10	0.06	0.21	N/A	1.2
GFA of retail properties sold (million sq.m.)	0.18	0.22	0.17	0.21	0.19	N/A	1.4
Average price of residential properties (RMB per sq.m.)	14,858	20,297	19,038	18,848	21,808	N/A	10.1
Average price of office properties (RMB per sq.m.)	23,919	24,797	39,481	37,814	36,402	N/A	11.1
Average selling price of retail properties (RMB per sq.m.)	20,826	23,346	31,654	29,859	18,059	N/A	-3.5
Number of hotels (5-star)	14	17	18	18	20	N/A	9.3
Number of hotels (4-star)	31	30	32	27	26	N/A	-4.3

Source: Shenzhen Statistics Bureau
Note: 2014 data is not available

THE RESIDENTIAL PROPERTY MARKET CONCERNING THE CORE REGIONS OF SHENZHEN

The core area residential property market in Shenzhen comprised the property markets of Luohu District, Futian District and Nanshan District. As of the first quarter of 2015, there were a total of 62 residential projects available for sale in the core areas of Shenzhen, with a total GFA of approximately 13,131,738 sq.m.

Affected by cooling measures undertaken by the PRC government as well as the limited supplies of residential properties in core areas, the GFA of residential properties sold declined from 1,945 thousand sq.m. in 2009 to 610 thousand sq.m. in 2014, representing a CAGR of -20.7%. The total sales of residential properties also recorded a decline from RMB40.5 billion in 2009 to RMB25.5 billion in 2014, representing a CAGR of -8.8%. In contrast, due to limited supplies of residential properties and an optimistic economic outlook, the average price of residential properties rose from RMB20,826 per sq.m. in 2009 to RMB41,749 per sq.m. in 2014, representing a CAGR of 14.9%.

Since the core areas of Shenzhen are already well-developed, available land for property development in the core areas has become limited in the past few years. This is evidenced by the absence of residential land plots auctioned in Luohu District and Futian District between 2010 and 2014. Consequently, it is believed that urban redevelopment will become a growingly significant source of land for residential development in the core areas in the future.

The table below sets out key statistics related to the residential property market of the core areas of Shenzhen for the periods indicated.

	2009	2010	2011	2012	2013	2014	2009-2014 CAGR (%)
GFA of residential properties sold (thousand sq.m.)	1,945	740	453	548	544	610	-20.7
Total sales of residential properties (RMB' billion)	40.5	21.9	15.2	18.1	21.9	25.5	-8.8
Average price of residential properties (RMB per sq.m.)	20,826	29,608	33,502	33,009	40,287	41,749	14.9

Source: CREIS

THE COMMUNITY SHOPPING CENTER[1] MARKET IN SHENZHEN

Supply & Demand

The community shopping centers in Shenzhen currently comprise nine complexes covering a total area of approximately 579,000 sq.m. Based on the number of confirmed or ongoing construction projects to be completed in the following three years, it is expected that there will be an addition of seven community shopping centers covering a total area of approximately 296,000 sq.m. in the coming years. Of these existing community shopping centers, less than half are situated in the traditional retail areas, i.e. Luohu and Nanshan, while over half are located in Longhua, Longgang and Yantian. As the migrant population continues to grow, demand for community shopping centers in Shenzhen is expected to remain robust.

Price

Spaces at community shopping centers are usually leased instead of sold at an average rent of approximately RMB300 per sq.m. per month in core districts including Luohu, Futian and Nanshan, and approximately RMB200 per sq.m. per month in emerging districts such as Longhua, Longgang and Yantian in 2014.

THE OFFICE REAL ESTATE MARKET CONCERNING THE CORE REGIONS IN SHENZHEN

Overview

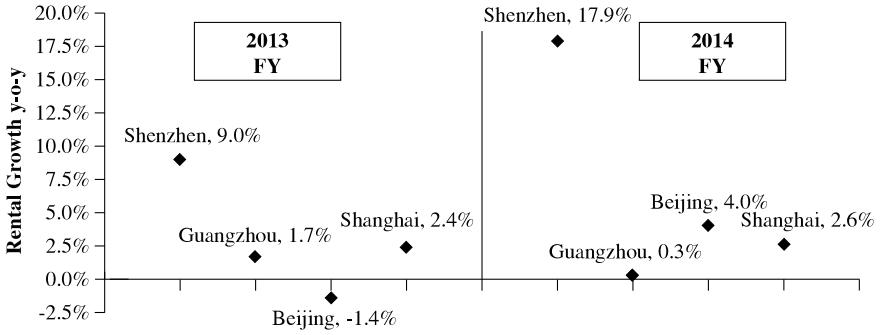
Grade A office buildings first emerged in Luohu District in Shenzhen as early as in the mid-1990s. As the city development radiates westward, Futian District stood out as a new central business district a decade ago. Yet, with the development of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, the location of the central business district has been gradually changing from Futian District to Nanshan District in recent years. According to JLL's recent research, strong demand growth as well as policy signals for supply are expected to be significant drivers for the development of the market of Grade A offices in Futian District and Nanshan District in the years to come. According to JLL's data, the current stocks of Grade A offices in Shenzhen amounted to 3.1 million sq.m in 2014, whereas those of Nanshan, Futian and Luohu were 0.34, 2.3 and 0.44, respectively.

Rental and Vacancy

With regard to rent, the Grade A office market in Shenzhen witnessed a flourishing trend with the rent in the overall market reaching RMB244 per sq.m per month in 2014, representing a robust year-on-year growth of 21.7%. According to JLL's data, the vacancy rate of Shenzhen 2014 was 3%, and that of Nanshan, Futian and Luohu was 5.4%, 3.0% and 1.3%, respectively. The rent in Shenzhen was RMB244 per sq.m. per month, whereas that of Nanshan, Futian and Luohu was RMB198 per sq.m. per month, RMB258 per sq.m. per month and RMB225 per sq.m. per month, respectively.

With a year-on-year growth rate of 9.0% and 17.9%, respectively, Shenzhen consecutively ranked first in 2013 and 2014 among first-tier cities in China in terms of growth of rental prices. Rising rental prices, however, did not negatively affect the overall vacancy rate in Shenzhen, which was only 3% in 2014, representing a year-on-year decrease of 7.9%. The diagram below demonstrates the net absorption and the rent growth of Grade A offices among first-tier cities in China.

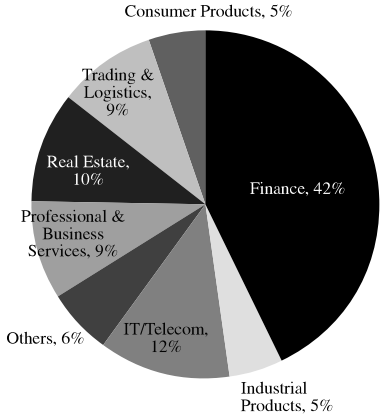
[1] Community shopping center property market is defined in the Market Research Report as comprising properties which:
- deliver convenient and fashion- and service-oriented offerings to its nearby communities, with comprehensive features such as supermarkets, fashion, dining, entertainment, healthcare and education;
- are developed along with a residential project and have GFA of no less than 20,000 sq.m.; and
- have a single owner and are managed through strategic planning.



Source: JLL

Demand Analysis

Regarding its tenant profile, more than half of the tenants of the Grade A offices in Shenzhen are domestic companies. The finance sector, information technology and telecommunications sector and real estate sector are among the rising forces that drive the current demand for Grade A offices in Shenzhen, respectively accounting for 42%, 12% and 10% of the city's occupied space. In 2014, these sectors employed more than 749,667 persons in aggregate, which accounted for approximately 8.3% of Shenzhen's working population, according to the Shenzhen Statistical Bureau. The diagram below sets forth a breakdown of the sources of demand for Grade A offices in Shenzhen in 2014 by sector (based on % of occupied space).



Source: JLL

Prospects

Landlords' confidence on property rental has been strengthened by healthy pre-leasing rates. The finance-related office market in Shenzhen began to recover following the ease in economic conditions in China after the European Sovereign Debt Crisis. From the second half of 2012, the face rent of Grade A offices in Shenzhen ceased to decline and has begun to recover continuously. It is estimated that property rental of Grade A offices in Shenzhen will remain on a steady upward trend in 2015.

THE UPSCALE HOTEL MARKET IN SHENZHEN

Shenzhen's hospitality industry has witnessed a continuous boom along with the economic development, as evidenced by the growth of international tourism revenue from US$2.76 billion in 2009 to US$4.57 billion in 2014, representing a CAGR of 10.6%. At the end of 2014, there were 36 upscale hotels providing approximately 9,905 rooms in Shenzhen. It is estimated that 10 new upscale hotels with an

area of approximately 365,000 sq.m. will open between 2015 and 2019. The new supply of hotels, substantially all of which are expected to be mixed-use projects, will continue to change the landscape of Shenzhen's hospitality market and provide a boost to the respective sectors. Additionally, a number of new upscale hotels are scheduled to open in fringe business and remote areas. It is expected that the gap between urban and suburban areas will be reduced as Shenzhen continues to accelerate its urbanization process.

The demand in the hotel industry in Shenzhen is mainly driven by tourism. It is anticipated that, following the completion of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (the "**GSHK Link**"), a growing number of business visitors as well as leisure travelers will present constant opportunities for hoteliers over the next decade. The table below sets out certain tourism indicators in Shenzhen between 2009 and 2014.

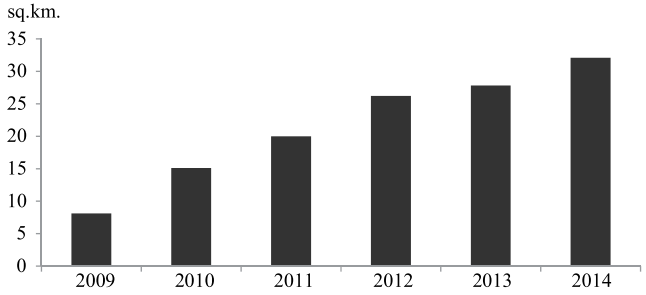
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2009-2014 CAGR** *(%)*
Domestic visitors (million)	19.4	22.7	26.3	29.4	33.5	38.1	14.4
International visitors (million)	9.0	10.2	11.1	12.1	12.2	11.8	5.7

Source: Shenzhen Statistics Bureau

ANALYSES ON URBAN REDEVELOPMENT IN SHENZHEN

Land Supply and Demand in Shenzhen

Urban redevelopment was proposed in 1994, and has developed vigorously over the years with the implementation of the corresponding legislations and regulations. In 2011, land supply through urban redevelopment exceeded new land supply in Shenzhen for the first time. In 2012, land supply through urban redevelopment reached its peak, comprising 75% of the total land supply of the year. In 2014, numerous mega projects of urban redevelopment were under construction, including a total GFA of more than one million sq.m. The below chart indicates the land supply through urban redevelopment in Shenzhen from 2009 to 2014.



Source: Urban Planning Land and Resources Commission of Shenzhen Municipality

Land Cost

For an urban redevelopment project, the land cost consists of land grant fee, compensation for demolition and cost of public ancillary facilities. Land grant fees are calculated differently based on different plot ratios: (i) if the plot ratio is less than 2.5%, a developer will not be charged any land grant fee; (ii) if the plot ratio falls between 2.5% and 4.5%, a developer will be charged 20% of the benchmark land price for the portion of the land with plot ratio within the aforesaid range; and (iii) if the plot ratio is above 4.5%, a developer will be charged the full benchmark land price for the portion of the land with plot ratio above 4.5%. The compensation for demolition and cost of public ancillary facilities are approximately between

RMB1,100 per sq.m. and RMB2,500 per sq.m. based on GFA. Accordingly, it can be estimated that the land costs for urban redevelopment projects are generally lower than those for projects acquired in the open market in Shenzhen.

The number of new land transactions has been decreasing every year since 2010, together with a decrease in the total transaction site area which had a CAGR of -11.3% between 2009 and 2014. However, the average price of site area increased rapidly from RMB5,246 in 2009 to RMB37,924 in 2014, representing a CAGR of 48.5%. The following table set forth data regarding the land transactions in the open land market in Shenzhen since 2009.

Projects	2009	2010	2011	2012	2013	2014	2009-2014 CAGR *(%)*
Transaction parcels of land	59	84	60	54	47	45	-5.3
Total transaction site area (sq.m.)	2,651,746	4,802,353	2,699,640	1,520,168	1,285,946	1,457,492	-11.3
Total planned GFA (sq.m.)	6,084,028	9,806,716	8,250,537	4,368,042	6,852,066	4,952,594	-4.0
Average price of site area (RMB per sq.m.)	5,246	3,229	7,129	7,133	36,334	37,924	48.5
Average price of GFA (RMB per sq.m.)	2,229	1,581	2,329	2,474	6,818	11,160	38.0

Source: CREIS

Development Trends and Prospects for Urban Redevelopment

In 2007, the land area for construction use was 750 square kilometers. According to the Shenzhen City Planning Overview (2010-2020) issued by Shenzhen Government Office (深圳市人民政府辦公室), it is estimated that, up to 2020, the total area for construction use will remain within 890 square kilometers. During this period, it is estimated that there will be 140 square kilometers of new land and 190 square kilometers of renovation land. As such, urban redevelopment is expected to be the most important source of land supply in the following five years. According to the 2012 work report by the Shenzhen government, development space by way of urban redevelopment will be further released to encourage city development through secondary development of existing land. Taking into account the decreased quantity of land available for bid invitations, auctions and listings in recent years, urban redevelopment has become an increasingly common method for developers to acquire land reserves.

OVERVIEW OF THE ECONOMY OF MAOMING

Located 362 kilometers from Guangzhou and 121 kilometers from Zhanjiang in southwestern Guangdong province, Maoming has a population of 6.1 million. The economy of Maoming has been developing steadily in recent years. The nominal GDP continually increased from RMB123.1 billion in 2009 to RMB234.9 billion in 2014, with a CAGR of 13.8%. The table below sets out selected economic statistics of Maoming for the periods indicated.

	2009	2010	2011	2012	2013	2014	2009-2014 CAGR *(%)*
Population (million)	6.2	5.8	5.9	6.0	6.0	6.1	-0.5
Nominal GDP (RMB' billion)	123.1	149.2	174.5	193.6	216.0	234.9	13.8
Real GDP growth rate (%)	10.3	14.1	10.8	10.6	13.2	10.4	11.5*
GDP per capita (RMB)	20,847	25,496	29,811	32,678	36,063	38,951	13.3
Per capita disposable income (RMB)	13,161	14,360	16,113	18,034	20,036	15,266	3.0
Retail sales of consumer goods (RMB' billion)	59.1	70.5	84.3	90.2	100.9	111.4	13.5
Fixed asset investment (RMB' billion)	18.0	24.5	21.7	42.7	66.1	85.1	36.4

Source: Maoming Statistics Bureau
*Note: * is the arithmetic mean*

OVERVIEW OF THE PROPERTY MARKET IN MAOMING

The property market in Maoming has grown significantly since 2009, with its real estate investment growing from RMB2.5 billion in 2009 to RMB9.5 billion in 2014, representing a CAGR of 30.6%. The table below sets out selected statistics relating to the property market in Maoming for the periods indicated.

	2009	2010	2011	2012	2013	2014	2009-2014 CAGR *(%)*
Real estate investment (RMB' billion)	2.5	3.7	5.4	7.4	13.2	9.5	30.6
GFA of commodity property completed (million sq.m.)	0.9	1.6	2.3	2.1	1.0	1.5	10.4
GFA of commodity property sold (million sq.m.)	1.7	2.0	2.8	3.3	3.3	N/A	18.7*
GFA of commodity property under construction (million sq.m.)	4.3	6.7	8.2	9.1	10.3	12.1	22.9
Average price of commodity property (RMB per sq.m.)	2,376	2,797	3,807	3,771	4,334	N/A	16.2*

Source: Maoming Statistics Bureau
*Note: * is the arithmetic mean*

OVERVIEW OF THE ECONOMY OF YIYANG

Yiyang is a prefecture-level city in Hunan province with an area of 12,144 sq.km. Yiyang had a population of 4.4 million in 2014. Yiyang has maintained rapid GDP growth between 2009 and 2014, with an average growth rate of 12.4%. The nominal GDP reached RMB125.32 billion in 2014, as compared to RMB59.2 billion in 2009. The table below sets out selected economic statistics of Yiyang for the periods indicated.

	2009	2010	2011	2012	2013	2014	2009-2014 CAGR *(%)*
Population (million)	4.2	4.3	N/A	4.3	4.4	4.4	0.8
Nominal GDP (RMB' billion)	59.2	71.2	88.4	102.0	112.3	125.3	16.2
Real GDP growth rate (%)	13.0	14.7	13.2	11.9	10.5	10.8	12.4*
GDP per capita (RMB)	14,071	16,710	20,496	23,572	25,773	28,596	15.2
Per capita disposable income (RMB)	13,802	15,398	17,328	19,594	18,928	20,688	8.4
Retail sales of consumer goods (RMB' billion)	22.3	26.1	30.7	35.4	40.3	45.4	15.3
Fixed asset investment (RMB' billion)	35.3**	34.0	46.0	62.5	84.2	103.1	23.9

Source: Yiyang Statistics Bureau
*Note: * is the arithmetic mean; ** is based on the former statistical criteria*

OVERVIEW OF THE PROPERTY MARKET IN YIYANG

Real estate investment in Yiyang has grown steadily from RMB5.2 billion in 2009 to RMB10.1 billion in 2014, representing a CAGR of 14.2%. Despite the slowdown in the national real estate market in 2014, the GFA of commodity property sold in Yiyang grew slightly from 3.10 million sq.m. in 2013 to 3.12 million sq.m. in 2014. The table below sets out selected statistics relating to the property market in Yiyang for the periods indicated.

	2009	2010	2011	2012	2013	2014	2009-2014 CAGR *(%)*
Real estate investment (RMB' billion)	5.2	6.3	8.1	9.3	10.1	10.1	14.2
GFA of commodity property completed (million sq.m.)	1.4	0.8	1.8	2.0	1.6	1.8	5.1
GFA of commodity property sold (million sq.m.)	1.6	1.9	2.3	2.6	3.1	3.1	14.9
GFA of commodity property under construction (million sq.m.)	5.3	6.8	9.3	9.10	10.2	12.1	18.0
Average price of commodity property (RMB per sq. m.)	1,919	2,286	2,688	3,018	3,134	3,013	9.4

Source: Yiyang Statistics Bureau

MARKET COMPETITION CONCERNING THE REORGANIZED TARGET GROUP

Unlike other developers which target to expand their businesses across the nation, the Reorganized Target Group mainly focuses on the real estate market in Shenzhen and the Pearl River Delta region, where it has accumulated experience and market reputation over the past years. Subsequently, the Reorganized Target Group has a more in-depth understanding of the local markets as compared to its peers and benefits from good relationships with local governments and authorities. The Reorganized Target Group has enjoyed a higher average rent for its office spaces of NEO Urban Commercial Complex as compared to other office spaces in Shenzhen as of December 31, 2014. Please refer to the section headed "Business of the Reorganized Target Group – Competition" for more details of the competitive market landscape.

Of the GFA of properties sold by the top 100 developers in Shenzhen between 2012 and 2014, the top 10 developers accounted for 40.6% of the GFA of properties sold. Among such top 100 developers, Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司), a wholly owned subsidiary of the Reorganized Target Group, ranked ninth with a market share of 2.3%. The table below sets forth information relating to the GFA of properties sold by and the market shares (in terms of the GFA of properties sold by the top 100 developers in Shenzhen) of the top 10 developers in Shenzhen between 2012 and 2014.

Company		**GFA of properties sold** *(sq.m.)*	**Market Share** *(%)*
1.	China Vanke Co., Ltd. (Shenzhen) (深圳市萬科房地產有限公司)	1,293,632	11.3
2.	China Merchants Property Development Company Limited (Shenzhen) (深圳招商房地產有限公司)	678,243	5.9
3.	Kaisa Group Holdings Ltd. (Shenzhen) (佳兆業集團(深圳)有限公司)	619,524	5.4
4.	Sinyi Realty Company (Shenzhen) (深圳市信義房地產開發有限公司)	357,448	3.1
5.	Cheung Kong Property Holdings Ltd. (Shenzhen) (長江實業地產有限公司(深圳))	340,724	3.0
6.	Shenzhen Central China Enterprises Limited (深圳市中洲房地產有限公司)	296,886	2.6
7.	China Galaxy Group (Shenzhen) (深圳市星河房地產開發有限公司)	285,041	2.5
8.	Shenzhen Investment Limited (深圳控股有限公司)	270,051	2.4
9.	Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司)	260,158	2.3
10.	CITIC Real Estate Co., Ltd. (中信房地產股份有限公司)	254,426	2.2

Source: CREIS

RECENT DEVELOPMENT OF THE PROPERTY MARKET IN SHENZHEN

According to the "index of the selling prices of newly built residential properties in 70 large to medium sized cities" (70個大中城市新建商品住宅價格指數) issued by the National Bureau of Statistics, Shenzhen ranked first in five consecutive months since January 2015 in terms of month-to-month growth rate. Among the 70 large to medium cities included in the index, Shenzhen was the only city to witness growth in prices for newly built residential properties in May 2015, with a 7.7% growth rate as compared to May 2014. In addition, with a rental growth rate of 4.7% for its Grade A offices in the first quarter of 2015, Shenzhen ranked first in terms of rental growth rate for Grade A offices in the same period.

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

Set out below is a summary of certain aspects of PRC legal and regulatory provisions relating to our operations and business. These include laws and regulations relating to:

- Establishment of a Real Estate Development Enterprise
- Qualification of a Real Estate Developer
- Land for Property Development
- Sale of Commodity Properties
- Transfer of Real Estate
- Mortgages of Real Estate
- Real Estate Management
- Measures on Stabilizing Property Prices
- PRC Taxation
- Foreign Currency Exchange
- Labor Protection

ESTABLISHMENT OF A REAL ESTATE DEVELOPMENT ENTERPRISE

According to the Law on Administration of Urban Real Estate of the People's Republic of China (the "Urban Real Estate Law") (中華人民共和國城市房地產管理法) promulgated by the Standing Committee of the National People's Congress, effective on January 1, 1995, as amended on August 30, 2007 and on August 27, 2009, a real estate developer is defined as an enterprise which engages in the development and operation of real estate for the purpose of making profits. Under the Regulation on Administration of Development of Urban Real Estate (the "Development Regulation") (城市房地產開發經營管理條例) promulgated by the State Council on July 20, 1998, as amended on January 8, 2011, an enterprise which is to engage in development of real estate must satisfy the following requirements:

- its registered capital must be RMB1 million or more; and
- it must have four or more full-time professional real estate/construction technicians and two or more full-time accounting officers, each of whom must hold the relevant qualification certificate. The authorities at the provincial level, autonomous region level or municipalities under the direct administration of the central PRC government may impose more stringent requirements regarding the registered capital and professional qualifications of real estate enterprises.

The local government of a province, autonomous region or municipality directly under the PRC central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a real estate developer.

To establish a real estate development enterprise, the developer must apply for registration with the administration for industry and commerce. The developer must also report its establishment to the real estate development authority in the location of its registration, within 30 days of the receipt of its business license. Where a foreign-invested enterprise is to be established to engage in the development and operation of real estate, it must also comply with the relevant requirements under the PRC laws and administrative regulations regarding foreign invested enterprises and apply for approvals relating to foreign investments in China.

Under the Catalog of Guidance on Industries for Foreign Investment (外商投資產業指導目錄) promulgated by MOFCOM and NDRC on March 10, 2015, the construction of villa falls within the category of industries in which foreign investment is prohibited and other real estate development falls within the category of industries in which foreign investment is permitted.

Subject to approval by the relevant foreign investment regulatory authorities, a foreign investor intending to engage in the development and operation of real estate may establish an equity joint venture, a cooperative joint venture or a wholly foreign owned enterprise in accordance with the PRC laws and administrative regulations regarding foreign invested enterprise.

Under the Notice on Adjusting the Proportion of Capital Fund for Fixed Assets Investment Projects of Certain Industries (關於調整部分行業固定資產投資項目資本金比例的通知) issued by the State Council on April 26, 2004, the proportion of capital fund of real estate development projects (excluding affordable housing projects) has been increased from 20% or above to 35% or above.

In response to the global financial crisis and in an effort to expand domestic demand, the State Council issued the Notice for Adjusting the Proportion of Capital Fund for Fixed Assets Investment (關於調整固定資產投資項目資本金比例的通知) on May 25, 2009. Under the notice, the minimum capital fund ratio for indemnificatory housing and ordinary commodity housing projects is adjusted from 35% to 20%, and the minimum capital fund ratio for other real estate development projects is adjusted from 35% to 30%. On September 9, 2015, the State Council promulgated the Notice on Adjusting and Improving the Capital Fund Principle for Fixed Assets Investment (關於調整和完善固定資產投資項目資本金制度的通知), according to which the minimum capital ratio for other real estate development projects is adjusted from 30% to 25%.

On July 11, 2006, the Ministry of Construction, MOFCOM, NDRC, PBOC, SAIC and SAFE promulgated the Opinions on Regulating the Entry and Administration of Foreign Investment into the Real Estate Market (關於規範房地產市場外資准入和管理的意見) (the "171 document").

According to the Opinions, a foreign investor must comply with the following requirements in order to invest in the real estate market in China:

- A foreign entity or individual purchasing real estate in China other than for self-use shall, subject to the principle of commercial existence, apply for the establishment of a foreign-invested enterprise pursuant to the regulations relevant to foreign investment in real estate, and conduct relevant operations within the authorized business scope after obtaining approvals from the relevant government authorities and upon completion of the relevant registrations.

- If the total investment amount of a foreign-invested real estate development enterprise exceeds or equals to US$10 million, the registered capital shall not be less than 50% of the total investment amount of the enterprise. If the total investment amount is less than US$10 million, the current rules on registered capital shall apply.

- A transfer of projects of or shares in a foreign-invested real estate development enterprise, and the acquisition of a domestic real estate development enterprise by foreign investors shall be approved by the commerce authorities in strict compliance with the relevant laws, regulations and policies. The investor should submit: (a) a letter of guarantee pledging to abide by the land grant contract, the construction land planning permit and the construction work planning permit; (b) the land-use rights certificate; (c) the certification of a change of registration issued by the relevant construction administration authorities; and (d) the certification of tax payment issued by the relevant tax authorities.

- Foreign investors acquiring a domestic real estate enterprise by way of equity transfer or other means, or acquiring domestic investors' equity interest in an equity joint venture, shall make proper arrangements for the real estate enterprise's employees and bank loan repayment. The foreign investors shall pay the transfer price in a lump sum and with their own capital. Foreign investors with unfavorable records are prohibited from involvement in such real estate activities in China.

On August 14, 2006, the General Office of MOFCOM issued a Notice on the Implementation of the Opinions on Regulating the Entry and Administration of Foreign Investment into the Real Estate Market (關於貫徹落實〈關於規範房地產市場外資准入和管理的意見〉有關問題的通知).

The notice requires that, the registered capital of a foreign invested real estate enterprise, or FIREE, shall not be less than 50% of its total investment if its total investment exceeds US$3.0 million, and the registered capital of a FIREE shall not be less than 70% of its total investment if its total investment is US$3.0 million or less.

On August 19, 2015, the Ministry of Housing and Urban-Rural Development , MOFCOM, NDRC, PBOC, SAIC and SAFE promulgated the Notice on Adjusting the Policies Concerning the Entry and Administration of Foreign Investment in the Real Estate Market (關於調整房地產市場外資准入和管理有關政策的通知), to adjust certain policies in 171 document, including:

- The ratio of registered capital to total investment of foreign-invested real estate enterprises should be governed by the relevant provisions of the Interim Provisions of the State Administration for Industry and Commerce on the Ratio of the Registered Capital to the Total Investment of a Sino-Foreign Equity Joint Venture Enterprise (國家工商行政管理局關於中外合資經營企業註冊資本與投資總額比例的暫行規定);

- The requirement on full payment of registered capital of the foreign-invested real estate enterprises before applying for onshore or offshore loans or foreign exchange settlement for foreign debt is cancelled;

- The foreign-invested real estate enterprises may process relevant foreign exchange registration for foreign direct investment directly with the banks.

On September 1, 2006, SAFE and the Ministry of Construction promulgated the Notice on Regulating the Administration of Foreign Exchange in Real Estate Market (關於規範房地產市場外匯管理有關問題的通知), which sets forth the specific regulations regarding to the procedure of purchasing real estate by foreign enterprises and individuals. The notice further requests that where a FIREE fails to pay the registered capital in full amount or fails to acquire a land-use rights certificate or to make its project development capital reach 35% of the total investments of the project, it shall not borrow any foreign debt, and the foreign exchange bureau shall not accept the registration of its foreign debt or approve the conversion of foreign debt into RMB. On May 4, 2015, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Abolishing and Revising Regulatory Documents Relating to Reform of Registered Capital Registration System (國家外匯管理局關於廢止和修改涉及註冊資本登記制度改革相關規範性文件的通知), which amended the aforesaid notice to cancel the requirement on full payment of the registered capital by a FIREE to borrow foreign debt.

When a foreign enterprise or individual merges a domestic real estate enterprise by way of equity transfer or by any other means or takes over the equity shares from the Chinese shareholder in a joint venture, if it/he fails to pay the transfer price in a lump sum with its/his own fund, the foreign exchange bureau shall not accept the registration or change registration of its/his foreign exchange.

On May 23, 2007, MOFCOM and SAFE issued the Notice on Further Strengthening and Regulating the Approval and Administration of Foreign Direct Investments in the Real Estate Industry (the "No. 50 Notice") (關於進一步加強、規範外商直接投資房地產業審批和監管的通知). Under the Notice, local commercial authorities should reinforce the approval and supervision process over foreign investment in real estate enterprises, and strictly control foreign fund from investing in high quality real estate development projects. For establishment of a foreign invested real estate enterprise, land-use rights, house or other construction ownership right should be obtained, or at least has entered into pre-contract purchase agreement with the relevant land administrative authorities, land developers, or the owners of the house or other constructions, otherwise the establishment will not be approved by the authorities. For existing foreign invested company who intends to engage in real estate development or operation business or intends to engage in the operation or development of new real estate projects, they should undertake relevant procedures to expand business scope or enlarge the operation scale with the approval authority.

No. 50 Notice strictly controls the acquisition or merger of domestic real estate enterprises by means of round trip investment (includes the same de facto controller). It also prohibits Chinese or foreign investors in foreign-invested real estate joint ventures to reach any fixed return related term, or any term to the same effect, for either party.

The local MOFCOM administrative authority should make a record to MOFCOM after a foreign-invested real estate company is approved to establish. The local SAFE administrative authority and designated foreign exchange bank will not conduct foreign exchange purchase and settlement process for capital projects of FIREEs who fail to complete the record with the MOFCOM or to pass the annual review.

SAFE issued the circular Regarding the Publication of the List of the First Batch of Foreign-Invested Property Development Projects that Have Filed with MOFCOM ("circular No. 130") (關於下發第一批通過商務部備案的外商投資房地產項目名單的通知) on July 10, 2007, further regulating foreign investment in real estate sector in China. According to circular No. 130, on or after June 1, 2007, real estate enterprises with foreign investment as filed with MOFCOM (including due to establishment and capital increase) will not be permitted to borrow money from overseas, including shareholder loans and foreign commercial loans, or will not be approved to settle foreign exchange of foreign debt. Further, for those which obtain foreign investment approval certificates on or after June 1, 2007 but fail to file with MOFCOM, neither foreign exchange registration nor foreign exchange alteration registration will be effected with SAFE or its branches, and as a result, foreign exchange under capital projects will not be settled or purchased.

The circular No. 130 was abolished on May 13, 2013 by the Notice on Distributing the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China and its Supporting Documents (國家外匯管理局關於印發《外國投資者境內直接投資外匯管理規定》及配套文件的通知) ("Notice No. 21") which was promulgated by SAFE on May 10, 2013. However, the restriction measures on the foreign debt of foreign-invested real estate enterprises stipulated in the circular No. 130 have been reflected in the Measures for the Administration of Foreign Debt Registration (外債登記管理辦法) ("Notice No. 19") issued by SAFE on April 28, 2013.

On June 18, 2008, MOFCOM issued the circular on Better Implementation of the Filing of Foreign Investment in the Real Estate Industry (關於做好外商投資房地產業備案工作的通知) ("circular No. 23"). According to circular No. 23, MOFCOM entrusts provincial MOFCOM departments to verify materials on records of FIREEs. Circular No. 23 requires that the establishment (including the increase of registered capital) of a FIREE shall comply with the project company principle of engaging in one approved real estate project only.

On November 22, 2010, the General Office of MOFCOM issued the Notice on Strengthening Management to Registration of Foreign Investment in the Real Estate Sector (關於加強外商投資房地產業審批備案管理的通知). Foreign invested real estate enterprises shall not generate revenues through purchasing and selling completed real estate properties and/or real estate properties under construction. Local commerce administration authorities shall not accept registration of investment companies involving development and management of real estate.

On June 24, 2014, MOFCOM and SAFE jointly issued the circular Regarding the Improvement of Registration of Foreign-Invested Real Estate Industry (關於改進外商投資房地產備案工作的通知), which adopts an electronic registration system to simplify the registration process and emphasizes the post-registration governance.

QUALIFICATIONS OF A REAL ESTATE DEVELOPER

Under the Provisions on Administration of Qualifications of Real Estate Developers (the "Provisions on Administration of Qualifications") (房地產開發企業資質管理規定) promulgated by the Ministry of Construction on March 29, 2000; and amended on May 4, 2015, a real estate developer must apply for registration of its qualifications according to such Provisions on Administration of Qualifications. An enterprise may not engage in property development without a qualification classification certificate for real estate development. The Ministry of Construction oversees the qualifications of real estate developers with national operations, and local real estate development authorities at or above the county level oversee the qualifications of local real estate developers. In accordance with the Provisions on Administration of Qualifications, real estate developers are classified into four classes.

- Class 1 qualifications are subject to preliminary examination by the construction authorities at the provincial level and final approval of the Ministry of Construction. A class 1 real estate developer is not restricted as to the scale of its real estate projects and may undertake a real estate development anywhere in the country.

- Approval measures of Class 2 or lower qualifications are formulated by the construction authorities at the provincial level. A real estate developer of class 2 or lower may undertake a project with a GFA of less than 250,000 sq.m. and the specific scale is subject to confirmation by the construction authorities at the provincial level.

Under the Provisions on Administration of Qualifications, the real estate development authorities will examine applications for registration of qualifications submitted by real estate developers by considering the professional personnel in their employ, financial condition and operating results. A real estate developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. A developer of any qualification classification may only engage in the development and operation of real estate within its approved scope of business and may not engage in business which is limited to another classification.

Pursuant to the Provisions on the Administration of Qualifications, the qualifications of each class of real estate developments are as follows:

- **Class 1 qualification:** (1) over five years of operating experience in real estate development is required; (2) in the past three years, the cumulative GFA completed shall be not less than 300,000 sq.m. or the required capital investment for developing corresponding GFA has been invested; (3) the passing rate of quality of construction work is 100% for five consecutive years; (4) GFA of over 150,000 sq.m. of building construction has been completed or the required capital investment for developing corresponding GFA has been invested in the previous year; (5) the professional management team shall consist of no less than 40 persons with titles and majoring in architecture, construction, finance, real estate and economics, while

the number of management staff with professional titles of intermediate level or above shall be no less than 20 persons and there shall be no less than four accountants holding professional qualification certificates; (6) the person-in-charge of, among others, engineering technology, finance and statistics shall hold professional titles of the intermediate level or above; (7) there shall be a proper quality control system in place, and in respect of the sale of commodity residential property, the systems of Residential Quality Guarantee and Residential User Manual shall be implemented; and (8) there shall not be any occurrence of any major accident relating to construction quality.

- **Class 2 qualification:** (1) over three years of operating experience in real estate development is required; (2) in the past three years, the cumulative GFA completed shall be not less than 150,000 sq.m. or the required capital investment for developing corresponding GFA has been invested; (3) the passing rate of quality of construction work is 100% for three consecutive years; (4) GFA of over 100,000 sq.m. of building construction has been completed or the required capital investment for developing corresponding GFA has been invested in the previous year; (5) the professional management team shall consist of no less than 20 persons with titles and majoring in architecture, construction, finance, real estate and economics, while the number of management staff with professional titles of intermediate level or above shall be no less than 10 persons and there shall be no less than three accountants holding professional qualification certificates; (6) the person-in-charge of, among others, engineering technology, finance and statistics shall hold professional titles of the intermediate level or above; (7) there shall be a proper quality control system in place, and in respect of the sale of commodity residential property, the systems of Residential Quality Guarantee and Residential User Manual shall be implemented; and (8) there shall not be any occurrence of any major accident relating to construction quality.

- **Class 3 qualification:** (1) over two years of operating experience in real estate development is required; (2) the cumulative GFA completed shall be not less than 50,000 sq.m. or the required capital investment for developing corresponding GFA has been invested; (3) the passing rate of quality of construction work is 100% for two consecutive years; (4) the professional management team shall consist of no less than 10 persons with titles and majoring in architecture, construction, finance, real estate and economics, and the number of management staff with professional titles of intermediate level or above shall be no less than five persons and there shall be no less than two accountants holding professional qualification certificates; (5) the person-in-charge of, among others, engineering technology and finance shall hold professional titles of the intermediate level or above and the person in charge of other departments, including statistics, shall hold professional titles of the primary level or above; (6) there shall be a proper quality control system in place, and in respect of the sale of commodity residential property, the systems of Residential Quality Guarantee and Residential User Manual shall be implemented; and (7) there shall not be any occurrence of any major accident relating to construction quality.

- **Class 4 qualification:** (1) over one year of operating experience in real estate development is required; (2) the passing rate of quality of construction work completed shall be 100%; (3) the professional management team shall consist of no less than five persons with titles and majoring in architecture, construction, finance, real estate and economics, and there shall be no

less than two accountants holding professional qualification certificates; (4) the person-in-charge of engineering technology shall hold professional titles of the intermediate level or above and the person-in-charge for finance shall hold professional titles of the primary level or above, and professional statistician(s) shall be appointed; (5) in respect of the sale of commodity residential property, the systems of Residential Quality Guarantee and Residential User Manual shall be implemented; and (6) there shall not be any occurrence of any major accident relating to construction quality.

In addition, pursuant to the Provisions on Administration of Qualifications, a newly-established real estate developer shall make application with the competent authorities for an interim qualification certificate within 30 days from the date of the business license. A developer applying for an interim qualification certificate shall fulfill the requirements of class 4 qualification or above. The validity period of the certificate is one year. Regulatory authorities of real estate development may extend the validity of the interim qualification certificate depending on the operation of the developer, provided that the extension shall not exceed two years. In the event that no development project has been carried out within one year since the issuance date of the interim qualification certificate, the validity of the interim qualification certificate shall not be extended.

No entity or individual may alter, lease, lend, transfer or sell its/his qualification certificate. In case of merger, division or any change of name, legal representative or main personnel in charge of management and technologies, enterprises shall re-apply for qualification grade or apply for change formalities with the original examination and approval authorities.

The qualification of a property developer should be subject to annual inspection. The Ministry of Construction or its entrusted institution is responsible for carrying out the annual inspection of real estate developers with Class 1 qualification. The construction authorities at the provincial level formulate annual inspection measures for real estate developers with Class 2 or lower qualifications.

DEVELOPMENT OF A REAL ESTATE PROJECT

In October 2004, the NDRC issued the Interim Provisions on Approving Foreign Investment Projects (外商投資項目核准暫行管理辦法), according to which, approval of the NDRC or its branches shall be required for foreign investment projects. On May 17, 2014, the NDRC issued the Administrative Measures for Approval and Record-filing of Foreign Investment Projects (外商投資項目核准和備案管理辦法), which supersedes the Interim Provisions on Approving Foreign Investment Projects.

According to the Administrative Measures for Approval and Record-filing of Foreign Investment Projects and the Notice of the State Council on Promulgating the Catalog of Investment Projects Approved by the Government (2014 Version) (the "Catalog") (國務院關於發布政府核准的投資項目目錄(2014本)的通知), which was promulgated and effective on October 31, 2014, two methods are developed for the management of foreign investment projects, namely, approval and record-filing; the investment projects specified in the Catalog shall be approved by the NDRC or other competent authorities; the foreign investment projects other than those specified in the Catalog shall be filed with the competent investment department of the local governments.

According to the Notice on Decentralizing the Examination and Approval Authority for Foreign Investment (關於下放外商投資審批權限有關問題的通知), promulgated by of the MOFCOM on June 10, 2010, the formation and change of foreign investment enterprises with a total investment less than US$300 million for encouraged and permitted projects or US$50 million for restricted projects in the Catalog shall be subject to the examination, approval and management of the provincial MOFCOM counterparts.

Under the Interim Regulation Concerning the Grant and Assignment of the Right to Use State-owned Urban Land (the "Interim Regulation on Grant and Assignment") (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) promulgated by the State Council on May 19, 1990, China adopted a system to grant and assign the right to use state-owned land. A land user must pay a land premium to the state as consideration for the grant of the right to use a land site within a specified period of time, and the land user may assign, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the Urban Real Estate Law and the Interim Regulation on Grant and Assignment, the land administration authority at the city or county level may enter into a land grant contract with the land user to provide for the grant of land use rights. The land user must pay the land premium as provided by the land grant contract. After payment in full of the land premium, the land user may register with the land administration authority and obtain a land-use rights certificate which evidences the acquisition of land use rights. The Urban Real Estate Law and the Development Regulation provide that land use rights for a site intended for real estate development must be obtained through grant except for land use rights which may be obtained through premium-free allocation by the PRC government pursuant to the PRC laws or the stipulations of the State Council. Government-allocated land is not allowed to be transferred unless the transfer is approved by the relevant PRC government authorities and the land premium as determined by the relevant PRC government authorities has been paid.

When carrying out the feasibility study for a construction project, the construction or the developer entity must make a preliminary application for construction on the relevant site to the relevant land administration authority in accordance with the Measures for Administration of Examination and Approval for Construction Land (建設用地審查報批管理辦法) promulgated by the Ministry of Land and Resources on March 2, 1999, as amended on November 30, 2010, and the Measures for Administration of Preliminary Examination of Construction Project Land promulgated by the Ministry of Land and Resources (建設項目用地預審管理辦法) in July 2001, as amended in October 2004 and November 2008. After receiving the preliminary application, the land administration authority will carry out preliminary examinations of various aspects of the construction project in compliance with the overall zoning plans and land supply policy of the government, and will issue a preliminary approval in respect of the project site if its examination proves satisfactory. The land administration authority at the relevant city or county will sign a land grant contract with the land user and issue an approval for the construction land to the construction entity or the developer.

According to the Urban Real Estate Law, a land user who obtains land use rights under the grant system must develop the land according to the land usage as indicated in the land grant contract and must commence the development within the time frame agreed to under the land grant contract.

According to the Regulation on Idle Land Administration (閑置土地處置辦法) promulgated by the Ministry of Land and Resources on April 28, 1999, as amended on June 1, 2012, it shall be idle land which the land user fails to commence developing after one year from the construction commencement date stipulated in the state-owned construction land grant contract or in the approval of premium-free allocation. The land may also be treated as idle land and may be subject to land idle fee or forfeiture, if the developed

land area is less than one-third of the total land area under the land grant contract or the sum already expended on the development of the land is less than one-fourth of the total investment of the project, and the suspension of development of the land has lasted for one year or more.

According to the Regulation on Idle Land Administration, if the land user fails to commence developing the land after one year from the construction commencement date, then the local land administration authority, with approval by the local government, shall charge the land user a "land idle fee" of 20% of the land premium, which is not permitted to be disbursed from the cost. If the land user fails to commence development of the relevant land after two years from the deadline, with approval by the local government, the land user's land-use rights shall be forfeited by local land administration authority without compensation. However, the aforesaid penalties do not apply if the failure to commence development and construction is due to force majeure or caused by government actions. Where the land user reserves or speculates lands on purpose by violating laws or regulations, or breaching contractual obligations or land allotment letter, the local land administration authority shall not accept its new land-use application or registration of transfer, lease, charge and change of its idle land. Relevant local land-use administration departments shall inform finance administration departments of the information of idle land.

On January 3, 2008, the State Council issued a Notice on Promoting Economization of Land Use (關於促進節約集約用地的通知), which urges the full and effective use of existing construction land. The notice also emphasizes the strict enforcement of the current rules on idle land. If a piece of land has been idled for two years or more, it must be taken back free of charge in accordance with laws and regulations, and rearranged for any other uses; if the land does not meet the statutory conditions for being taken back, it must be timely dealt with and fully used through changing usage, replacement by parity value, temporary usage or incorporation into government reserves. If a piece of land has been idled for one year or more but less than two years, an idle land fee must be collected at a price of 20% of the transfer or allotment price. Financial institutions shall not grant loans to illegal land-use projects and such projects shall not be approved for public listing.

Under the Measures for Control and Administration of Grant and Assignment of Right to Use Urban State-owned Land (城市國有土地使用權出讓轉讓規劃管理辦法) promulgated by the Ministry of Construction on December 4, 1992, as amended on January 26, 2011, and the Notice on Strengthening the Planning Administration of the Assignment of the Right to Use State-owned Land (關於加強國有土地使用權出讓規劃管理工作的通知) promulgated by the Ministry of Construction on December 26, 2002, the grantee under a land grant contract, i.e. a real estate developer, must further apply for a permit for construction site planning from the relevant municipal planning authority. After obtaining such permit, a real estate developer will organize the necessary planning and design work. Planning and design proposals in respect of a real estate development project are again subject to relevant reporting and approval procedures required under the Law of the People's Republic of China on Urban and Rural Planning (中華人民共和國城鄉規劃法) promulgated by the Standing Committee of the National People's Congress on October 28, 2007, effective from January 1, 2008, and local statutes on municipal planning. Upon approval by the authorities, a permit for construction works planning will be issued by the relevant municipal planning authority. According to the Law of the People's Republic of China on Urban and Rural Planning, a construction entity shall return the land or compensate relevant parties if it gets the approval of land-use right without a permit for construction works planning. Such land-use right approval shall be forfeited by the relevant authority. If

a construction entity starts a project construction without obtaining a planning permit or violates the provisions of the planning permit, it will be punished by local planning administration authorities by way of stopping construction, imposing a fine based on construction costs or removing the completed construction.

In accordance with the Shenzhen Urban Planning Standards and Guidelines(深圳市城市規劃標準與準則)promulgated by the People's Government of Shenzhen on March 25, 2004 and implemented on April 1, 2004, the residential district, residential quarter and residential cluster shall be equipped with commercial facilities commensurate with the size of its resident population. On January 1, 2014, the People's Government of Shenzhen promulgated the new Shenzhen Urban Planning Standards and Guidelines, which stated that the residential land could be equipped with commercial facilities and other auxiliary facilities. According to the Administrative Regulations of Shenzhen Municipality on the Planning and Construction of Parking-Lots and the Parking of Motor Vehicles(深圳市停車場規劃建設和機動車停放管理條例) promulgated by the Standing Committee of the Shenzhen Municipal People's Congress on October 20, 2003, as amended on July 29, 2004, which required that the newly constructed, reconstructed or expanded buildings shall be equipped with parking-lot according to the standards. It also stated that the management unit of parking-lot may apply for the Shenzhen Operational Car Parking Permits to establish an operational car parking and provide compensated parking services. As advised by the PRC Legal Advisor, the usage of the real properties of the Reorganized Target Group indicated on the property ownership certificates is in line with the PRC laws and the car parking spaces covered by the Shenzhen Operational Car Parking Permits can be used for commercial purpose.

In accordance with the Regulations for the Administration of Demolishment and Relocation of Urban Housing (城市房屋拆遷管理條例) promulgated by the State Council in June 2001, where a house is to be demolished, the demolisher shall conclude an agreement for compensation and resettlement on demolition and relocation with the relocatee and the lessee of the house (if any). The demolisher shall give subsidies for removal to the relocatee or the lessee of the house, and during the transition period, the demolisher shall give subsidies for temporary resettlement or provide houses for transitional use.

The Regulations for the Administration of Demolishment and Removal of Urban Housing was abolished on January 21, 2011 by the Regulation on the Expropriation of Buildings on State-owned Land and Compensation (國有土地上房屋徵收與補償條例) which was promulgated by the State Council on January 21, 2011. According to the Regulation on the Expropriation of Buildings on State-owned Land and Compensation, local government shall decide expropriation of buildings based on public interests. Construction entities shall be prohibited from participating in relocation activities.

When the site has been properly prepared and is ready for the commencement of construction works, the developer must apply for a permit for commencement of works from the construction authorities at or above the county level according to the Measures for Administration of Granting Permission for Commencement of Construction Works (建築工程施工許可管理辦法) promulgated by the Ministry of Construction on October 15, 1999, as amended on July 4, 2001. The Measures for Administration of Granting Permission for Commencement of Construction Works (建築工程施工許可管理辦法) promulgated by the Ministry of Housing and Urban-Rural Development in June 2014, supersedes the Measures on Construction Permission and has the similar requirements.

The development of a real estate project must comply with various laws and legal requirements on construction quality, safety standards and technical guidance on architecture, design and construction work, as well as provisions of the relevant contracts. On January 30, 2000, the State Council promulgated and implemented the Regulation on the Quality Management of Construction Projects (建設工程質量管理條例), which sets out the respective quality responsibilities and liabilities for developers, construction companies, exploration companies, design companies and construction supervision companies. After completion of construction works for a project, the real estate developer must organize an acceptance examination by relevant government authorities and experts according to the Development Regulation and the Interim Provisions on Inspection Upon Completion of Buildings and Municipal Infrastructure (房屋建築工程和市政基礎設施工程竣工驗收暫行規定) promulgated by the Ministry of Construction on June 30, 2000. The Provisions on Inspection Upon Completion of Buildings and Municipal Infrastructure (房屋建築和市政基礎設施工程竣工驗收規定) promulgated by the Ministry of Housing and Urban-Rural Development in December 2013, supersedes the Acceptance Examination Measures and has the similar requirements. The developer must also report details of the acceptance examination according to the Measures for Reporting Details Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) promulgated by the Ministry of Construction on April 4, 2000, as amended on October 19, 2009. A real estate development project may not be delivered until and unless it has satisfactorily passed the necessary acceptance examination. Where a property project is developed in phases, an acceptance examination may be carried out for each completed phase.

There are several laws and regulations regulating environment protection in the real estate industry in the PRC, including Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise (中華人民共和國環境噪聲污染防治法), Law of the People's Republic of China on Appraising of Environment Impacts (中華人民共和國環境影響評價法), Regulation of Environment Protection in Construction Projects (建設項目環境保護管理條例), Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the People's Republic of China (中華人民共和國固體廢物污染環境防治法) and Decision of the State Council on Several Issues Concerning Environmental Protection (國務院關於環境保護若干問題的決定). According to such laws and regulations, a real estate developer shall submit a report of environmental impacts before receiving approval from relevant authority to start the construction. A construction enterprise shall, upon completion of a construction project, file an application with the competent department of environmental protection administration for acceptance checks on completion of matching construction of environmental protection facilities required for the construction project.

There are several laws and regulations in the PRC regarding to the civil air defense project construction, including Law of the People's Republic of China on National Defense (中華人民共和國國防法), Civil Air Defense Law of the People's Republic of China (中華人民共和國人民防空法), Property Law of the People's Republic of China (中華人民共和國物權法) and Measures of the Development and Utilization of Civil Air Defense Construction during the peacetime (人民防空工程平時開發利用管理辦法). According to such laws and regulations, basements that will be used for air defense in time of war shall be constructed in new buildings of cities for civil use. If any construction project cannot have basements due to any geological reason, fees for substitute site construction shall be paid. Investors of air defense construction shall be entitle to any benefits generated from its usage and shall manage such construction in the peacetime. Civil use of air defense construction shall be registered in relevant air defense authority.

Several laws and regulations specific fire protection in real estate development, including Fire Protection Law of the People's Republic of China (中華人民共和國消防法) and Provisions of Supervision and Management of Fire Protection Construction (建設工程消防監督管理規定). According to such laws and regulations, a real estate project shall get approval from or filing with relevant public security and fire protection authorities for fire protection design before the construction is started and subject to a fire protection as-built acceptance inspection.

LAND FOR PROPERTY DEVELOPMENT

In April 1988, the National People's Congress amended the Constitution of the People's Republic of China (中華人民共和國憲法) to permit the transfer of land-use rights for value. And in December 1988, the Standing Committee of the National People's Congress amended the Land Administration Law (中華人民共和國土地管理法) to permit the transfer of land-use rights for value.

On May 19, 1990, the State Council issued the Interim Regulation on Grant and Assignment of Right to the Use of State-owned land in Urban Areas (城鎮國有土地使用權出讓和轉讓暫行條例), which prescribes different maximum terms of granted land-use rights for different uses of land as follows: (i) land for commerce, tourism and entertainment: 40 years; (ii) land for residence: 70 years; (iii) land for industry: 50 years; (iv) land for education, science, technology, culture, public health and sports: 50 years; and (v) land for comprehensive utilization or other purposes: 50 years. The State may not resume possession of lawfully granted land-use rights prior to expiration of the term of grant. If the public interest requires the resumption of possession by the State under special circumstances during the term of grant, compensation must be paid by the State. Subject to compliance with the terms of the land grant contract, a holder of land-use rights may exercise substantially the same rights as a land owner during the grant term, including holding, leasing, transferring, mortgaging and developing the land for sale or lease. Upon paying in full the land grant fee pursuant to the terms of the contract, the grantee may apply to the relevant land bureau for issuance of the land-use rights certificate. Upon expiration of the term of grant, renewal is possible subject to the execution of a new contract for the grant of land-use rights and payment of a new land grant fee. If the term of the grant is not renewed, the land-use rights and ownership of any buildings on the land will revert to the State without compensation.

Individuals and entities may acquire land-use rights in different ways, two of which are most important, i.e. land transfers from land users who have already obtained land-use rights and land grants from local land authorities.

Real estate development companies may acquire land-use rights from land users that have already obtained the land-use rights by entering into a land assignment contract or by way of capital contribution. Under the Land Administration Law, any change to be lawfully made in land-use rights shall be registered.

As to the land grants, on May 9, 2002, the Ministry of Land and Resources promulgated the Rules Regarding the Grant of State-Owned Construction Land-Use Rights By Way of Tender, Auction and Listing-For-Sale (the "Rules") (招標拍賣挂牌出讓國有建設用地使用權規定), which was implemented on July 1, 2002 and was amended on September 28, 2007. Pursuant to the Rules, all land for commercial use, tourism, entertainment and commodity residential housing must be granted by way of tender, auction or listing for sale.

On June 11, 2003, the Ministry of Land and Resources promulgated the Regulation on Grant of State-owned Land Use Rights by Agreements (協議出讓國有土地使用權規定), which provided that, other than through public tender, auction and listing-for-sale according to laws, land use rights may be granted via transfer agreements, and the land premium for the transfer agreements of the state-owned land use right shall not be lower than the lowest price specified by the regulations.

On September 24, 2003, the Ministry of Land and Resources promulgated the Notice on Strengthening the Land Supply Management and Facilitating the Continuous and Healthy Development of Property Market (關於加強土地供應管理促進房地產市場持續健康發展的通知), as amended on December 3, 2010, which provides that land supply for luxury commodity housing shall be strictly controlled.

According to the Opinions on Certain Issues Relating to Voluntary Examination and Rectifying of Land Market (關於進一步治理整頓土地市場秩序中自查自糾若干問題的處理意見) promulgated by Ministry of Land and Resources on October 13, 2003, land must be restored to its original use if the development of such land fails to comply with the overall land-use requirements, unless such land has been developed for construction and restoration is impossible to achieve, in which case the overall land-use requirements shall be modified so the respective amount of basic farmland, cultivated land and land for building will remain unchanged. Similarly, restoration of land to farmland or to its original use is required when a land development project lacks construction feasibility or is short of project funding, even though a proper approval is in place. Idle land that has been supplied for construction purposes shall be disposed of according to relevant stipulation governing idle land. However, exceptions are allowed when pre-approval has been granted by local authorities, or if a project development contract has been executed and between local authorities and developers prior to July 1, 2002. On March 18, 2004, the Ministry of Land and Resources together with the Ministry of Supervision promulgated the Notice of Enforcing and Supervising the Transfer of Operative Land-Use Rights Through Tenders, Bidding and Public Auction (關於繼續開展經營性土地使用權招標拍賣挂牌出讓情況執法監察工作的通知), which expressively required that after August 31, 2004, no transfer of land-use rights will be allowed in the form of agreement.

On October 22, 2004, the People's Government of Shenzhen promulgated the Interim Provisions on Renovation of Villages in the City (Old Villages) (深圳市城中村(舊村)改造暫行規定), under which the existing stock cooperation enterprises of the villages in the city may cooperate with the entities on the village renovation upon obtaining the consent from the governments at county level. On October 22, 2009, the People's Government of Shenzhen promulgated the Measures on City Renewal (深圳市城市更新辦法), stating that implementation entities of the renewal projects with type of demolishment and reconstruction, shall enter into supplemental land grant contracts or land grant contracts with Shenzhen Planning and Land Resources Bureau after obtaining planning permit for such renewal projects.

On November 18, 2009, the Ministry of Finance, Ministry of Land and Resources, PBOC, the Ministry of Supervision of the PRC and the National Audit Office of the PRC jointly issued a Notice on Further Strengthen the Management of Revenue and Expenditure from Land Granting (關於進一步加強土地出讓收支管理的通知), to require a minimum down payment of 50% of the land premium relating to land purchases from the PRC government. The notice also provides that the installment period stipulated in the relevant land grant contracts may not exceed one year, provided that, for special projects, upon collective approval by the relevant government authorities, the installment period stipulated in the relevant land grant

contracts can be two years. Developers will not be permitted to buy new land if they fail to pay off such land premium in time. The new rules also forbid local governments from giving discounts to developers or allowing developers to delay payments except as stipulated by the State Council.

On March 8, 2010, the Ministry of Land and Resource of the PRC issued the Notice on Several Issues concerning the Reinforcement on Provision and Supervision over the Land-Use for Property Development (關於加強房地產用地供應和監管有關問題的通知), which shortens the time for payment of the land price by successful bidder of land. On April 17, 2010, the State Council issued the Notice on Resolutely Curbing the Rise of Housing Prices in Certain Cities (關於堅決遏制部分城市房價過快上漲的通知), according to which, when real estate development enterprises participate in the auction, development and construction of land, their shareholders shall not provide loans, lending, guarantee or other relevant financing activities to them in violation of regulations.

On September 21, 2010, the Ministry of Land and Resources and the Ministry of Construction issued the Notice on Further Strengthening the Control of Land Transfer (關於進一步加強房地產用地和建設管理調控的通知) regarding land authorities to prohibit real estate developers and their controlling shareholders who have engaged in illegal activities (such as obtaining land-use rights through fraudulent means, transferring land-use rights improperly, holding land which has been idled for more than one year due to the fault of the developer or the controlling shareholders) from participating in land bidding process until the illegal activities have been rectified.

On January 26, 2011, the State Council issued the Notice on Issues Relating to Further Regulating the Control of Property Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知) which specifies that if a real estate developer fails to obtain the construction permits or fails to commence the construction within two years from the designation of land for real estate development, the granted land-use rights will be forfeited and an idle land penalty will be imposed. A real estate developer is further restricted from transferring land and real estate development projects if the amount of real estate development investment (excluding the land grant fee) incurred is less than 25% of the total investment amount in respect of the subject project. The Ministry of Land and Resources issued the Notice of Diligently Carrying Out Real Estate Land-Use Management and Regulation (關於做好2012年房地產用地管理和調控重點工作的通知) on February 15, 2012, requiring land users to submit written reports to land and resources departments at the time of or prior to project commencement and completion.

SALE OF COMMODITY PROPERTIES

Under the Measures for Administration of Sale of Commodity Properties (商品房銷售管理辦法) promulgated by the Ministry of Construction on April 4, 2001, sale of commodity properties can include both sales before the completion of the properties (the "pre-sale") and sales after the completion of the properties (the "post-completion sale"). Commodity buildings may be put to post-completion sale after they have passed the clearance examination and satisfied the various preconditions for such sale. Before the post-completion sale of a commodity building, the developer must, among other things, submit the real estate development project manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the real estate development authority for its record.

Any pre-sale of commodity buildings must be conducted in accordance with the Measures for Administration of Pre-sale of Urban Commodity Buildings (the "Pre-sale Measures") (城市商品房預售管理辦法) promulgated by the Ministry of Construction in November 1994, as amended in August 2001 and in July 2004, and the Development Regulation. The Pre-sale Measures provide that any pre-sale of commodity buildings is subject to specified procedures. According to the Development Regulation and the Pre-sale Measures, a pre-sale permit must be in place before a commodity building may be put to pre-sale. Specifically, a developer intending to sell a commodity building before its completion must apply to the real estate development authority for a permit for pre-sale. A commodity building may be sold before completion only if:

- the purchase price has been paid in full for the grant of the land-use rights involved and a land-use rights certificate has been properly obtained;
- a permit for construction works planning and a permit for commencement of works have been properly obtained;
- the funds invested in the development of the commodity buildings put to pre-sale represent 25% or more of the total investment in the project and the progress of works and the completion and delivery dates have been properly ascertained;
- a permit for pre-sale of commodity buildings has been obtained through pre-sale registration; and
- The proceeds of pre-sale of commodity buildings must be used to the relevant project construction.

According to the Measures for Administration of Sale of Commodity Properties (商品房銷售管理辦法), the real estate developer shall not sell commodity properties by means of rebated sale or any such means in disguised forms. The real estate developer may not sell uncompleted commodity properties by the after-sale lease guarantee or by any such means in disguised forms.

According to the Notice on Promoting the Stable and Sound Development of the Real Estate Market (關於促進房地產市場平穩健康發展的通知) promulgated by the General Office of the State Council on January 7, 2010, local governments shall decide the minimum scale of pre-sales rationally based on local practice and may not issue separate pre-sale permits by floor or unit.

On April 13, 2010, the MOHURD issued the Notice on Further Regulating the Real Estate Market and Improving the Commodity Housing Pre-sale System (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知), which set forth certain measures to enhance the regulation of pre-sales of commodity housing. Real estate developers are strictly prohibited from pre-selling commodity housing without obtaining pre-sale permits. Within 10 days after obtaining the relevant pre-sale permits, real estate developers are required to make a public announcement on all information relating to the units available for pre-sale and the price of each unit.

As to the post-completion sale, commodity properties may be put up for post-completion sale only when the preconditions for such sale have been satisfied. Under the Measures for Administration of Sale of Commodity Properties (商品房銷售管理辦法), the sale of commodity properties after the completion shall meet the following conditions:

- the real estate developer has a business license and a qualification certificate for real estate development;
- the land-use right certificates or approval documents of land using have been obtained;
- the construction planning permit and the construction commencement permit have been obtained;
- the commodity properties have been completed, inspected and accepted;
- the relocation of the residents has been completed;
- the supplementary essential facilities such as the supply of water, electricity, heating and gas, and communications are ready for use, and other public facilities are ready for use or the schedule of construction and delivery date of such facilities have been specified; and
- the property management plan has been confirmed.

The Provision on Sales of Commodity Properties at Clearly Marked Price (商品房銷售明碼標價規定) was promulgated by the NDRC on March 16, 2011. According to the provision, any real estate developer or real estate agency ("real estate operators") is required to mark the selling price explicitly and clearly for both newly-build and second-hand commodity properties. The provision requires real estate operators to clearly indicate the prices and relevant fees of commodity properties, as well as other factors affecting the prices of commodity properties to the public. With respect to the real estate operators that have received property pre-sale permit or have completed the filing procedures for the sales of completed properties, real estate operators shall announce all the commodity properties available for sale in a lump within the specified time limit. Furthermore, with regard to a property that has been sold out, real estate operators are obliged to disclose such information and to disclose the actual transaction price. Real estate operators cannot sell commodity properties with price higher than the explicit marked price or charge any other fees which has not been explicitly marked. Moreover, real estate operators may neither mislead purchasers with false or irregular price marking, nor engage in price fraud by using false or misleading price marking methods.

TRANSFER OF REAL ESTATE

According to the Urban Real Estate Law and the Provisions on Administration of Transfer of Urban Real Estate (城市房地產轉讓管理規定) promulgated by the Ministry of Construction on August 7, 1995, as amended on August 15, 2001, a real estate owner may sell, bequeath or otherwise legally transfer real estate to another person or legal entity. When transferring a building, the ownership of the building and the land-use rights to the site on which the building is situated are transferred together. The parties to a transfer must

enter into a real estate transfer contract in writing and register the transfer with the real estate administration authority having jurisdiction over the location of the real estate within 90 days of the execution of the transfer contract.

Where the land-use rights were originally obtained by grant, the real property may only be transferred on the condition that:

- the land premium has been paid in full for the grant of the land-use rights as provided by the land grant contract and a land-use right certificate has been properly obtained; and
- in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed; or
- in case of a whole land lot development project, construction works have been carried out as planned, water supply, sewerage, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities have been made available, and the site has been leveled and made ready for industrial or other construction purposes.
- in case of where the real property has been completed in construction, the property ownership certificate shall have been obtained.

If the land-use rights were originally obtained by grant, the term of the land-use rights after transfer of the real estate will be the remaining portion of the original term provided in the land grant contract after deducting the time that has been used by the former land users. In the event that the assignee intends to change the use of the land provided in the original grant contract, consent must first be obtained from the original land-use rights grantor and the planning administration authority at the relevant city or county and an agreement to amend the land grant contract or a new land grant contract must be signed in order to, inter alia, change the use of the land and adjust the land premium accordingly.

If the land-use rights were originally obtained by allocation, such allocation may be changed to land-use rights grant if approved by the government vested with the necessary approval power as required by the State Council. After the government authorities vested with the necessary approval power approve such change, the grantee must complete the formalities for the grant of the land-use rights and pay the land premium according to the relevant statutes.

LEASES OF BUILDINGS

The National People's Congress promulgated the Contract Law of the People's Republic of China (中華人民共和國合同法) (the "Contract Law") on March 15, 1999, which takes effect from October 1, 1999. The Contract Law defines a leasing contract as a contract whereby the lesser delivers to the lessee the lease item for it to use or accrue benefit from, and the lessee pays the rent.

The lease term may not exceed 20 years. If the lease term exceeds 20 years, the portion of the lease term beyond the initial twenty year period is invalid. At the end of the lease term, the parties may renew the lease, provided that the renewed term may not exceed 20 years commencing on the date of renewal. Where the lease term is six months or longer, the lease shall be in writing. If the parties fail to adopt a writing form, the lease is deemed an indefinite lease.

Under the Urban Real Estate Law and the Measures for Administration of Leases of Commodity Buildings (商品房屋租賃管理辦法) promulgated by the MOHURD on December 1, 2010, being effective from February 1, 2011, parties to a lease of a building must enter into a lease contract. China has adopted a system to register the leases of real properties. When a lease contract is signed, amended or terminated, the parties must register the details with the real estate administration authority at the city or county in which the building is situated.

MORTGAGES OF REAL ESTATE

Under the Property Law of the People's Republic of China (中華人民共和國物權法), the Urban Real Estate Law, the Security Law of the People's Republic of China (中華人民共和國擔保法) promulgated by the Standing Committee of the National People's Congress on June 30, 1995, and the Measures for Administration of Mortgages of Urban Real Estate (城市房地產抵押管理辦法) promulgated by the Ministry of Construction on May 9, 1997, as amended on August 15, 2001, when a mortgage is created on the ownership of a building legally obtained, a mortgage must be simultaneously created on the land-use rights of the land on which the building is situated. When a mortgage is created on land obtained by way of grant, a mortgage must be simultaneously created on the ownership of the building which is on the land. The mortgagor and the mortgagee must sign a mortgage contract in writing. China has adopted a system to register mortgages of real estate. Within 30 days after a real estate mortgage contract has been signed, the parties to the mortgage must register the mortgage with the real estate administration authority at the location where the real estate is situated. If a mortgage is created on the real estate in respect of which a property ownership certificate has been obtained legally, the registration authority will, when registering the mortgage, make an entry under "third party rights" on the original property ownership certificate and then issue a certificate of third party rights to the mortgagee. If a mortgage is created on the commodity building put to pre-sale or on works in progress, the registration authority will, when registering the mortgage, record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved will re-register the mortgage of the real property after issuance of the certificates evidencing the rights and ownership to the real estate.

PBOC issued a circular on Further Strengthening the Management of Loans for Property Business (關於進一步加強房地產信貸業務管理的通知) on June 5, 2003 to tighten the requirements for banks to provide loans for the real property business as follows:

- Property development loans may be granted to property developers who are qualified for property development, rank high in credibility and have no overdue payment for construction. Such loans shall be given in full support of residential housing projects which conform to the purchasing capacity of families with medium-to-low income, and shall be property restricted where projects involve building properties of large size and/or cover large area, such as luxury

commodity houses and villas. For property developers with commodity properties of high vacancy rate and debt ratio, strict approval procedures must be applied for their new property development loans and their activities must also be subject to close monitoring.

- Commercial banks may not grant loans to property developers without a "land-use rights certificate," "construction land planning permit," "construction work planning permit" and "construction work commencement permit."

- While property developers apply for bank loans, their own capital, i.e. owner's equity, shall not be less than 30% of the total investment required for the project. Commercial banks are prohibited from lending to property developers solely for the payment of land premiums. A loan for real estate development made by a commercial bank may only be used for a local real estate development project, and shall not be used in a cross-region way.

- Commercial banks may only provide housing loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for individual home loans for his first residential unit, the down-payment by the borrower remains to be 20%. In respect of his loan application for additional purchase of residential unit(s), the percentage of the down-payment by the borrower should be approximately increased.

- When a borrower applies for a mortgage loan for an individual commercial use building, the mortgage ratio may not be more than 60%. In addition, the term of loan may not be more than 10 years and the commodity building must be duly completed and accepted after the relevant governmental inspection.

- The down-payment requirement was subsequently increased to 30% of the property price for residential units with a unit floor area (套型建築面積) of 90 sq.m. or more, effective on June 1, 2006. See "– Measures on Stabilizing Property Prices" below.

In a circular on Facilitating the Continuous and Healthy Development of Property Market (關於促進房地產市場持續健康發展的通知) issued by the State Council on August 12, 2003, a series of measures were adopted by the government to control the property market. They included, among others, strengthening the construction and management of low-cost affordable houses, increasing the supply of ordinary commodity residential houses and controlling the construction of high quality commodity houses. Besides, the government also staged a series of measures on the lending for residential development.

They included, among others, strengthen efforts in housing provident fund collection and the granting of loans, improving the guarantee mechanism of individual home loans and strengthening the monitoring over property loans. It is expected that the circular will have a positive effect on the development of the PRC property market in the long run by facilitating a continuously healthy growth of the property market in China.

Pursuant to the Guidance on Risk Management of Property Loans Granted by Commercial Banks (商業銀行房地產貸款風險管理指引) issued by CBRC on August 30, 2004, commercial banks may not provide any loan in any form for a project without the land-use rights certificate, construction land-use planning permit, construction work planning permit and construction work commencement permit. Any property

developer applying for property development loans must have invested at least 35% of capital required for the development and a commercial bank should maintain a strict project approval mechanism for processing applications for property development loans.

Under the Notice of the PBOC on Adjusting the Housing Credit Policies of Commercial Banks and Deposit Interest Rate of the Excess Part of the Reserve (中國人民銀行關於調整商業銀行住房信貸政策和超額準備金存款利率的通知) issued by PBOC on March 16, 2005 and effective from March 17, 2005, the minimum amount of down payment for an individual residence shall be increased from 20% to 30% of the purchase price for properties in cities where the property market is considered to be overheating.

On May 24, 2006, the General Office of the State Council issued an opinion developed by the Ministry of Construction (and relevant departments) on Adjustment of Housing Supply Structure and Stabilization of Property Prices (關於調整住房供應結構穩定住房價格的意見). According to the opinion, in order to curtail the rapid rise in property prices, from June 1, 2006, the minimum amount of down payment for individual housing shall not be less than 30%. However, considering the housing needs of low- and middle-income earners, the minimum down payment for self-occupied housing with a GFA of less than 90 sq.m. per unit remains unchanged, and shall not be less than 20%.

On September 27, 2007, PBOC and CBRC jointly issued the Notice on Strengthening the Administration of Commercial Real Estate Credit Loans (關於加強商業性房地產信貸管理的補充通知) to further regulate the management of credit loans for commercial real estate. These measures include:

- prohibiting commercial banks from lending to projects with an internal capital ratio (owners' equity) of less than 35%, or without a land-use rights certificate, construction land-use planning permit, construction planning permit and a construction permit;

- prohibiting commercial banks from lending to property developers solely for the payment of land premiums;

- for commodity properties that has been vacant for three years, a commercial bank shall not accept them as collateral for a loan. In principle, a loan for real estate development made by a commercial bank may only be used for a local real estate development project, and shall not be used in a project of different location. For a loan, the use of which is really needed in a non-local real estate development project and for which the relevant risk control measures have been implemented, a commercial bank shall report on it to the regulatory authority for archival purposes before the loan is made;

- requiring banks to support funding needs of borrower purchasing their first small and medium self-occupied flat, and to grant loans only to individuals who have purchased flats the main structure of which have been topped out;

- the minimum down payment for a first unit of self-occupied flat with a GFA of less than 90 sq.m. per unit shall not be less than 20%. The minimum amount of down payment for a first unit of self-occupied flat with a GFA of over 90 sq.m. per unit shall not be less than 30%. The minimum down payment for the second unit or more payable by an individual who has obtained a mortgage to purchase the first flat shall not be less than 40%, the loan interest rate

shall not be less than 1.1 times the prevailing basis rate issued by PBOC, and the minimum amount of down payment and interest rate shall significantly increase with the number of flats purchased;

- commercial properties purchase by loans shall have been completed and passed completion acceptance inspection; and for commercial properties, the minimum down payment shall not be less than 50%, the loan term shall not exceed 10 years and the loan interest rate shall not be less than 1.1 times the prevailing basis rate issued by PBOC. For combined commercial and residential properties, the minimum down payment shall not be less than 45% and the term and interest rate shall be determined according to the administrative regulations of commercial property loans.

According to the Supplementary Notice of the PBOC and CBRC on Strengthening the Administration of Commercial Real Estate Credit Loans (關於加強商業性房地產信貸管理的通知) issued on December 5, 2007, the number of loans granted to a borrower shall be determined on the basis of loans granted to the borrower's family (including the borrower, his/her spouse and his/her underage children).

According to the requirement under a notice issued by PBOC and CBRC on Promoting Economical and Intensive Utilization of Land Through Financing (關於金融促進節約集約用地的通知) on July 29, 2008, when the land and resource authority confirms that a developer has only developed less than 1/3 of the whole area or has only invested less than 1/4 of the total investment after the lapse of one full year from the date of commencing the construction of a real estate project as stipulated in the land transfer contract, a financial institution shall be prudent in granting loans to it and rigidly control extended loans or rolling credits to it. When the land and resource authority confirms that the construction use land for a real estate project has been idled for two years or longer, it is prohibited to grant any loan a real estate development for the given project or other loans with the construction use land of such project as collateral (including the asset protection business).

On October 22, 2008, PBOC promulgated the Notice on Several Issues Regarding the Expansion of Downward Floating Interest Rate for Commercial Individual Housing Loans (關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知), which provides that, effective from October 27, 2008, the float-down range for interest rate for individual residential mortgage loans is expanded and the ratio of down payments is adjusted. As a result, the minimum interest rate for individual residential mortgage loans is 70% of the benchmark loan interest rate and the minimum down payment ratio is adjusted to 20%.

On December 20, 2008, the General Office of the State Council issued the Opinion on Promoting the Healthy Development of Real Estate Market (國務院辦公廳關於促進房地產市場健康發展的若干意見). The opinion provides that in order to expand domestic demand and encourage purchase of ordinary residential housing, residents who purchase ordinary self occupied housing for the first-time by borrowing a mortgage loan shall enjoy preferential policies in relation to loan interest rates and down payment. For residents who have already borrowed a mortgage loan and purchased self-occupied housing for the first-time, if the GFA per person of that first housing is lower than the local average, such residents may still enjoy the preferential policies in relation to loan interest rates and down payment when they purchase a second self occupied house. For any other application on mortgage loans for purchasing a second or subsequent housing unit, the interest rate shall be determined by the commercial banks based on the benchmark interest rate and the banks' risk assessments.

On January 7, 2010, the General Office of the State Council issued the Notice on Promoting the Steady and Healthy Development of the Real Estate Market (關於促進房地產市場平穩健康發展得通知), provides that the families (including the debtors, their spouses and their juvenile children) who have bought a residential house by the loans and are applying for loans to buy a second residential house or more residential houses, the down payments of the loans should not be lower than 40%.

On April 17, 2010, the State Council issued the Notice on Resolutely Curbing the Rise of Housing Prices in Certain Cities (關於堅決遏制部分城市房價過快上漲的通知), which increases (i) the amount of down payment to 30% of the property price for the purchase of the first property over 90 sq. m.; (ii) the amount of down payment to 50% of the property price for the purchase of the second property and the mortgage interest rate to be no less than 1.1 times the benchmark rate in China and (iii) the amount of down payment and the mortgage interest rate for additional properties significantly as determined by the banks in accordance with their risk management policies.

According to the Notice on Issues concerning the Improvement of Differential Housing Credit Policies (關於完善差別化住房信貸政策有關問題的通知) jointly issued by of the PBOC and CBRC on September 29, 2010, all commercial banks shall suspend granting housing loans to families for purchasing the third or more housing units; commercial banks shall also suspend the granting of housing loans to non-local residents who cannot provide local tax payment proof or proof of social insurance payment for one year or longer.

For the purchase of commodity housing with loans, the down payment shall be adjusted to more than 30% of the total price. For the real estate developers which leave any land idle, change the usage and nature of land, delay the time of initiating project and completion of construction, hold back housing units for future sale, or have other records of violations of laws or regulations, all commercial banks shall suspend granting loans to them for new projects development and suspend the extension of loans.

On January 26, 2011, the General Office of the State Council issued the Notice on Issues Relating to Further Regulating the Control of Property Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知), according to which, the minimum down payment in respect of mortgage loans on purchases of second residential properties by families is increased to 60% of the purchases price and the applicable mortgage rate must be at least 1.1 times of the relevant benchmark lending rate published by the PBOC.

On September 29, 2014, the PBOC and CBRC jointly issued the Notice on Further Improving Housing Financial Services (關於進一步做好住房金融服務工作的通知), according to which, for a family that applies for a loan to purchase the first ordinary owner-occupied residential property, the minimum down payment ratio shall be 30%, and mortgage rate shall be no less than 0.7 times of the relevant benchmark lending rate; where a family, which owns an existing residential house for which the relevant mortgage loan has been paid off, applies for a new loan to purchase another ordinary commodity housing for the purpose of improving living conditions, the relevant financial institutions shall adopt the lending policies of the first owner-occupied property.

The PBOC, Ministry of Housing and Urban-Rural Development and CBRC issued the Notice on Matters Concerning Personal Housing Loan Policies (關於個人住房貸款政策有關問題的通知) on March 30, 2015. According to the Notice, where a household, which already owns one housing property and has not paid off the relevant housing loan, applies for another commercial personal housing loan to purchase

another ordinary housing property for the purpose of improving living conditions, the minimum down payment ratio is adjusted to 40%. In case of purchasing ordinary housing properties using housing accumulation fund loans by first-time buyers, the minimum down payment ratio is 20%; where a household, which already owns one housing property and has paid off the relevant housing loan, applies for another housing accumulation fund loan to purchase another ordinary housing property for the purpose of improving living conditions, the minimum down payment ratio is 30%.

According to the Notice on the Adjustment to the Down Payment Ratio for Personal Housing Provident Fund Loans (關於調整住房公積金個人住房貸款購房最低首付款比例的通知) promulgated by the Ministry of Housing and Urban-Rural Development, Ministry of Finance and PBOC on August 27, 2015, and effective from September 1, 2015, where a household, which already owns one housing property and has paid off the relevant housing loan, applies for another housing accumulation fund loan to purchase another ordinary housing property for the purpose of improving living conditions, the minimum down payment ratio is adjusted from 30% to 20%. Beijing, Shanghai, Guangzhou and Shenzhen may decide on such ratio at their own discretion based on the state's policy and local condition.

On September 24, 2015, the PBOC and the CBRC jointly issued the Notice on Issues concerning the Further Improvement of Differentiation on Housing Credit Policies (關於進一步完善差別化住房信貸政策有關問題的通知), according to which, for the first purchase of ordinary housing with commercial loans, the minimum down payment shall be adjusted to not less than 25% of the purchase price in cities where no purchase restriction policy is adopted.

REAL ESTATE MANAGEMENT

According to the Regulation on Property Management (物業管理條例) promulgated by the State Council on June 8, 2003 and amended on August 26, 2007, an enterprise engaging in property management activities shall have the independent corporation capacity. The State applies the system of qualification administration to the enterprises engaging in property management activities.

Under the Measures for the Administration of Qualifications of Property Management Enterprises (物業服務企業資質管理辦法) promulgated by the Ministry of Construction on March 17, 2004 and amended respectively on November 26, 2007 and on May 4, 2015, a property service enterprise must apply for assessment of its qualification by the relevant qualification approval authority. An enterprise which passes such a qualification assessment will be issued a qualification certificate. No enterprise may engage in property management without undertaking a qualification assessment conducted by the relevant authority and obtaining a qualification certificate. The qualifications of a property service enterprise shall be classified as the first, second and third grades.

The qualification grade of a newly established property service enterprise shall be checked and ratified according to the minimum grade, with an interim effective period of one year. The property service enterprises with the first grade qualification may undertake various property management projects. The property service enterprises with the second grade qualification may undertake the property management business of residential projects of less than 300,000 sq.m. and the non-residential projects of less than 80,000 sq.m. The property service enterprises with the third grade qualifications may undertake the property management business of residential projects less than 200,000 sq.m. and non-residential projects less than 50,000 sq.m.

INSURANCE

There is no mandatory provision in PRC laws, regulations and government rules which require a property developer to take out insurance policies for its real estate developments.

According to the common practice of the property industry in China, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects. Construction companies must pay for the insurance premium at their own costs and take out insurance to cover their liabilities, such as third party's liability risk, employer's liability risk, risk of non-performance of contract in the course of construction and other kinds of risks associated with the construction and installation works throughout the construction period. The insurance coverage for all these risks will cease immediately after the completion and acceptance upon inspection of construction.

MEASURES ON STABILIZING PROPERTY PRICES

The General Office of the State Council promulgated a circular on Stabilizing Housing Prices (關於切實穩定住房價格的通知) on March 26, 2005, introducing measures to be taken to restrain the housing price from increasing too fast and to promote a stable development of the real estate market. On April 30, 2005, the Ministry of Construction, NDRC, the Ministry of Finance, the Ministry of Land and resources, PBOC, the State Taxation Bureau and CBRC jointly issued the Opinions on Stabilizing Housing Prices (關於做好穩定住房價格工作的意見) with the following guidance:

- Where the housing price is growing too fast, while the supply of ordinary commodity houses at medium or low prices and low-cost affordable houses is insufficient, the housing construction should mainly involve projects of ordinary commodity houses at medium or low prices and low cost affordable houses. The construction of low-density, high quality houses should be strictly controlled. The relevant local government authorities are authorized to impose conditions on planning and design such as building height, plot ratio and green space and to impose such requirements as sale price, type and GFA as preconditions on land assignment. The local governments are also required to strengthen their supervision of real estate developments in their jurisdictions.

- Where the price of land for residential use and the price for residential housing are growing too fast, the proportion of land supply for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses at medium or low prices and low-cost affordable houses should be especially increased. Land supply for villa construction should continue to be suspended, and land supply for high quality housing property construction should be strictly restricted.

- Commencing from June 1, 2005, a business tax upon transfer of a residential house by an individual within two years from his/her purchase will be levied on the gain from such sale. For an individual to transfer an ordinary residential house after two years from his/her purchase, the business tax will be exempted. For an individual to transfer a property other than an ordinary residential house after two years from his/her purchase, the business tax will be levied on the difference between the price of such sale and the original purchase price.

- Ordinary residential houses with medium or small GFAs and at medium or low prices may be granted preferential treatment such as planning permits, land supply, credit and taxation. Houses enjoying these preferential policies must satisfy the following conditions in principle: the plot ratio is above 1.0, the GFA of one single unit is less than 120 sq.m., and the actual transfer price is lower than 120% of the average transfer price of comparable houses at comparable locations. The local governments at the provincial level may, based on their actual local circumstances, formulate specific standards for ordinary residential houses that may enjoy the preferential policies.

- Transfer of uncompleted commodity properties by any pre-sale purchaser is forbidden.

- In addition, purchasers are required to buy properties in their real names. Any commodity property pre-sale contract must also be filed with the relevant government agencies electronically immediately after its execution.

On May 24, 2006, the Ministry of Construction, NDRC, the Ministry of Supervision, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the National Bureau of Statistics, the State Taxation Bureau and CBRC jointly issued the Opinions on Adjusting Housing Supply Structure and Stabilization of Housing Prices (關於調整住房供應結構穩定住房價格意見的通知). The Opinions reiterated the existing measures and introduced new measures to further curb fast increase in property prices in large cities and to promote healthy development of the PRC property market. These measures, among the others, include:

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low to medium-cost and small to medium-size units and low-cost rental properties;

- requiring that at least 70% of GFA of residential projects approved or constructed on or after June 1, 2006 must consist of units with a unit floor area less than 90 sq.m. per unit (including affordable housing) and that projects which have received project development approvals prior to that date but have not obtained construction permits must adjust their planning in order to be in conformity with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals and certain cities may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;

- prohibiting commercial banks from lending funds to real estate developers with an internal capital ratio, calculated by dividing the internal funds by the total project capital required for the relevant projects, of less than 35%, restricting the extension of loans and the grant of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, and prohibiting commercial banks from taking commodity properties which have been vacant for more than three years as security for their loans; and

- imposing a business tax levy on the entire sales proceeds from re-sale of properties if the holding period is shorter than five years, effective from June 1, 2006, as opposed to two years as such levy was initially implemented from June 2005; where an individual transfers a

property other than an ordinary residential property after five years from his/her purchase, the business tax will be levied on the difference between the price for such re-sale and the original purchase price.

On December 20, 2008, the General Office of the State Council issued the rules on the Opinion on Promoting the Healthy Development of Real Estate Market (關於促進房地產市場健康發展的若干意見), which provides that in order to expand domestic demand and encourage consumption in ordinary residential housing, a business tax relief policy for real property transfers will be implemented for one year in relation to residential property conveyance. Business tax is exempted for any transfer of ordinary housing purchased and held by individuals for at least two years, as opposed to five years previously; any transfer of ordinary housing purchased by individuals for less than two years is subject to business tax based on the difference between the sale price from such transfer and the original purchase price, as opposed to the full sale price. Any transfer of non-ordinary housing purchased by individuals for at least two years, as opposed to five years previously, is subject to business tax based on the difference between the gain from such transfer and the original purchase price. Any transfer of non-ordinary housing purchased by individuals for less than two years remains subject to business tax based solely on the sale price from such transfer. The above-mentioned policy is tentatively scheduled to be enforced until December 31, 2009.

On October 22, 2008, PBOC promulgated the Notice on Several Issues Regarding the Expansion of Downward Floating Interest Rate for Commercial Individual Housing Loans (關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知) which provides that, as of October 27, 2008, the float-down range for interest rate for commercial individual housing loans will be expanded and the ratio of down payments will be modified. The minimum interest rate for commercial individual housing loans will be 70% of the benchmark loan interest rate and the minimum down payment ratio will be adjusted to 20%. Related matters are as follows:

- Loan interest rate and down payment ratio granted by the financial institutions to their clients shall be determined based on the following factors: whether or not it is the first time for the borrower to buy the house, whether or not the house is used for self occupancy, whether or not the house type and GFA conform to an ordinary residential house, and other risk factors such as the borrower's credit record and repayment capacity.

- Financial institutions may provide preferential treatments on loan interest rate and down payment ratio to residents for their first purchase of ordinary self-occupied houses and improved ordinary self-occupied houses. For non-self-occupied houses and non-ordinary residential houses, financial institutions may properly raise the loan conditions.

- As to commercial individual housing loans granted, financial institutions shall determine the interest rate for the outstanding portion thereof, in accordance with Section 1 of this notice, on the basis of reasonable assessment of loan risks and according to the original loan contracts. The down payment ratio under the original loan contracts shall remain effective.

- The policy that the borrower's monthly expenditure on repayment of housing loans shall not exceed 50% of his/her monthly income remains unchanged.

According to the Supplemental Notice on Further Implementing Regulations and Rules of the State Council and Resolutely Curbing the Rise of Housing Prices (關於進一步落實國務院文件精神堅決遏制房價過快上漲的補充通知) promulgated by the General Office of Shenzhen Municipal People's Government on September 30, 2010, a local residential family shall not purchase more than two houses; and a non-local residential family that is able to provide evidence documents on a consecutive year of local tax payment or social insurance contribution is allowed to purchase one house.

Pursuant to the circular of the General Office of the State Council on Notice on Issues Relating to Further Regulating the Control of Property Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知) dated January 26, 2011, generally, municipalities, provincial capitals and cities with high housing prices will implement purchase restrictions for a specified period. In principle, (i) a local residential family that already holds one house or a non-local residential family that is able to provide evidence of local tax or social insurance payment for a required period is limited to purchasing one additional house (including the new commodity residential house or a second hand one); and (ii) a local residential family that holds two or more houses, a non-local residential family that holds one or more houses or a non-local residential family that cannot provide the local payment of tax and/or social insurance for a required period shall be suspended from purchasing any other commodity residential houses.

On February 26, 2013, The State Council General Office of the PRC promulgated the Notice on Further Regulation and Control of Real Estate Market (關於繼續做好房地產市場調控工作的通知), introducing five policy measures to control the real estate market, including: a) improving the accountability system for stabilization of house prices; b) strictly controlling over house purchase for speculation; c) increasing the supply of ordinary residential houses and the land supply of residential houses; d) accelerating the planning and construction of subsidized housing projects; e) tightening the market regulations and forecast management; and f) accelerating the establishment and optimization of the long-term mechanism for the healthy development of the real estate market.

The highlights of the measure for "control over house purchase for speculation" under the notice are as follows:

- Continuous enforcement of stringent restrictions on commodity housing purchases;

- For cities with soaring house prices, the local branches of the PBOC may further increase the proportion of down payments and interest rates for second-home buyers according to the price control targets and policy requirements for newly-constructed commodity housing of the local governments;

- The taxation department and the housing and urban-rural development department shall work closely together to impose personal income tax on the sales of self-owned houses. A tax rate of 20% on the proceeds from the transfer shall be strictly levied upon verification of the value of the houses based on tax collection and housing registration data.

The notice also stipulated that if the number of small-and medium-sized units of a general commodity housing project accounted for more than 70% of the total units to be constructed, the banking financial institutions shall give priority to the financing need of the development of the project subject to credit conditions. In addition, the local authorities shall strengthen the pre-sale fund management and improve their

regulatory systems. For overpriced pre-sale commodity housing projects in breach of the guidance of the housing and urban-rural development department or the regulations on pre-sale fund, the approval and issuance of the pre-sale permits may be suspended.

PRC TAXATION

PRC Deed Tax

Under the Provisional Regulation on the Deed Tax of the People's Republic of China (中華人民共和國契税暫行條例) which took effect on October 1, 1997, deed tax applies to entities and individuals that accept the transfer of land-use rights and the ownership of houses within the territory of the PRC.

The transfer of land-use rights and the ownership of houses refer to the following acts:

- Assignment of the right to use state-owned land;
- Transfer of land-use rights, including the transfer by means of sale, gift and exchange, excluding the transfer of the right contract for the management of rural collective land;
- Purchase and sale of houses;
- Gift of houses; and
- Exchange of houses.

The transfer of land-use rights and the ownership of houses by the means of the following methods are also deemed to be governed by the above regulation, as stipulated by the Implementation Rule of Provisional Regulation on the Deed Tax (中華人民共和國契税暫行條例細則):

- Using land-use rights and ownership of a house as investment;
- Setting off debt with land-use rights and the ownership of house;
- Obtaining land-use rights and the ownership of a house as a prize; and
- Obtaining land-use rights and the ownership of a house by the way of purchasing in advance.

The rate of deed tax will, within the range of 3-5%, be determined by the PRC government agencies of provincial, autonomous region and municipal level in light of the actual conditions of the underlying properties respective areas and shall be reported to the Ministry of Finance and the State Administration of Taxation.

The deed tax will be reduced or exempted under the following circumstances:

- For the acceptance of land and houses by state agencies, institutions, social organizations and military units for office, teaching, medical service, scientific research and military facilities, the deed tax will be exempted;

- For the initial purchase of state-owned residential houses by urban and township workers and staff members according to the provisions of relevant laws and regulations, the deed tax will be exempted;

- For the purchase of residential houses in replacement of houses damaged or destroyed due to force majeure, the tax will, upon approval, be reduced or exempted according to the circumstances; and

- Any other types of reduction or exemption provided by the Ministry of Finance.

Reduction or exemption of deed tax will not be applicable if the relevant land or house and the change of use is no longer within the above mentioned scope, and an amount of tax equivalent to the tax reduction or exemption should be repaid.

On September 29, 2010, the Ministry of Finance, the Ministry of Construction and the State Administration of Taxation promulgated the Notice on the Adjustment of the Deed Tax and Personal Income Tax Preferential Policies in Real Estate Transactions (關於調整房地產交易環節契稅個人所得稅優惠政策的通知), which provides that deed tax rate is reduced to 1% for first-time individual buyer who purchases an ordinary residential property with a GFA of less than 90 sq.m. as the family's sole property.

Income Tax

According to the EIT Law enacted by the National People's Congress on March 16, 2007 and relevant implementation rules enacted by the State Council on December 6, 2007, both in effect from January 1, 2008 onwards, a uniform income tax rate of 25% will be applied towards PRC enterprises, foreign investment enterprises and foreign enterprises which have set up production and operation facilities in the PRC. The PRC EIT Law also permits enterprises to continue to enjoy their existing tax incentives, adjusted by certain transitional phase-out rules, under which enterprises that were subject to an EIT rate of 15% prior to January 1, 2008 may continue to enjoy the lower rate and gradually transition to the new EIT rate within five years after the effective date of the PRC EIT Law, that is 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and the new statutory EIT rate of 25% from 2012 onwards. In addition, under the phase-out rules, enterprises established before the promulgation date of the PRC EIT Law and which were granted tax holidays (such as a two-year exemption and three years of reduction by 50% and a five-year exemptions and five years of reduction by 50%) under the then effective tax laws or regulations may continue to enjoy their tax holidays until their expiration.

Under the implementation rules of EIT Law, in effect from January 1, 2008, a withholding tax of 10% will be applicable to dividends paid by foreign-invested enterprises to foreign investors, unless otherwise stipulated in tax treaties concluded between Chinese government and other jurisdictions. However, due to Arrangement between the PRC and Hong Kong Special Administrative Region for the Avoidance of

Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排) on August 21, 2006, a company incorporated in Hong Kong will be subject to a withholding tax at a rate of 5% on dividends it receives from a company incorporated in the PRC if it holds a 25% interest or more in the PRC company. In addition, the PRC State Administration of Taxation promulgated a tax notice on October 27, 2009, or circular 601, which provides that tax treaty benefits will be denied to "conduit" or shell companies without business substance, and a beneficial ownership analysis will be used based on a "substance-over-the-form" principle to determine whether or not to grant tax treaty benefits.

According to the implementation rules of the EIT Law, if an enterprise incorporated outside the PRC has its "de facto management body" located within the PRC, such an enterprise may be recognized as a PRC tax resident enterprise and subject to EIT at the rate of 25%. According to the PRC EIT Law, dividends received by a qualified PRC tax resident enterprise from another qualified PRC tax resident enterprises are exempted from EIT.

On March 6, 2009, the State Administration of Taxation promulgated the Measures for the Treatment of Enterprise Income Tax on Real Estate Development and Operation Businesses (房地產開發經營業務企業所得税處理辦法), which regulates the revenue, cost of sales, fees deduction, accounting of costs and tax treatment of specific matters of enterprises engaging in the real estate business in the PRC in relation to the imposition of corporate income tax.

Business Tax

Pursuant to the Provisional Regulation of the People's Republic of China on Business Tax (中華人民共和國營業税暫行條例) enacted by the State Council on December 13, 1993 and revised on November 10, 2008, and its Detailed Implementation Rules on the Provisional Regulation of the People's Republic of China on Business Tax (中華人民共和國營業税暫行條例實施細則) issued by the Ministry of Finance on December 15, 2008 and revised on October 28, 2011, the tax rate on transfers of immovable properties, their superstructures and attachments is 5%.

The Ministry of Finance and the State Administration of Taxation issued the Notice on Adjusting Business Tax Policies for Personal Housing Property Transfers (關於調整個人住房轉讓營業税政策的通知) on March 30, 2015. According to the Notice, business tax will be fully levied on housing properties purchased by individuals for less than 2 years; in the case of non-ordinary housing properties purchased by individuals for longer than 2 (inclusive) years, business tax will be levied on the portion of sale income deducting the purchase price; and ordinary housing properties purchased by individuals for longer than 2 (inclusive) years will be exempted from business tax.

Land Appreciation Tax

Under the LAT Regulation promulgated by the State Council on December 13, 1993 and revised on January 8, 2011, and its implementation rules, LAT applies to both domestic and foreign investors, irrespective of whether they are corporate entities or individuals. LAT is payable on the appreciation in value representing the balance of the proceeds received on sales, after deducting various prescribed items. LAT is charged at progressive rates ranging from 30% to 60%. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for

acquisition of land-use rights and the costs of land development and the construction of new buildings or related facilities. An exemption from payment of LAT may be available if the taxpayer constructs ordinary residential apartments and the appreciation amount does not exceed 20% of the sum of deductions allowed under PRC law. If, however, the appreciation amount exceeds 20% of the sum of allowable deductions, such an exemption is not available and the taxpayer will be liable to LAT on the full appreciation amount, after taking account of the allowable deductions. The allowable deductions include the following items:

- Payment made to acquire land-use rights;
- Costs and expenses related to land development and the construction of the properties;
- Construction costs and charges in the case of newly constructed buildings and facilities or assessed value in the case of old buildings and structures;
- Taxes in connection with the transfer of real estate; and
- Other items stipulated by the Ministry of Finance (including 20% deduction of the first two items mentioned above in relation to property development).

LAT is charged at progressive rates ranging from 30% to 60% of the appreciation value (i.e., the balance as described above).

Appreciation value	**LAT rates (%)**
For the portion	
Not exceeding 50% of allowable deductions	30
Over 50% but not more than 100% of allowable deductions	40
Over 100% but not more than 200% of allowable deductions	50
Over 200% of allowable deductions	60

An exemption from payment of LAT may be available if the taxpayer constructs ordinary standard residential apartments and the appreciation amount does not exceed 20% of the sum of deductions allowed under PRC law.

According to the implementation rules of LAT Regulation, a provision of LAT may be made before the completions of construction of the tax payer transfers the proceeds of pre-sale. The provision rate may be determined by Local government subject to the minimum requirement set forth by the State Administrative of Taxation.

Urban Land-use Tax

Pursuant to the Provisional Regulation Governing Land-Use Tax in Cities and Towns of the People's Republic of China (中華人民共和國城鎮土地使用税暫行條例) enacted by the State Council on September 27, 1988 and revised on December 31, 2006, on January 8, 2011 and December 17, 2013, land-use taxes in respect of urban land is to be levied according to the area of relevant land. The annual tax shall be between RMB 0.2 and RMB10 per sq.m. of urban land. According to the Approval on Land-Use Tax Exemption of

Foreign Investment Enterprises (關於外商投資企業徵免土地使用税問題的批覆) issued by the State Administration of Taxation on March 27, 1997, land-use fees instead of land-use taxes were to be collected from foreign-invested enterprises. However, the Provisional Regulation Governing Land-Use Tax in Cities and Towns of the People's Republic of China (中華人民共和國城鎮土地使用税暫行條例) was revised by the State Council on December 31, 2006. As of January 1, 2007, land-use taxes are to be collected from foreign-invested enterprise. The annual tax is between RMB0.6 and RMB30.0 per sq.m. of urban land. On June 1, 2007, the State Administration of Taxation promulgated the Approval on Levy of Urban Land-Use Tax of Foreign Investment Enterprises and Foreign Enterprise (關於外商投資企業和外國企業徵收城鎮土地使用税問題的批覆) and restated the above points.

Real Estate Tax

Before January 1, 2009, there are two parallel tax systems in China for enterprises engaged in real estate development and investment in China. Such tax applicable for domestic enterprises, organizations and individuals is real estate tax which is calculated on the remaining original book value of the real estate after 10% to 30% deduction of the original book value depending on where the real estate is located, at a rate of 1.2%, or on the rental income derived by the real estate at a rate of 12% according to the Provisional Rules on Real Estate Tax of the People's Republic of China (中華人民共和國房產税暫行條例) promulgated by the State Council on September 15, 1986. While foreign invested enterprises, foreign enterprises and foreign individuals are required to pay urban real estate tax on land and buildings owned by them in the urban areas of China. According to the Provisional Rules on Urban Real Estate Tax of the People's Republic of China (中華人民共和國城市房地產税暫行條例) promulgated by the State Council on August 8, 1951, the urban real estate tax is charged at a rate of 1.5% annually based on standard prices for property or 15% annually based on rental income.

By issuance of PRC State Council Order 546 (中華人民共和國國務院令2008第546號) on December 31, 2008, the State Council unifies the two parallel real estate tax systems by abolishing the urban real estate tax. Starting from January 1, 2009, all enterprises, organizations and individuals that own or use real estate in China shall subject to real estate tax by using the calculation method as mentioned in the Provisional Rules on Real Estate Tax of the People's Republic of China (中華人民共和國房產税暫行條例) promulgated by the State Council on September 15, 1986.

Stamp duty

Under the Provisional Regulation on Stamp Duty of the People's Republic of China (中華人民共和國印花税暫行條例) promulgated by the State Council on August 6, 1988, effective on October 1, 1988 and revised on January 8, 2011, for property rights transfer instruments, including those in respect of property ownership transfer, the rate of stamp duty shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including property ownership certificates and land-use rights certificates, stamp duty shall be levied on an item basis of RMB5 per item.

Urban maintenance and construction tax and education surcharge

Under the Provisional Regulation on Urban Maintenance and Construction Tax of the People's Republic of China (中華人民共和國城市維護建設税暫行條例) promulgated by the State Council on February 8, 1985, any taxpayer, whether an entity or individual, of product tax, value-added tax or business

tax shall be required to pay urban maintenance and construction tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county and a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

Under the Provisional Provisions on Imposition of Education Surcharge (徵收教育費附加的暫行規定) promulgated by the State Council on April 28,1986 and revised on June 7, 1990, August 20, 2005 and January 8, 2011, a taxpayer, whether an entity or individual, of product tax, value-added tax or business tax shall pay an education surcharge at a rate of 3% on the total amount of consumption tax, value-added tax and business tax paid by such entity, unless such obliged taxpayer is instead required to pay a rural area education surcharge as stipulated under the Notice of the State Council on Raising Funds for Schools in Rural Areas (關於籌措農村學校辦學經費的通知).

FOREIGN CURRENCY EXCHANGE

Prior to December 31, 1993, a quota system was used for the management of foreign currency. Any enterprise that used foreign currency in the normal course of its operations was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through the Bank of China or other designated banks. Such conversion had to be effected at the official rate set up by SAFE on a daily basis. Renminbi could also be converted into foreign currency at swap centers. The exchange rates used by swap centers were largely determined by the demand for and supply of the foreign currency and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap center had to obtain an advanced approval from SAFE.

On December 28, 1993, the PBOC, under the authority of the State Council, promulgated the Notice of the PBOC Concerning Further Reform of the Foreign Currency Control System (中國人民銀行關於進一步改革外匯管理體制的公告), effective on January 1, 1994 and revoked on August 28, 2009. The notice announced the abolition of the foreign exchange quota system, the implementation of conditional convertibility of Renminbi in current account items, the establishment of the settlement and payment system of foreign exchange by banks, and the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centers. On June 20, 1996, the PBOC promulgated the Regulation on the Administration of the Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定), which set out detailed provisions regulating the trading of foreign exchange by enterprises, economic organizations and social organizations in the PRC.

The principal regulation governing foreign currency exchange in the PRC is the Regulation on the Control of Foreign Exchange (the "Foreign Exchange Regulation") (中華人民共和國外匯管理條例), promulgated by the State Council in January 1996, as amended in January 1997 and August 2008. Under the regulation, Renminbi are freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but are not freely convertible for capital expenditure such as direct investment, loans or investments in securities outside the PRC unless the approval of SAFE is obtained in advance.

Under the Foreign Exchange Regulation, foreign-invested enterprises in the PRC may purchase foreign currency for trade and service-related foreign exchange transactions without the approval of the SAFE by providing commercial documents evidencing these transactions. They may also remit foreign currency (subject to a cap approved by SAFE) to satisfy foreign exchange liabilities or to pay dividends.

However, the relevant PRC government authorities, which have significant administrative discretion in implementing the laws, may restrict or eliminate the ability of foreign-invested enterprises to purchase and remit foreign currencies in the future. In addition, foreign exchange transactions involving direct investment, loans and investments in securities outside the PRC are subject to limitations and require approvals from SAFE.

Under the 171 document, no offshore or Chinese domestic loan is allowed and the foreign exchange administration shall not approve the conversion of foreign loans into RMB if the foreign-invested real estate corporations have not paid their registered capital in full, or have not obtained the land-use rights certificate, or their internal fund for a development project is less than 35% of the total investment.

In accordance with the 171 document, MOFCOM and SAFE jointly issued No. 50 Notice on May 23, 2007. Under the No. 50 Notice, the local SAFE administrative authority and designated foreign exchange bank will not conduct foreign exchange purchase and settlement process for foreign-invested real estate company who fails to satisfy the MOFCOM for filing requirement or to pass the joint annual examination of foreign-invested enterprises.

On July 10, 2007, the General Department of SAFE issued circular No. 130. According to circular No. 130, registration regarding the establishment of foreign-invested real estate enterprises shall be made with MOFCOM. However, such real estate enterprises with foreign investment as filed with MOFCOM will not be permitted to borrow money from overseas, including through shareholder loans and foreign commercial loans. Further, for those which fail to file with MOFCOM after June 1, 2007, neither foreign exchange registration, foreign exchange alteration registration nor sale and purchase of foreign exchange under capital account will be effected with SAFE or its branches.

The circular No. 130 was abolished on May 13, 2013 by Notice No. 21 which was promulgated by SAFE on May 10, 2013. However, the restriction measures on the foreign debt of foreign-invested real estate enterprises stipulated in the circular No. 130 have been reflected in Notice No. 19 issued by SAFE on April 28, 2013.

On August 29, 2008, SAFE issued the "Notice of the General Department of the SAFE on Improving on Relevant Business Operations Issues Concerning the Administration of the Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises" (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知) (the "Notice 142") which regulates the conversion by a foreign-invested enterprise of foreign currency into Renminbi by restricting how the converted Renminbi may be used. The Notice 142 requires that the Renminbi funds converted from the foreign currency capital of a foreign-invested enterprise may only be used for purposes within the business scope of the relevant foreign invested companies approved by the applicable governmental authority and cannot be used for equity investments or acquisitions within the PRC unless specifically provided for otherwise. In addition, SAFE strengthened its supervision over the flow and use of Renminbi funds converted from the foreign currency capital of a foreign-invested enterprise. An offshore holding company that uses foreign exchange to invest in real estate businesses in the PRC is typically required to conduct the real estate operations through PRC subsidiaries that were established as foreign-invested real estate companies and invest in such foreign-invested PRC subsidiaries through equity contribution. In addition, it is required to

complete the requisite filing procedures with MOFCOM before it can remit any funds from offshore. The use of such Renminbi capital may not be changed without SAFE's approval, and may not, in any case, be used to repay or prepay Renminbi loans if such loans have not been used.

The Notice 142 was abolished by the Notice on Reforming the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知), which was promulgated by SAFE on March 30, 2015. According to the Notice, a foreign-invested enterprise may, according to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has registered the account-crediting of monetary contribution). For the time being, foreign-invested enterprises are allowed to settle 100% of their foreign exchange capitals on a discretionary basis; a foreign-invested enterprise shall truthfully use its capital for its own operational purposes within the scope of business; where an ordinary foreign-invested enterprise makes domestic equity investment with the amount of foreign exchanges settled, the invested enterprise shall first go through domestic re-investment registration and open a corresponding Account for Foreign Exchange Settlement Pending Payment with the foreign exchange bureau (bank) at the place of registration.

According to the Notice on Further Improving and Adjusting Management Policies on Foreign Exchange of Direct Investment (關於進一步改進和調整直接投資外匯管理政策的通知) (the "Notice 59"), promulgated by the SAFE on November 19, 2012, effective from December 17, 2012 and amended on May 4, 2015, foreign investors are no longer required to obtain approval from the SAFE to re-invest in China by using legal income generated in China. No approval from the SAFE is required for opening the bank account, payment into account, settlement of the foreign exchange and for the purchase and external payment of foreign exchange in relation to direct foreign investments in China. Also, domestic transfer of foreign exchange under direct investment account is no longer subject to approval by the SAFE. In addition, the foreign invested entities are permitted to remit funds to their offshore parent companies.

LABOR PROTECTION

The Labor Contract Law of the People's Republic of China (中華人民共和國勞動合同法) promulgated on June 29, 2007 and amended on December 28, 2012, and the Implementation Rules of the Labor Contract Law of the People's Republic of China (中華人民共和國勞動合同法實施條例) promulgated on September 18, 2008, set out specific provisions in relation to the execution, the terms and the termination of an employment contract and the rights and obligations of the employees and the employers. At the time of hiring, the employer shall truthfully inform the employee as to the scope of work, working conditions, working place, occupational hazards, work safety, salary and other matters which the employee requests to be informed about.

Employers in the PRC are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, for unemployment insurance, for basic medical insurance, for work-related injury insurance, for maternity insurance and for housing accumulation fund. These payments are made to local administrative authorities and an employer who fails to contribute may be fined and be ordered to make up for the missed contributions. The various laws and regulations that govern the employers' obligation to contribute to the social security funds include the Social Insurance Law of the People's Republic of China (中華人民共和國社會保險法) promulgated by the Standing Committee of the

National People's Congress on October 28, 2010 and effective on July 1, 2011; the Interim Regulation on the Collection and Payment of Social Security Funds (社會保險費徵繳暫行條例), which was promulgated by the State Council on January 22, 1999 and became effective on the same date；the Interim Measures concerning the Maternity Insurance (企業職工生育保險試行辦法) which was promulgated by the Ministry of Labor on December 14, 1994 and became effective on January 1, 1995; the Regulation on Occupational Injury Insurance (工傷保險條例), which was promulgated by the State Council on April 27, 2003 and amended on December 20, 2010; and the Regulation on Management of the Housing Accumulation Fund (住房公積金管理條例), which was promulgated and became effective on April 3, 1999 and was then amended on March 24, 2002.

The following is the text of a report, prepared for the purpose of incorporation in this Circular, received from the reporting accountants of Green View Holding Company Limited, KPMG, Certified Public Accountants, Hong Kong.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

30 October 2015

The Directors
LVGEM (China) Real Estate Investment Company Limited

China Galaxy International Securities (Hong Kong) Co., Ltd.

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Green View Holding Company Limited ("Green View") and its subsidiaries (hereinafter collectively referred to as the "Target Group") comprising the consolidated statements of financial position of the Target Group as at 31 December 2012, 2013 and 2014 and 30 April 2015 and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Target Group, for each of the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015 (the "Relevant Periods"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the circular of LVGEM (China) Real Estate Investment Company Limited (the "Company") dated 30 October 2015 (the "Circular").

On 2 June 2015, Urban Thrive Holdings Limited ("Urban Thrive"), a wholly owned subsidiary of the Company and Mr. Wong Hong King ("Mr. Wong") entered into an agreement pursuant to which Mr. Wong conditionally agreed to sell and Urban Thrive conditionally agreed to purchase the entire equity interest in Green View for a total consideration of HK$13,785,000,000 (the "Acquisition") as described more fully in the Circular. Before the Acquisition, agreements were signed between certain entities within the Target Group and certain entities controlled by Mr. Wong pursuant to which certain subsidiaries of Green View were disposed to the entities controlled by Mr. Wong at a total consideration of RMB682,955,000 as described under the section "History and Reorganization of the Reorganized Target Group" in the Circular.

Green View was established in Hong Kong on 11 October 2004 with limited liability. Green View has not carried on any business since the date of its incorporation.

All companies comprising the Target Group have adopted 31 December as their financial year end date. Details of the companies comprising the Target Group that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in note 30 of Section B. The statutory financial statements of these companies were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated or established.

The directors of Green View have prepared the consolidated financial statements of the Target Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015 were audited by KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合夥)) in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the directors of the Company for inclusion in the Circular in connection with the Company's proposed acquisition of entire equity interest in Green View based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with IFRSs issued by the IASB and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of Green View, its subsidiaries or the Target Group in respect of any period subsequent to 30 April 2015.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Target Group as at 31 December 2012, 2013 and 2014 and 30 April 2015 and of the Target Group's financial performance and cash flows for the Relevant Periods then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Target Group comprising the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the four months ended 30 April 2014, together with the notes thereon (the "Corresponding Financial Information"), for which the directors of the Company are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A FINANCIAL INFORMATION OF THE TARGET GROUP

1 Consolidated statements of profit or loss

	Section B Note	Years ended 31 December			Four months ended 30 April	
		2012	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Turnover	*3*	485,013	1,970,580	4,850,634	2,277,044	207,936
Cost of sales		(241,746)	(1,160,836)	(2,493,449)	(1,198,838)	(69,962)
Gross profit		243,267	809,744	2,357,185	1,078,206	137,974
Other revenue	*4*	2,147	7,804	18,613	11,293	17,409
Other net (loss)/income	*4*	(152)	70	–	–	–
Selling expenses		(77,602)	(53,443)	(41,455)	(7,012)	(8,585)
Administrative and other operating expenses		(126,769)	(143,639)	(151,098)	(48,338)	(42,922)
Profit from operations before increase in fair value of investment properties		40,891	620,536	2,183,245	1,034,149	103,876
Increase in fair value of investment properties	*13*	651,866	591,353	895,341	550,085	89,064
Profit from operations after increase in fair value of investment properties		692,757	1,211,889	3,078,586	1,584,234	192,940
Finance costs	*5(a)*	(231,443)	(205,516)	(217,324)	(87,379)	(82,605)
Share of loss of joint ventures		(137)	(19)	(40)	–	–
Profit before taxation	*5*	461,177	1,006,354	2,861,222	1,496,855	110,335
Income tax expense	*6*	(129,748)	(326,056)	(1,132,263)	(537,966)	(33,142)
Profit for the year/period		331,429	680,298	1,728,959	958,889	77,193
Attributable to:						
Equity shareholders of Green View		330,342	680,416	1,728,473	958,249	75,543
Non-controlling interests		1,087	(118)	486	640	1,650
Profit for the year/period		331,429	680,298	1,728,959	958,889	77,193
Basic and diluted earnings per share (RMB)	*10*	33,034	68,042	172,847	95,825	7,554

The accompany notes form part of the Financial Information.

2 Consolidated statements of profit or loss and other comprehensive income

	Section B Note	Years ended 31 December			Four months ended 30 April	
		2012	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit for the year/period		331,429	680,298	1,728,959	958,889	77,193
Other comprehensive income for the year (after tax and reclassification adjustments)						
Items that may be reclassified to profit or loss:						
– Exchange differences on translation of financial statements of non-Mainland China operations		(8)	3,227	(135)	(404)	5
– Available-for-sale securities: net movement in the fair value reserve	*9(b)*	99	139	(165)	(220)	–
Other comprehensive income for the year/period		91	3,366	(300)	(624)	5
Total comprehensive income for the year/period		331,520	683,664	1,728,659	958,265	77,198
Attributable to:						
Equity shareholders of Green View		330,433	683,782	1,728,173	957,625	75,548
Non-controlling interests		1,087	(118)	486	640	1,650
Total comprehensive income for the year/period		331,520	683,664	1,728,659	958,265	77,198

The accompany notes form part of the Financial Information.

3 Consolidated statements of financial position

	Section B Note	At 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	At 30 April 2015 RMB'000
Non-current assets					
Property, plant and equipment	*11*	427,663	419,332	391,883	375,043
Intangible assets	*12*	1,427	3,041	3,756	3,826
Investment properties	*13*	8,588,246	9,770,764	11,143,025	11,294,875
Interests in joint ventures	*14*	465,350	505,197	521,757	525,104
Other investments	*15*	5,535	297,620	347,767	347,767
Deferred tax assets	*23(b)*	195,821	137,441	221,317	239,404
		9,684,042	11,133,395	12,629,505	12,786,019
Current assets					
Inventories	*16*	5,268,118	5,311,839	4,934,458	5,599,140
Prepaid tax	*23(a)*	101,104	163,579	17,625	34,740
Trade and other receivables	*17*	446,891	772,171	825,207	469,180
Restricted cash	*18*	43,085	387,898	741,878	1,522,765
Cash and cash equivalents	*19*	512,984	652,588	1,099,118	713,547
Other current assets	*20*	20,000	150,000	260,710	–
		6,392,182	7,438,075	7,878,996	8,339,372
Current liabilities					
Trade and other payables	*21*	5,501,320	5,813,005	2,646,612	3,155,416
Bank loans and other borrowings	*22*	1,874,793	1,029,069	1,762,494	1,622,576
Current tax liabilities	*23(a)*	153,784	133,015	655,796	701,542
		7,529,897	6,975,089	5,064,902	5,479,534
Net current (liabilities)/ assets		(1,137,715)	462,986	2,814,094	2,859,838
Total assets less current liabilities		8,546,327	11,596,381	15,443,599	15,645,857

	Section B Note	At 31 December 2012	2013	2014	At 30 April 2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities					
Bank loans and other borrowings	*22*	2,281,985	4,463,705	6,253,538	6,516,720
Deferred tax liabilities	*23(b)*	1,706,825	1,881,495	2,210,221	2,174,315
		3,988,810	6,345,200	8,463,759	8,691,035
NET ASSETS		4,557,517	5,251,181	6,979,840	6,954,822
Capital and reserves	*24*				
Share capital		11	11	11	11
Reserves		4,541,871	5,225,653	6,953,826	6,940,312
Total equity attributable to equity holders of Green View		4,541,882	5,225,664	6,953,837	6,940,323
Non-controlling interests		15,635	25,517	26,003	14,499
TOTAL EQUITY		4,557,517	5,251,181	6,979,840	6,954,822

The accompany notes form part of the Financial Information.

4 Consolidated statements of changes in equity

		Attributable to equity shareholders of Green View								
	Section B Note	**Share capital** *RMB'000*	**Other reserve** *RMB'000*	**Exchange reserve** *RMB'000*	**Fair value reserve** *RMB'000*	**PRC statutory reserve** *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
Balance as of 1 January 2012		11	9,200	12,195	(73)	27,402	4,162,714	4,211,449	14,548	4,225,997
Changes in equity for 2012										
Profit for the year		–	–	–	–	–	330,342	330,342	1,087	331,429
Other comprehensive income	*9*	–	–	(8)	99	–	–	91	–	91
Total comprehensive income		–	–	(8)	99	–	330,342	330,433	1,087	331,520
Appropriation to PRC statutory reserve		–	–	–	–	1,129	(1,129)	–	–	–
Balance as of 31 December 2012		11	9,200	12,187	26	28,531	4,491,927	4,541,882	15,635	4,557,517
Balance as of 1 January 2013		11	9,200	12,187	26	28,531	4,491,927	4,541,882	15,635	4,557,517
Changes in equity for 2013										
Profit for the year		–	–	–	–	–	680,416	680,416	(118)	680,298
Other comprehensive income	*9*	–	–	3,227	139	–	–	3,366	–	3,366
Total comprehensive income		–	–	3,227	139	–	680,416	683,782	(118)	683,664
Appropriation to PRC statutory reserve		–	–	–	–	1,676	(1,676)	–	–	–
Contribution from non-controlling interests		–	–	–	–	–	–	–	10,000	10,000
Balance as of 31 December 2013		11	9,200	15,414	165	30,207	5,170,667	5,225,664	25,517	5,251,181
Balance as of 1 January 2014		11	9,200	15,414	165	30,207	5,170,667	5,225,664	25,517	5,251,181
Changes in equity for 2014										
Profit for the year		–	–	–	–	–	1,728,473	1,728,473	486	1,728,959
Other comprehensive income	*9*	–	–	(135)	(165)	–	–	(300)	–	(300)
Total comprehensive income		–	–	(135)	(165)	–	1,728,473	1,728,173	486	1,728,659
Appropriation to PRC statutory reserve		–	–	–	–	23,423	(23,423)	–	–	–
Balance as of 31 December 2014		11	9,200	15,279	–	53,630	6,875,717	6,953,837	26,003	6,979,840

		Attributable to equity shareholders of Green View								
	Section B Note	**Share capital** *RMB'000*	**Other reserve** *RMB'000*	**Exchange reserve** *RMB'000*	**Fair value reserve** *RMB'000*	**PRC statutory reserve** *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
Balance as of 1 January 2015		11	9,200	15,279	–	53,630	6,875,717	6,953,837	26,003	6,979,840
Changes in equity for four months ended 30 April 2015										
Profit for the period		–	–	–	–	–	75,543	75,543	1,650	77,193
Other comprehensive income	*9*	–	–	5	–	–	–	5	–	5
Total comprehensive income		–	–	5	–	–	75,543	75,548	1,650	77,198
Dividends declared		–	–	–	–	–	(89,062)	(89,062)	(13,154)	(102,216)
Balance as of 30 April 2015		11	9,200	15,284	–	53,630	6,862,198	6,940,323	14,499	6,954,822
(Unaudited)										
Balance as of 1 January 2014		11	9,200	15,414	165	30,207	5,170,667	5,225,664	25,517	5,251,181
Changes in equity for four months ended 30 April 2014										
Profit for the period		–	–	–	–	–	958,249	958,249	640	958,889
Other comprehensive income	*9*	–	–	(404)	(220)	–	–	(624)	–	(624)
Total comprehensive income		–	–	(404)	(220)	–	958,249	957,625	640	958,265
Balance as of 30 April 2014		11	9,200	15,010	(55)	30,207	6,128,916	6,183,289	26,157	6,209,446

The accompany notes form part of the Financial Information.

5 Consolidated statements of cash flows

	Years ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Operating activities					
Profit before taxation	461,177	1,006,354	2,861,222	1,496,855	110,335
Adjustments for:					
Increase in fair value of investment properties	(651,866)	(591,353)	(895,341)	(550,085)	(89,064)
Depreciation and amortization	30,369	48,749	48,444	15,599	17,584
Loss/(gain) on disposal of property, plant and equipment	152	(70)	–	–	–
Finance costs	231,443	205,516	217,324	87,379	82,605
Interest income	(1,630)	(5,774)	(8,491)	(1,196)	(4,565)
Investment income	(517)	(1,981)	(9,372)	(9,372)	(12,511)
Share of loss of joint ventures	137	19	40	–	–
Changes in working capital:					
(Increase)/decrease in inventories	(1,769,363)	125,971	749,715	1,986,363	(535,318)
Increase in restricted cash	(8,846)	(344,813)	(353,980)	(974,729)	(780,887)
Decrease/(increase) in trade and other receivables	87,467	(325,268)	(53,215)	(205,052)	356,027
Increase/(decrease) in trade and other payables	2,581,150	490,663	(3,117,588)	(2,992,211)	693,485
Cash generated from/(used in) operations	959,673	608,013	(561,242)	(1,146,449)	(162,309)
PRC Corporate Income Tax ("CIT") paid	(39,456)	(34,338)	(190,727)	(16,404)	(2,100)
PRC LAT paid	(128,126)	(141,958)	(27,896)	(8,078)	(56,404)
Net cash generated from/(used in) operating activities	792,091	431,717	(779,865)	(1,170,931)	(220,813)
Investing activities					
Payment for purchase of property, plant and equipment	(136,560)	(39,938)	(20,316)	(5,880)	(451)
Proceeds from disposal of property, plant and equipment	106	90	–	–	–
Proceeds from disposal of other current assets	–	20,000	835	835	273,221
Payment for intangible assets	(1,296)	(2,114)	(1,395)	–	(363)
Advance to a joint venture	(30,632)	(39,866)	(16,600)	(2,541)	(3,347)
Payment for purchases of other investments	(9,492)	(439,965)	(152,485)	(103,453)	–
Payment for expenditure in investment properties	(489,312)	(766,925)	(509,508)	(226,349)	(364,499)
Interest received	1,630	5,774	8,491	1,196	4,565
Net cash used in investing activities	(665,556)	(1,262,944)	(690,978)	(336,192)	(90,874)

	Years ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Financing activities					
Capital injection by non-controlling interests	–	10,000	–	–	–
Proceeds from bank loans and other borrowings	1,571,001	3,251,000	4,390,000	1,954,000	510,000
Repayments of bank loans and other borrowings	(1,004,134)	(1,915,004)	(1,866,741)	(694,559)	(386,736)
Interest and other borrowing costs paid	(388,445)	(375,208)	(605,929)	(156,297)	(197,145)
Net cash generated from/(used in) financing activities	178,422	970,788	1,917,330	1,103,144	(73,881)
Net increase/(decrease) in cash and cash equivalents	304,957	139,561	446,487	(403,979)	(385,568)
Cash and cash equivalents at 1 January	208,027	512,984	652,588	652,588	1,099,118
Effect of foreign exchange rate changes	–	43	43	130	(3)
Cash and cash equivalents at 31 December/30 April	512,984	652,588	1,099,118	248,739	713,547

The accompany notes form part of the Financial Information.

B NOTES TO THE FINANCIAL INFORMATION OF THE TARGET GROUP

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with IFRSs which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the IASB. Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The IASB has issued certain new and revised IFRSs. For the purpose of preparing this Financial Information, the Target Group has adopted all applicable new and revised IFRSs applicable to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2015. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 January 2015 are set out in note 31.

The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the four months ended 30 April 2014 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) Basis of preparation and presentation

The Financial Information has been prepared and presented as a continuation of the financial statements of the Target Group with the assets and liabilities of the Target Group recognized and measured at their historical carrying amounts.

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

The principal activities of the Target Group are properties development, property leasing and provision of comprehensive services in the PRC.

During the Relevant Periods, the Target Group has direct or indirect interests in the following subsidiaries, particulars of which are set out below:

Name of company	Place and date of establishment/ incorporation	Particulars of issued/paid up capital	Attributable equity interest held by the Target Group					Principal activities
			At 31 December			At 30 April	At the date of this	
			2012	2013	2014	2015	report	
Dongguan LVGEM Real Estate Development Co., Ltd.* 東莞市綠景房地產開發有限公司	The People's Republic of China (The "PRC") 17 December 2013	RMB20,000,000	–	100%	100%	100%	–	Property development
Huazhou Haojing Real Estate Co., Ltd.* 化州市好景置業發展有限公司	The PRC 10 April 2012 (liquidated on 26 December 2013)	RMB1,000,000	100%	–	–	–	–	N/A
Huazhou LVGEM Property Management Co., Ltd.* 化州市綠景物業管理有限公司	The PRC 10 April 2012	RMB3,000,000	100%	100%	100%	100%	100%	Property management services
Huazhou LVGEM Real Estate Co., Ltd.* 化州市綠景置業發展有限公司	The PRC 10 April 2012 (liquidated on 26 December 2013)	RMB1,000,000	100%	–	–	–	–	N/A
Huazhou LVGEM Real Estate Development Co., Ltd.* 化州市綠景房地產開發有限公司	The PRC 27 May 2009	RMB210,000,000	100%	100%	100%	100%	100%	Property development
Huizhou LVGEM Real Estate Development Co., Ltd.* 惠州市綠景房地產開發有限公司	The PRC 31 March 2008	RMB1,000,000	100%	100%	100%	100%	100%	Property development
Jin Xin Investments (Hong Kong) Limited 金信投資 (香港) 有限公司	Hong Kong 19 May 2006	10,000 shares	100%	100%	100%	100%	–	Investment holding
Maoming Xinji Storage Ltd.* 茂名信基倉儲有限公司	The PRC 7 December 2009 (liquidated on 22 August 2014)	HKD40,000,000	100%	100%	–	–	–	N/A
Shenzhen Longkanghong Investment Development Co., Ltd.* 深圳市龍康弘投資發展有限公司	The PRC 16 January 1997	RMB270,000,000	100%	100%	100%	100%	100%	Property investment and management service

Name of company	Place and date of establishment/ incorporation	Particulars of issued/paid up capital	Attributable equity interest held by the Target Group					Principal activities
			At 31 December			At 30 April	At the date of this	
			2012	2013	2014	2015	report	
Shenzhen LVGEM Asset Management Co., Ltd.* 深圳市綠景資產管理有限公司	The PRC 16 April 2006	RMB16,000,000	100%	100%	100%	100%	100%	Property management service
Shenzhen LVGEM Hotel Co., Ltd.* 深圳市綠景酒店有限公司	The PRC 8 April 2011	RMB10,000,000	100%	100%	100%	100%	100%	Hotel operation services
Shenzhen LVGEM Jiyuan Property Management Service Co., Ltd.* 深圳市綠景紀元物業管理服務有限公司	The PRC 18 October 2011	RMB500,000	100%	100%	100%	100%	100%	Property management service
Shenzhen LVGEM Marketing Co,. Ltd.* 深圳市綠景房地產策劃有限公司	The PRC 20 August 2014	RMB1,000,000	–	–	100%	100%	100%	Consultancy services
Shenzhen LVGEM Property Management Co., Ltd.* 深圳市綠景物業管理有限公司	The PRC 24 April 1997	RMB5,000,000	100%	100%	100%	100%	100%	Property management services
Shenzhen LVGEM Real Estate Development Co., Ltd.* 深圳市綠景房地產開發有限公司	The PRC 15 June 1995	RMB150,000,000	100%	100%	100%	100%	100%	Property development
Shenzhen Lvsheng Investment Development Co., Ltd.* 深圳市綠晟投資發展有限公司	The PRC 7 March 1988	RMB60,000,000	100%	100%	100%	100%	–	Property investment and management service
Shenzhen Wanghaiyikang Industrial Development Co., Ltd.* 深圳市旺海怡康實業發展有限公司	The PRC 9 December 1994	RMB10,000,000	90%	90%	90%	90%	–	Property development
Yiyang Zhonghe Real Estate Co., Ltd.* 益陽中核置業有限公司	The PRC 31 December 2006	RMB30,000,000	100%	100%	100%	100%	100%	Property development

Name of company	Place and date of establishment/ incorporation	Particulars of issued/paid up capital	Attributable equity interest held by the Target Group					Principal activities
			At 31 December			At 30 April	At the date of this	
			2012	2013	2014	2015	report	
Zhengxinglong Real Estate (Shenzhen) Co., Ltd.* 正興隆房地產 (深圳) 有限公司	The PRC 22 December 1997	HK$40,000,000	100%	100%	100%	100%	100%	Property development
Zhuhai Huijing Investment Management Co., Ltd.* 珠海市惠景投資管理有限公司	The PRC 4 July 2013	RMB100,000,000	–	90%	90%	90%	–	Property investment and management service
Zhuhai LVGEM Property Management Co., Ltd.* 珠海綠景物業管理有限公司	The PRC 2 November 2007	RMB3,000,000	100%	100%	100%	100%	–	Property management services
Zhuhai LVGEM Real Estate Development Co., Ltd.* 珠海綠景房地產開發有限公司	The PRC 8 August 2006	RMB8,000,000	100%	100%	100%	100%	–	Property development

* *These entities are all PRC limited liability companies. The English translation of the company names is for reference only. The official names of these companies are in Chinese.*

Pursuant to the reorganization undertaken in preparation of the Acquisition as set out under the section "History and Reorganization of the Reorganized Target Group" in the Circular, the Target Group disposed of certain subsidiaries after the Relevant Period ("the Disposed Subsidiaries"). The Disposed Subsidiaries consisted of Jin Xin Investments (Hong Kong) Limited, Zhuhai LVGEM Real Estate Development Co., Ltd., Zhuhai LVGEM Property Management Co., Ltd., Zhuhai Huijing Investment Management Co., Ltd., Shenzhen Lvsheng Investment Development Co., Ltd., Dongguan LVGEM Real Estate Development Co., Ltd. and Shenzhen Wanghaiyikang Industrial Development Co., Ltd.. Pursuant to the Reorganization, Shenzhen Wanghaiyikang Industrial Development Co., Ltd. disposed certain properties to independent third party and transferred its carpark operation to a remaining subsidiary in the Target Group.

The disposal of the Disposed Subsidiaries is considered as non-adjusting subsequent event of the Target Group and the consolidated statements of financial position of the Target Group as of 31 December 2012, 2013 and 2014 and 30 April 2015 include the financial position of the Disposed Subsidiaries at the respective reporting date. The consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income and the consolidated cash flow statements of the Target Group for each of the years ended 31 December 2012, 2013, 2014 and four months ended 30 April 2014 and 2015 also include operating results and cash flow of the Disposed Subsidiaries for the respective year. The combined statements of profit or loss, the combined statements of profit or loss and other comprehensive income and the combined statements of cash flow for each of the year ended 31 December 2012, 2013, 2014 and four months ended 30 April 2015 and the combined statements of financial position as of 31 December 2012, 2013, 2014 and 30 April 2015 of the Disposed Subsidiaries, excluding Shenzhen Wanghaiyikang Industrial Development Co., Ltd., ("Wanghaiyikang") which operation was retained in the Target Group subsequent to the disposal of Wanghaiyikang by the Target Group, are presented below:

(i) Combined statements of profit or loss

	Years ended 31 December			Four months ended 30 April	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Turnover	15,843	68,382	13,103	4,260	4,073
Cost of sales	(4,515)	(39,352)	(3,941)	(1,071)	(1,176)
Gross profit	11,328	29,030	9,162	3,189	2,897
Other revenue	30	160	979	16	10
Selling expenses	(4,074)	(7,673)	(2,843)	(649)	(444)
Administrative and other operating expenses	(7,993)	(9,568)	(10,395)	(2,650)	(2,240)
(Loss)/profit from operations	(709)	11,949	(3,097)	(94)	223
Finance costs	–	–	(2,185)	(834)	–
(Loss)/profit before taxation	(709)	11,949	(5,282)	(928)	223
Income tax expense	(2,485)	(5,785)	(10,582)	(107)	(28)
(Loss)/profit for the year/period	(3,194)	6,164	(15,864)	(1,035)	195
Attributable to:					
Equity shareholders of Green View	(3,194)	6,164	(15,862)	(1,035)	195
Non-controlling interests	–	–	(2)	–	–
(Loss)/profit for the year/period	(3,194)	6,164	(15,864)	(1,035)	195

(ii) Combined statements of profit or loss and other comprehensive income

	Years ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
(Loss)/profit for the year/period	(3,194)	6,164	(15,864)	(1,035)	195
Other comprehensive income for the year (after tax and reclassification adjustments)					
Items that may be reclassified to profit or loss:					
– Exchange differences on translation of financial statements of non-Mainland China operations	26	(6,393)	702	2,105	(26)
Other comprehensive income for the year/period	26	(6,393)	702	2,105	(26)
Total comprehensive income for the year/period	(3,168)	(229)	(15,162)	1,070	169
Attributable to:					
Equity shareholders of Green View	(3,168)	(229)	(15,160)	1,070	169
Non-controlling interests	–	–	(2)	–	–
Total comprehensive income for the year/period	(3,168)	(229)	(15,162)	1,070	169

(iii) Combined statements of financial position

	At 31 December			At 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	1,502	5,704	6,699	6,629
	1,502	5,704	6,699	6,629
Current assets				
Inventories	640,766	651,122	711,036	806,051
Prepaid tax	75	239	239	239
Trade and other receivables	218,749	221,552	194,051	97,485
Cash and cash equivalents	15,774	24,249	7,734	10,453
	875,364	897,162	913,060	914,228
Current liabilities				
Trade and other payables	62,077	25,114	47,262	142,271
Current tax liabilities	890	368	66	9,710
	62,967	25,482	47,328	151,981
Net current assets	812,397	871,680	865,732	762,247
Total assets less current liabilities	813,899	877,384	872,431	768,876
Non-current liabilities				
Deferred tax liabilities	9,825	10,270	20,479	10,863
	9,825	10,270	20,479	10,863
NET ASSETS	804,074	867,114	851,952	758,013
Capital and reserves				
Combined capital	44,335	97,604	97,604	97,604
Reserves	759,739	759,510	744,350	650,411
Total equity attributable to equity holders of Green View	804,074	857,114	841,954	748,015
Non-controlling interests	–	10,000	9,998	9,998
TOTAL EQUITY	804,074	867,114	851,952	758,013

(iv) Combined statements of cash flows

	Years ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Operating activities					
(Loss)/profit before taxation	(709)	11,949	(5,282)	(928)	223
Adjustments for:					
Depreciation and amortization	583	527	481	162	112
Interest income	(28)	(74)	(979)	(16)	(10)
Finance costs	–	–	2,185	834	–
Changes in working capital:					
Increase in inventories	(17,634)	(10,356)	(59,914)	(34,914)	(4,261)
Decrease in trade and other receivables	99,764	50,466	27,501	21,624	5,786
(Decrease)/increase in trade and other payables	(30,224)	(43,344)	23,837	(4,001)	901
Cash generated from/(used in) operations	51,752	9,168	(12,171)	(17,239)	2,751
PRC Corporate Income Tax ("CIT") paid	(11,056)	(1,485)	(1,456)	(218)	–
PRC LAT paid	(37,894)	(4,541)	(207)	–	–
Net cash generated from/(used in) operating activities	2,802	3,142	(13,834)	(17,457)	2,751
Investing activities					
Payment for purchase of property, plant and equipment	(383)	(4,729)	(1,476)	(1,277)	(42)
Interest received	28	74	979	16	10
Net cash used in investing activities	(355)	(4,655)	(497)	(1,261)	(32)
Financing activities					
Capital injection by non-controlling interests	–	10,000	–	–	–
Proceeds from bank loans	–	–	60,000	60,000	–
Repayments of bank loans and other borrowings	–	–	(60,000)	–	–
Interest and other borrowing costs paid	–	–	(2,185)	(834)	–
Net cash generated from/(used in) financing activities	–	10,000	(2,185)	59,166	–
Net increase/(decrease) in cash and cash equivalents	2,447	8,487	(16,516)	40,448	2,719
Cash and cash equivalents at 1 January	13,327	15,774	24,249	24,249	7,734
Effect of foreign exchange rate changes	–	(12)	1	–	–
Cash and cash equivalents at 31 December/30 April	15,774	24,249	7,734	64,697	10,453

(c) Basis of measurement

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand except for per share data. It is prepared on the historical cost basis except for investment properties (see note 1(g)) and certain financial assets (see note 1(f)) which are stated at their fair value.

(d) Subsidiaries and non-controlling interests

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

An investment in a subsidiary is consolidated into the Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

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

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of Green View. Non-controlling interests in the results of the Target Group are presented on the face of the consolidated statements of profit or loss and the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of Green View. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statements of financial position in accordance with notes 1(n) or 1(o) depending on the nature of the liability.

Changes in the Target Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Target Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate.

In Green View's statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(k)).

(e) Joint ventures

A joint venture is an arrangement whereby the Target Group or Green View and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the Financial Information under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Target Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Target Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(k)). Any acquisition-date excess over cost, the Target Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognized in the consolidated statements of profit or loss, whereas the Target Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the consolidated statements of profit or loss and other comprehensive income.

When the Target Group's share of losses exceeds its interest in the joint venture, the Target Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Target Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Target Group's interest is the carrying amount of the investment under the equity method together with the Target Group's long-term interests that in substance form part of the Target Group's net investment in the joint venture.

Unrealized profits and losses resulting from transactions between the Target Group and its joint venture are eliminated to the extent of the Target Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

In all other cases, when the Target Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

(f) Other investments

The Target Group's and Green View's policies for investments in equity securities, other than investments in subsidiaries and joint ventures, are as follows:

Other investments are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below.

Other investments classified as available-for-sale are remeasured at the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognized in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognized in the statement of financial position at cost less impairment losses (see note 1(k)).

When the investments are derecognized or impaired (see note 1(k)), the cumulative gain or loss recognized in equity is reclassified to profit or loss. Investments are recognized/derecognized on the date the Target Group commits to purchase/sell the investments or they expire.

(g) Investment properties

Investment properties are buildings which are owned or held under a leasehold interest (see note 1(j)) to earn rental income. These include property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognized in profit or loss. Rental income from investment properties is accounted for as described in note 1(t)(ii).

When the Target Group holds a property interest under an operating lease to earn rental income, the interest is classified and accounted for as an investment property on a property-by-property basis. Lease payments are accounted for as described in note 1(j).

(h) Other property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(k)):

– buildings held for own use which are situated on leasehold land classified as held under operating leases (see note 1(j)); and

– other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(v)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

	Years	Estimated residual value as a percentage of costs
Leasehold land and buildings	20	5%
Leasehold improvements	3	–
Motor vehicles	4	5%
Machinery and electronic equipment	3-10	5%
Furniture and fixtures	5	5%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Intangible assets

Intangible assets of the Target Group are computer software which are stated at cost less accumulated amortization and impairment losses (see note 1(k)). Computer software are amortized from the date they are available for use using the straight line method over the estimated useful life of 3 years.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Target Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Target Group

Assets that are held by the Target Group under leases which transfer to the Target Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Target Group are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(g)); and

- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Target Group, or taken over from the previous lessee.

(ii) Operating lease charges

Where the Target Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortized on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(g)) or is held for development for sale (see note 1(l)).

(k) Impairment of assets

(i) Other investments classified as available-for-sale and other receivables

Other investments and other current and non-current receivables that are stated at cost or amortized cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Target Group about one or more of the following loss events:

- significant financial difficulty of the debtor;

- a breach of contract, such as a default or delinquency in interest or principal payments;

- it becoming probable that the debtor will enter bankruptcy or other financial reorganization;

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

- a significant or prolonged decline in the fair value of an investments in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognized as follows:

– For investments in joint venture accounted for under the equity method in the Financial Information (see note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(j)(ii).

– For trade and other current receivables and other financial assets carried at amortized cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

– If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

– For available-for-sale investments, the cumulative loss that has been recognized in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that asset previously recognized in profit or loss.

Impairment losses in respect of available-for-sale investments are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognized. Reversals of impairment losses in such circumstances are recognized in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Target Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognized no longer exists or may have decreased:

– property, plant and equipment;

– pre-paid interests in leasehold land classified as being held under an operating lease;

– intangible assets; and

– investments in subsidiaries in Green View's statements of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(l) Inventories

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– ***Leasehold land for development***

Prepaid land lease payments, representing prepayments for leasehold land for development for future sale in the ordinary course of business, are stated at lower of cost and net realisable value.

Costs of leasehold land for development relate to the acquisition of rights to occupy, use and develop land, and primarily include land premiums incurred in connection with land obtained through open tender/auction or land obtained by co-operative arrangement or corporate acquisition etc.. The costs also include any demolition and resettlement costs and costs of future developed premises owned by the parties relevant to the demolition and resettlement that are required to be paid by the Target Group according to the respective agreements.

– ***Property under development for sale***

The cost of properties under development for sale comprises specifically identified cost, including land use right (see notes 1(j) and 1(l) above), aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalized (see note 1(v)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– ***Completed property held for sale***

In the case of completed properties developed by the Target Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When properties are sold, the carrying amount of those properties is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of properties to net realizable value and all losses of properties are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of properties is recognized as a reduction in the amount of properties recognized as an expense in the period in which the reversal occurs.

(m) Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Trade and other payables

Trade and other payables are initially recognized at fair value. Trade and other payables are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Obligation for contributions to defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognized as an expense in profit or loss as incurred, except to the extent that they are included in properties for sale not yet recognized as an expense.

(ii) Termination benefits

Termination benefits are recognized at the earlier of when the Target Group can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Target Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(g), the amount of deferred tax recognized is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than

through sale. In all other cases, the amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if Green View or the Target Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, Green View or the Target Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

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

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Target Group issues a financial guarantee, the fair value of the guarantee is initially recognized as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Target Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognized in accordance with note 1(s)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Target Group under the guarantee, and (ii) the amount of that claim on the Target Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognized, less accumulated amortization.

(ii) Other provisions and contingent liabilities

Provisions are recognized for other liabilities of uncertain timing or amount when the Target Group or Green View has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Target Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

(i) Sales of properties

Revenue from sales of properties is recognized upon the signing of sale and purchase agreement, the receipt of the deposits and confirmation of arrangement of settlement of remaining sale proceeds or the achievement of status ready for hand-over to customers as stipulated in the sale and purchase agreement, whichever is the later.

Revenue from sales of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statements of financial position as "receipts in advance" under "trade and other payables".

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognized in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

(iii) Hotel operations

Revenue is recognized on a basis that reflects the timing, nature and value when the relevant services are provided.

(iv) Service fee income

Service fee income in relation to property management service, advertising service and other ancillary services are recognized when such services are provided to customers.

(v) Investment income

Investment income is recognized when the entitlement of the income is ascertained by the relevant financial institutions.

(vi) Dividend income

Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established.

(vii) Interest income

Interest income is recognized as it accrues using the effective interest method.

(viii) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Target Group will comply with the conditions attaching to them. Grants that compensate the Target Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Target Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Related parties

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

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

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

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

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

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

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

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Target Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Target Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 ACCOUNTING JUDGEMENT AND ESTIMATES

In the process of applying the Target Group's accounting policies, management has made the following accounting judgements:

(a) Net realizable value of inventories

As explained in note 1(l), the Target Group's land held for future development, properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Target Group's recent experience and the nature of the subject property, the Target Group makes estimates of the selling price, the costs of completion in case for properties under development, and the costs to be incurred in selling the properties.

If there is an increase in costs to completion or a decrease in net sales value, provision for completed properties held for sale, properties held for future development and under development for sale may be resulted. Such provision requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

Given the volatility of the PRC property market and the distinctive nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of each reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

(b) Recognition of deferred tax assets

Deferred tax assets are recognized and measured based on the expected manner of realization or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of each reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Target Group and require a significant level of judgment exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognized and hence the net profit in future years.

(c) Provision for PRC Land Appreciation Tax ("LAT")

As explained in note 6(a), the Target Group has estimated, made and included in 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. Significant judgement is required in determining the level of provision, as the calculation of which depends on the ultimate tax determination. Given the uncertainties of the calculation basis of LAT as interpreted by the local tax bureau, the actual outcomes may be higher or lower than those estimated at the end of each reporting period. Any increase or decrease in the actual outcomes/estimates will impact the income tax provision in the period in which such determination is made.

(d) Recognition and allocation of construction costs on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Target Group based on management's best estimates.

(e) Classification between investment properties and properties held for sale

The Target Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management on determining whether a property is designated as an investment property or a property held for sale. The Target Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after their completion, whereas, the properties are accounted for as investment properties under construction if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale, while the properties held to earn rentals and/or for capital appreciation have been recognized as investment properties from the inception stage.

(f) Impairment of trade receivable

The Target Group estimates impairment losses for trade and other receivables resulting from the inability of the customers to make the required payments. The Target Group bases the estimates on the aging of the trade and other receivable balance, customer creditworthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual provisions would be higher than estimated.

3 SEGMENT REPORTING

Turnover represents the income from property development, property leasing and provision of comprehensive services, net of business tax and other sales related taxes and is after deduction of any trade discounts.

In identifying its operating segments, management generally follows the Target Group's service lines, which represents the main products and services provided by the Target Group. The Target Group has identified the following reportable segments.

– Property development and sales: sales of properties

– Commercial property investment and operations: lease of commercial properties, office premises and car parks

– Comprehensive services: hotel operation, property management service and others

Each of these operating segments is managed separately as each of these products and service lines requires different resources as well as marketing approaches.

Segment assets include non-current assets and current assets with the exception of deferred tax assets and certain assets unallocated to an individual reportable segment.

For the years ended 31 December 2012, 2013 and 2014 and four months ended 30 April 2015, there have been no changes from prior years in the measurement methods used to determine operating segments and reported segment profit or loss.

For the purposes of assessing segment performance and allocating resources between segments, the Target Group's senior executive management monitors the results and assets attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortization of assets attributable to those segments.

The measure used for reporting segment profit is profit before taxation.

Inter-segment sales are charged at prevailing market prices.

The investment properties of the Target Group are included in segment assets at their values, whilst the change in fair value of investment properties is not included in segment reporting.

(a) The revenue and profit generated by the Target Group's operating segments and the Target Group's segment assets are summarized as follows:

	Property development and sales *RMB'000*	Commercial property investment and operations *RMB'000*	Comprehensive services *RMB'000*	Total *RMB'000*
Year ended 31 December 2012				
Revenue				
From external customers	138,828	197,943	148,242	485,013
Inter-segment revenue	–	2,985	–	2,985
Total segment revenue	138,828	200,928	148,242	487,998
Reportable segment profit	34,867	146,040	62,360	243,267
Reportable segment assets at 31 December 2012	5,410,123	8,588,244	295,744	14,294,111

	Property development and sales *RMB'000*	Commercial property investment and operations *RMB'000*	Comprehensive services *RMB'000*	Total *RMB'000*
Year ended 31 December 2013				
Revenue				
From external customers	1,523,880	270,522	176,178	1,970,580
Inter-segment revenue	–	8,962	–	8,962
Total segment revenue	1,523,880	279,484	176,178	1,979,542
Reportable segment profit	522,461	217,494	69,789	809,744
Reportable segment assets at 31 December 2013	5,512,980	9,770,762	272,801	15,556,543

	Property development and sales	Commercial property investment and operations	Comprehensive services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2014				
Revenue				
From external customers	4,300,500	351,600	198,534	4,850,634
Inter-segment revenue	–	9,231	–	9,231
Total segment revenue	4,300,500	360,831	198,534	4,859,865
Reportable segment profit	1,993,466	277,743	85,976	2,357,185
Reportable segment assets at 31 December 2014	4,985,884	11,144,357	248,391	16,378,632

	Property development and sales	Commercial property investment and operations	Comprehensive services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)				
Four months ended 30 April 2014				
Revenue				
From external customers	2,112,686	107,655	56,703	2,277,044
Inter-segment revenue	–	3,077	–	3,077
Total segment revenue	2,112,686	110,732	56,703	2,280,121
Reportable segment profit	969,345	84,622	24,239	1,078,206

	Property development and sales	Commercial property investment and operations	Comprehensive services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Four months ended 30 April 2015				
Revenue				
From external customers	12,207	131,985	63,744	207,936
Inter-segment revenue	–	3,169	–	3,169
Total segment revenue	12,207	135,154	63,744	211,105
Reportable segment profit	4,907	104,562	28,505	137,974
Reportable segment assets at 30 April 2015	5,669,250	11,294,875	240,112	17,204,237

(b) Reconciliations of reportable segment revenue, profit or loss and assets

	Years ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue					
Reportable segment revenue	487,998	1,979,542	4,859,865	2,280,121	211,105
Elimination of inter-segment revenue	(2,985)	(8,962)	(9,231)	(3,077)	(3,169)
Consolidated turnover	485,013	1,970,580	4,850,634	2,277,044	207,936
Profit					
Reportable segment profit	243,267	809,744	2,357,185	1,078,206	137,974
Increase in fair value of investment properties	651,866	591,353	895,341	550,085	89,064
Other revenue and other net loss	1,995	7,874	18,613	11,293	17,409
Depreciation and amortization	(30,369)	(48,749)	(48,444)	(15,599)	(17,584)
Finance costs	(231,443)	(205,516)	(217,324)	(87,379)	(82,605)
Share of loss of joint ventures	(137)	(19)	(40)	–	–
Other expenses	(174,002)	(148,333)	(144,109)	(39,751)	(33,923)
Consolidated profit before taxation	461,177	1,006,354	2,861,222	1,496,855	110,335

	At 31 December			At 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Reportable segment assets	14,294,111	15,556,543	16,378,632	17,204,237
Other investments and other current assets	25,535	447,620	608,477	347,767
Cash and cash equivalents and restricted cash	556,069	1,040,486	1,840,996	2,236,312
Deferred tax assets	195,821	137,441	221,317	239,404
Other assets	1,004,688	1,389,380	1,459,079	1,097,671
Consolidated total assets	16,076,224	18,571,470	20,508,501	21,125,391

Geographic information

No geographical information is presented as the operations, major customers and assets of the Target Group are substantially located in the PRC. The Target Group has a large number of customers and there was no significant revenue derived from specific external customers for the years ended 31 December 2012, 2013 and 2014, and the four months ended 30 April 2014 and 2015.

4 OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	Years ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Other revenue					
Interest income	1,630	5,774	8,491	1,196	4,565
Investment income	517	1,981	9,372	9,372	12,511
Government grants	–	49	750	725	333
Total	2,147	7,804	18,613	11,293	17,409
Other net (loss)/income					
(Loss)/gain on disposal of properties, plant and equipment	(152)	70	–	–	–

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Years ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on bank loans and other borrowings	388,445	375,208	589,658	176,529	211,969
Less: Interest expense capitalized into properties under development	(157,002)	(169,692)	(372,334)	(89,150)	(129,364)
	231,443	205,516	217,324	87,379	82,605

The borrowing costs have been capitalized at rates ranging from 5.96% to 7.98%, 5.4% to 8.5%, 5.4% to 9.5%, 5.4% to 8.5% and 6.4% to 9.5% per annum for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2014 and 2015 respectively.

(b) Staff costs

	Years ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, wages and other benefits	92,390	102,826	117,530	39,213	44,553
Contributions to defined contribution retirement schemes *(note)*	4,727	5,893	7,456	2,265	2,830
	97,117	108,719	124,986	41,478	47,383

Note: Pursuant to the relevant labor rules and regulations in the PRC, the PRC subsidiaries of the Target Group participate in defined contribution retirement benefit schemes (the "Schemes") organized by the PRC municipal and provincial government authorities whereby the PRC subsidiaries are required to make contributions to the schemes based on certain percentages of the eligible employees' salaries. The Target Group has accrued for the required contributions which are remitted to the respective local government authorities when the contributions become due. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

The Target Group has no other material obligation for the payment of pension benefits associated with the Schemes beyond the contributions described above.

(c) Other items

	Years ended 31 December			Four months ended 30 April	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Depreciation and amortization	30,369	48,749	48,444	15,599	17,584
Impairment losses – trade and other receivables *(note 17(b))*	235	231	307	–	1,184
Operating lease charges: minimum lease payments	21,044	27,008	24,754	8,333	11,340
Auditors' remuneration – audit services	809	689	1,739	415	450
Rentals receivable from investment properties*	(197,943)	(270,522)	(351,600)	(107,655)	(131,985)
Less: direct outgoings	54,888	61,990	83,088	26,110	30,592
	(143,055)	(208,532)	(268,512)	(81,545)	(101,393)
Cost of properties sold	103,961	1,001,419	2,307,034	1,143,341	7,300

* Rentals receivable from investment properties include contingent rentals of RMBNil, RMB3,310,000, RMB9,416,000, RMB2,802,000 and RMB3,652,000 for the years ended 31 December 2012, 2013 and 2014, and the four months ended 30 April 2014 and 2015 respectively.

6 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Income tax expense in the consolidated statements of profit or loss represents:

	Years ended 31 December			Four months ended 30 April	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current taxation					
PRC Corporate Income Tax ("CIT")	6,453	2,876	416,303	168,867	9,500
PRC Withholding tax	–	–	–	–	66,266
PRC LAT	4,035	90,176	471,055	225,113	11,369
Deferred taxation					
Origination and reversal of temporary differences *(note 23(b))*	119,260	233,004	244,905	143,986	(53,993)
	129,748	326,056	1,132,263	537,966	33,142

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Years ended 31 December			Four months ended 30 April	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation	461,177	1,006,354	2,861,222	1,496,855	110,335
Less: LAT *(note(iv))*	(4,035)	(90,176)	(471,055)	(225,113)	(1,336)
Profit before CIT	457,142	916,178	2,390,167	1,271,742	108,999
Notional tax on profit before CIT calculated at the standard tax rate applicable in the jurisdiction concerned	114,322	229,049	597,554	319,938	26,923
Non-deductible expenses	7,992	6,834	–	–	2,618
Net effect of tax losses not recognized/unused tax losses utilized	3,310	36	780	(1,383)	360
Tax effect of other temporary differences not recognized	89	(39)	(3,732)	(5,702)	1,905
Withholding tax	–	–	66,606	–	–
CIT	125,713	235,880	661,208	312,853	31,806
LAT	4,035	90,176	471,055	225,113	1,336
Income tax expense	129,748	326,056	1,132,263	537,966	33,142

Notes:

(i) Pursuant to the PRC CIT law, the statutory CIT rate of the PRC entities comprising the Target Group is 25%.

(ii) LAT which is levied on properties developed by the Target Group in the PRC for sale, at progressive rates ranging from 30% to 60% on the appreciation value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing costs and all qualified property development expenditures.

(iii) Pursuant to the PRC CIT Law, overseas investors of foreign investment companies shall be liable for withholding income tax at 10% on the dividend derived from the profits of PRC subsidiaries with effect from 1 January 2008, relevant withholding tax should be accrued when the Target Group will distribute dividend in the foreseeable future. The Target Group recognized deferred tax in respect of withholding income tax for the year ended 31 December 2014 to the extent of estimated amounts of the dividends to be declared in foreseeable future.

(iv) The amount for the four months ended 30 April 2015 represents PRC LAT of RMB11,369,000 included in current taxation, offset by increase in deferred tax assets of RMB10,033,000 arising from unrealised intercompany transaction.

7 DIRECTORS' REMUNERATION

Directors' remuneration during the Relevant Periods is as follows:

Year ended 31 December 2012

	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Contributions to the defined contribution retirement schemes *RMB'000*	Total *RMB'000*
Directors				
Wong Hong King	512	79	18	609
Hu Li Fang	–	–	–	–
	512	79	18	609

Year ended 31 December 2013

	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Contributions to the defined contribution retirement schemes *RMB'000*	Total *RMB'000*
Directors				
Wong Hong King	530	159	24	713
Hu Li Fang	–	–	–	–
	530	159	24	713

Year ended 31 December 2014

	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Contributions to the defined contribution retirement schemes *RMB'000*	Total *RMB'000*
Directors				
Wong Hong King	531	159	26	716
Hu Li Fang	–	–	–	–
	531	159	26	716

Four months ended 30 April 2014 (unaudited)

	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to the defined contribution retirement schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Directors				
Wong Hong King	177	–	8	185
Hu Li Fang	–	–	–	–
	177	–	8	185

Four months ended 30 April 2015

	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to the defined contribution retirement schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Directors				
Wong Hong King	178	–	9	187
Hu Li Fang	–	–	–	–
	178	–	9	187

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, 1, 1, 1, 1 and 1 is director whose emoluments for the years ended 31 December 2012, 2013 and 2014 and four months ended 30 April 2014 and 2015 respectively are disclosed in note 7. The aggregate of the emoluments in respect of the other 4, 4, 4, 4 and 4 individuals for the years ended 31 December 2012, 2013, 2014 and the four months ended 30 April 2014 and 2015 respectively are as follows:

	Years ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other emoluments	2,917	3,104	3,159	928	933
Retirement scheme contributions	53	73	78	34	36
	2,970	3,177	3,237	962	969

The emoluments of the 4, 4, 4, 4 and 4 individuals with the highest emoluments other than director as disclosed in note 7 for the years ended 31 December 2012, 2013, 2014 and the four months ended 30 April 2015 respectively are within the following bands:

	Years ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
				(unaudited)	
Nil – HK$ 1,000,000	3	2	2	4	4
HK$1,000,001 – HK$1,500,000	1	2	2	–	–

9 OTHER COMPREHENSIVE INCOME

(a) Tax effects relating to each component of other comprehensive income

Year ended 31 December 2012

	Before tax amount	Tax expense	Net-of-tax amount
	RMB'000	*RMB'000*	*RMB'000*
Exchange differences on translation of financial statements of non-Mainland China operations	(8)	–	(8)
Available-for-sale securities: net movement in fair value reserve	132	(33)	99
	124	(33)	91

Year ended 31 December 2013

	Before tax amount	Tax expense	Net-of-tax amount
	RMB'000	*RMB'000*	*RMB'000*
Exchange differences on translation of financial statements of non-Mainland China operations	3,227	–	3,227
Available-for-sale securities: net movement in fair value reserve	323	(184)	139
Other comprehensive income	3,550	(184)	3,366

Year ended 31 December 2014

	Before tax amount *RMB'000*	Tax expense *RMB'000*	Net-of-tax amount *RMB'000*
Exchange differences on translation of financial statements of non-Mainland China operations	(135)	–	(135)
Available-for-sale securities: net movement in fair value reserve	(385)	220	(165)
Other comprehensive income	(520)	220	(300)

Four months ended 30 April 2014 (unaudited)

	Before tax amount *RMB'000*	Tax expense *RMB'000*	Net-of-tax amount *RMB'000*
Exchange differences on translation of financial statements of non-Mainland China operations	(404)	–	(404)
Available-for-sale securities: net movement in fair value reserve	(293)	73	(220)
Other comprehensive income	(697)	73	(624)

Four months ended 30 April 2015

	Before tax amount *RMB'000*	Tax expense *RMB'000*	Net-of-tax amount *RMB'000*
Exchange differences on translation of financial statements of non-Mainland China operations	5	–	5

(b) Components of other comprehensive income with reclassification adjustments

	Years ended 31 December			Four months ended 30 April	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Available-for-sale securities:					
Changes in fair value recognized during the year	99	139	(32)	(220)	–
Reclassification adjustments for amounts transferred to profit or loss – gains on disposal	–	–	(133)	–	–
Net movement in the fair value reserve during the period recognized in other comprehensive income	99	139	(165)	(220)	–

10 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share for the Relevant Periods is based on the profit attributable to ordinary equity shareholders of Green View for each of the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2014 and 2015, and the number of 10,000, 10,000, 10,000, 10,000 and 10,000 shares of Green View during the Relevant Periods.

Green View did not have any potential diluted shares throughout the Relevant Periods. Accordingly, diluted earnings per share is the same as basic earnings per share.

11 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *RMB'000*	Leasehold improvements *RMB'000*	Motor vehicles *RMB'000*	Machinery and electronic equipment and others *RMB'000*	Furniture and fixtures *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost:							
At 1 January 2012	315,276	623	2,986	22,684	9,280	6,511	357,360
Additions	78,029	4,116	3,569	2,608	1,028	47,210	136,560
Transfer	39,363	12,086	–	1,004	–	(52,453)	–
Disposals	–	–	–	(331)	–	–	(331)
At 31 December 2012	432,668	16,825	6,555	25,965	10,308	1,268	493,589
At 1 January 2013	432,668	16,825	6,555	25,965	10,308	1,268	493,589
Additions	6,072	23,590	1,423	4,066	3,369	1,418	39,938
Transfer	1,418	240	–	1,028	–	(2,686)	–
Disposals	–	–	(394)	–	(3)	–	(397)
At 31 December 2013	440,158	40,655	7,584	31,059	13,674	–	533,130
At 1 January 2014	440,158	40,655	7,584	31,059	13,674	–	533,130
Additions	1,424	11,546	3,846	1,514	854	1,131	20,315
Transfer	1,131	–	–	–	–	(1,131)	–
At 31 December 2014	442,713	52,201	11,430	32,573	14,528	–	553,445
At 1 January 2015	442,713	52,201	11,430	32,573	14,528	–	553,445
Additions	–	236	–	178	37	–	451
Disposals	–	–	–	(2)	–	–	(2)
At 30 April 2015	442,713	52,437	11,430	32,749	14,565	–	553,894
Accumulated depreciation:							
At 1 January 2012	25,301	80	994	7,738	1,771	–	35,884
Charge for the year	23,159	322	634	4,046	1,954	–	30,115
Written back on disposals	–	–	–	(73)	–	–	(73)
At 31 December 2012	48,460	402	1,628	11,711	3,725	–	65,926
At 1 January 2013	48,460	402	1,628	11,711	3,725	–	65,926
Charge for the year	29,879	9,924	1,362	4,226	2,858	–	48,249
Written back on disposals	–	–	(375)	–	(2)	–	(377)
At 31 December 2013	78,339	10,326	2,615	15,937	6,581	–	113,798
At 1 January 2014	78,339	10,326	2,615	15,937	6,581	–	113,798
Charge for the year	29,974	8,646	1,675	5,127	2,342	–	47,764
At 31 December 2014	108,313	18,972	4,290	21,064	8,923	–	161,562
At 1 January 2015	108,313	18,972	4,290	21,064	8,923	–	161,562
Charge for the period	10,293	3,768	828	1,641	761	–	17,291
Written back on disposals	–	–	–	(2)	–	–	(2)
At 30 April 2015	118,606	22,740	5,118	22,703	9,684	–	178,851

	Leasehold land and buildings *RMB'000*	Leasehold improvements *RMB'000*	Motor vehicles *RMB'000*	Machinery and electronic equipment and others *RMB'000*	Furniture and fixtures *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Net book value:							
At 31 December 2012	384,208	16,423	4,927	14,254	6,583	1,268	427,663
At 31 December 2013	361,819	30,329	4,969	15,122	7,093	–	419,332
At 31 December 2014	334,400	33,229	7,140	11,509	5,605	–	391,883
At 30 April 2015	324,107	29,697	6,312	10,046	4,881	–	375,043

The analysis of net book value of properties is set out as follows:

	At 31 December			At 30 April
	2012 *RMB'000*	2013 *RMB'000*	2014 *RMB'000*	2015 *RMB'000*
Outside Hong Kong				
– 10-50 years	13,124	52,466	51,272	48,679
– over 50 years	371,084	309,353	283,128	275,428
	384,208	361,819	334,400	324,107
Representing				
– leasehold land and buildings	384,208	361,819	334,400	324,107

Certain bank loans of the Target Group were secured by certain property, plant and equipment with a carrying amount of RMB333,138,000, RMB312,711,000, RMB285,541,000 and RMB276,321,000 as of 31 December 2012, 2013 and 2014 and 30 April 2015 respectively (note 22).

12 INTANGIBLE ASSETS

	Computer software *RMB'000*
Cost	
At 1 January 2012	568
Additions	1,296
At 31 December 2012	1,864
At 1 January 2013	1,864
Additions	2,114
At 31 December 2013	3,978
At 1 January 2014	3,978
Additions	1,395
At 31 December 2014	5,373
At 1 January 2015	5,373
Additions	363
At 30 April 2015	5,736
Accumulated amortization:	
At 1 January 2012	183
Charge for the year	254
At 31 December 2012	437
At 1 January 2013	437
Charge for the year	500
At 31 December 2013	937
At 1 January 2014	937
Charge for the year	680
At 31 December 2014	1,617
At 1 January 2015	1,617
Charge for the period	293
At 30 April 2015	1,910
Net book value:	
At 31 December 2012	1,427
At 31 December 2013	3,041
At 31 December 2014	3,756
At 30 April 2015	3,826

13 INVESTMENT PROPERTIES

(a) Movement of investment properties during the Relevant Periods is set out below:

	Completed investment properties	Investment properties under development	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2012	6,050,644	1,529,569	7,580,213
Additions	–	356,167	356,167
Fair value adjustments	296,283	355,583	651,866
At 31 December 2012	6,346,927	2,241,319	8,588,246
Representing:			
Valuation	6,346,927	2,241,319	8,588,246
At 1 January 2013	6,346,927	2,241,319	8,588,246
Additions	–	591,165	591,165
Transfer	1,549,531	(1,549,531)	–
Fair value adjustments	447,346	144,007	591,353
At 31 December 2013	8,343,804	1,426,960	9,770,764
Representing:			
Valuation	8,343,804	1,426,960	9,770,764
At 1 January 2014	8,343,804	1,426,960	9,770,764
Additions	–	476,920	476,920
Fair value adjustments	580,472	314,869	895,341
At 31 December 2014	8,924,276	2,218,749	11,143,025
Representing:			
Valuation	8,924,276	2,218,749	11,143,025
At 1 January 2015	8,924,276	2,218,749	11,143,025
Additions	–	62,786	62,786
Fair value adjustments	39,727	49,337	89,064
At 30 April 2015	8,964,003	2,330,872	11,294,875
Representing:			
Valuation	8,964,003	2,330,872	11,294,875

(b) The analysis of net book value of investment properties is set out as follows:

	At 31 December			At 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Outside Hong Kong				
– over 50 years	3,922,219	5,026,838	5,969,331	6,108,568
– 10 to 50 years	4,666,027	4,743,926	5,173,694	5,186,307
	8,588,246	9,770,764	11,143,025	11,294,875

Investment properties comprise a number of commercial properties and office premises that are leased to third parties. Each of the leases contains an initial non-cancellable period of 1 year to 20 years.

(c) Fair value hierarchy

The fair value of the investment properties measured at the end of the reporting period is categorized into Level 3 valuations: Fair value measured using significant unobservable inputs, as defined in IFRS 13, Fair value measurement. During the years ended 31 December 2012, 2013, 2014 and the four months ended 30 April 2015, there were no transfers between Level 1 and Level 2, or transfers into or and of Level 3. The Target Group's policy is to recognize transfer between levels of fair value hierarchy as of the end of the reporting period in which they occur.

All of the Target Group's investment properties were revalued as of 31 December 2012, 2013, 2014 and 30 April 2015 by an independent firm of surveyors, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The Target Group's management have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each reporting date.

The main Level 3 unobservable inputs used by the Target Group are as follows:

			At 31 December			At 30 April
	Valuation techniques	Unobservable inputs	2012	2013	2014	2015
Completed investment properties	Income approach	Capitalization rate	3%-5%	3%-5.5%	3%-5.5%	3%-5.5%
		Expected occupancy rate	92%-100%	93%-100%	95%-100%	95%-100%
Investment properties under development	Comparison approach	Expected profit margin	10%	10%	10%	10%

Investment properties comprise a number of commercial and residential properties that are located in the PRC.

The fair value of completed investment properties is determined by using income approach with reference to net rental income of a property derived from its existing leases and/or achievable in the existing market and capitalization rates using market data.

The fair value of investment properties under development is determined by using comparison approach, with reference to comparable sales evidence as available in the relevant market to derive the fair value of the property assuming it was completed and, where appropriate, after deducting the following items:

– Estimated construction cost and professional fees to be expended to complete the properties that would be incurred by a market participant; and

– Estimated profit margin that a market participant would require to hold and develop the property to completion.

The higher the estimated development cost or profit margin, the lower the fair value of investment properties under development.

(d) Properties leased out under operating lease

The Target Group leases out investment properties under operating leases. The leases typically run for an initial period of 1 to 20 years. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment properties.

The Target Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	At 31 December			At 30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	178,188	217,379	259,910	358,003
After 1 year but within 5 years	330,565	387,704	455,291	696,363
After 5 years	46,599	195,075	94,628	283,564
	555,352	800,158	809,829	1,337,930

(e) Certain bank loans of the Target Group were secured by certain investment properties with a carrying amount of RMB6,065,865,000, RMB7,598,629,000, RMB7,784,734,000 and RMB7,445,145,000 at 31 December 2012, 2013 and 2014 and 30 April 2015 respectively (note 22).

14 INTERESTS IN JOINT VENTURES

	At 31 December			At 30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	6,259	6,240	6,200	6,200
Amount due from a joint venture	459,091	498,957	515,557	518,904
	465,350	505,197	521,757	525,104

Amount due from a joint venture is unsecured, interest-free, has no fixed terms of repayment and is not expected to be recoverable within 12 months.

Details of the Target Group's interests in joint ventures, which is accounted for using the equity method in the Financial Information, are as follows:

Name of the joint ventures	Form of business structure	Place of establishment and operation	Particulars of up capital *RMB'000*	Effective interest held by the Target Group at 31 December 2012	at 31 December 2013	at 31 December 2014	at 30 April 2015	Principal activity
Shenzhen Anyuan Industrial Development Co., Ltd. (深圳市安元實業發展有限公司)	Incorporated	The PRC	23,800	40%	40%	40%	40%	Property development
Yiyang Zhonghe Property Management Co., Ltd. (益陽中核物業有限公司)	Incorporated	The PRC	500	40%	40%	40%	40%	Property management

Note 1: Shenzhen Anyuan Industrial Development Co., Ltd. ("Shenzhen Anyuan") was held on trust by Mr. Wong Hong King for the Target Group and was established by the Target Group with an individual, the other investor to this joint venture, to carry out redevelopment project in Shenzhen.

Note 2: Yiyang Zhonghe Property Management Co., Ltd. was jointly established by the Target Group with Hunan Zhonghe Wufang Co., Ltd. in Mainland China, the other investor to this joint venture, to carry out property management in the Target Group's residential property project.

Yiyang Zhonghe Property Management Co., Ltd. is not considered material to the Target Group's operating results during the Relevant Periods.

Summarized financial information of Shenzhen Anyuan adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the Financial information, are disclosed below:

	31 December 2012	31 December 2013	31 December 2014	30 April 2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross amount of the joint venture				
Current assets	487,349	527,194	543,498	548,998
Non-current assets	92	46	34	34
Current liabilities	(471,793)	(511,641)	(528,032)	(533,532)
Non-current liabilities	–	–	–	–
Equity	15,648	15,599	15,500	15,500
Included in the above assets and liabilities:				
Cash and cash equivalents	91,697	90,283	90,225	90,225
Current financial liabilities (excluding trade and other payables)	–	61	40	40
Revenue	–	–	–	–
Loss and total comprehensive income for the year	342	48	100	–
Included in the above loss:				
Depreciation and amortization	114	46	16	–
Reconciled to the Target Group's interest in the joint venture:				
Gross amounts of net assets of the joint venture	15,648	15,599	15,500	15,500
The Target Group's effective interest	40%	40%	40%	40%
The Target Group's share of net assets of the joint venture	6,259	6,240	6,200	6,200
Carrying amount in the Financial Information	6,259	6,240	6,200	6,200

15 OTHER INVESTMENTS

	At 31 December			At 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale financial assets:				
– Unlisted	4,500	296,400	347,767	347,767
– Listed in the PRC	1,035	1,220	–	–
	5,535	297,620	347,767	347,767

At 31 December 2012, 2013 and 2014 and 30 April 2015, the Target Group's available-for-sale financial assets were not considered to be impaired.

The Target Group's exposure to credit risk and fair value information related to other investments are disclosed in note 25.

16 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

	At 31 December			At 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties held for future development for sale	901,475	576,310	644,660	670,266
Properties under development for sale	2,949,868	1,959,094	3,828,663	4,468,188
Completed properties held for sale	1,415,382	2,774,857	459,143	459,027
Others	1,393	1,578	1,992	1,659
Total	5,268,118	5,311,839	4,934,458	5,599,140

At 31 December 2012, 2013 and 2014 and 30 April 2015 certain properties under development for sale and completed properties held for sale were pledged for certain bank loans and other borrowings granted to the Target Group (note 22).

(b) The analysis of carrying value of land held for property development for sale is as follows:

	At 31 December			At 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Outside Hong Kong				
– over 50 years	857,807	1,187,372	785,615	794,605
– 10 to 50 years	92,123	123,824	173,892	173,892
	949,930	1,311,196	959,507	968,497

(c) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	At 31 December			At 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	103,961	1,001,419	2,307,034	7,300

The amount of inventories expected to be recovered after more than one year is RMB3,393,301,000, RMB2,536,982,000, RMB4,475,315,000 and RMB4,580,601,000, at 31 December 2012, 2013 and 2014 and 30 April 2015 respectively, all of which were within normal operating cycle and classified as current assets as of 31 December 2012, 2013 and 2014 and 30 April 2015.

17 TRADE AND OTHER RECEIVABLES

	At 31 December			At 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade debtors	42,764	40,627	39,485	42,691
Less: Allowance for doubtful debts *(note 17(b))*	235	466	773	1,957
	42,529	40,161	38,712	40,734
Deposits, prepayments and other receivables	347,284	410,742	558,080	398,945
Amounts due from related parties	57,078	321,268	228,415	29,501
Total	446,891	772,171	825,207	469,180

Amounts due from related parties are unsecured, interest-free and repayable on demand.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	At 31 December			At 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	3,821	1,630	3,057	2,843
1 to 12 months	20,423	5,567	5,630	4,042
12 to 24 months	10,236	19,955	1,533	4,487
Over 24 months	8,049	13,009	28,492	29,362
Total	42,529	40,161	38,712	40,734

Details on the Target Group's credit policy are set out in note 25(a).

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Target Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(k)(ii)).

The movement in the allowance for doubtful debts during the Relevant Periods, including both specific and collective loss components, is as follows:

	At 31 December			At 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	79	235	466	773
Impairment loss recognized	235	231	307	1,184
Uncollectible amounts written off	(79)	–	–	–
At 31 December	235	466	773	1,957

(c) Trade debtors that are not impaired

There are no trade debtors that are neither past due nor impaired.

18 RESTRICTED CASH

At 31 December 2012, 2013 and 2014 and 30 April 2015, the restricted cash mainly includes pledged deposits for letters of credit issued by a related party (see note 28(e)), and performance deposits from contractors for construction contracts and bank loans of the Target Group.

19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	At 31 December			At 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank balances and cash	512,984	652,588	1,099,118	713,547

20 OTHER CURRENT ASSETS

	At 31 December			At 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted available-for-sale investments	20,000	150,000	260,710	–

At 31 December 2012, 2013 and 2014, unlisted available-for-sale investments mainly represented investments in wealth management products issued by financial institutions, which are either redeemable on demand or with maturities within 12 months. The fair value of these wealth management products approximated their carrying amount as of 31 December 2012, 2013 and 2014 respectively.

At 31 December 2012, 2013 and 2014, the Target Group's available-for-sale unlisted equity instruments were not considered to be impaired.

The Target Group's exposure to credit and fair value information related to these investments are disclosed in note 25.

21 TRADE AND OTHER PAYABLES

	At 31 December			At 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables (i)	1,431,761	1,068,488	1,474,703	1,420,304
Receipts in advance (ii)	3,530,645	4,176,802	679,195	1,285,491
Interest payables	–	20,390	4,119	10,705
Other payables and accruals (iii)	435,337	455,738	382,432	217,754
Amounts due to the Controlling Shareholder (iv)	94,676	88,671	100,411	189,322
Amounts due to related parties (iv)	8,901	2,916	5,752	31,840
Total	5,501,320	5,813,005	2,646,612	3,155,416

(i) Included in trade payable are trade creditors with the following ageing analysis as of the end of each reporting period, based on the invoice date:

	At 31 December			At 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	1,222,297	797,223	1,088,048	983,860
1 to 12 months	158,537	155,037	336,282	392,749
12 to 24 months	46,394	95,528	24,022	21,878
Over 24 months	4,533	20,700	26,351	21,817
Total	1,431,761	1,068,488	1,474,703	1,420,304

Trade payables mainly represent amounts due to contractors. Payment to contractors is made by reference of progress of the respective construction work and agreed milestones.

(ii) Receipts in advance primarily consisted of sales proceeds received from purchasers.

(iii) Included in other payables and accruals at 31 December 2012, 2013 and 2014 and 30 April 2015 are deposits and retention money payable of RMB80,136,000, RMB98,362,000, RMB111,814,000 and RMB106,653,000 respectively, which are expected to be settled after more than one year.

(iv) Amounts due to the Controlling Shareholder and amounts due to related parties are unsecured, interest-free and repayable on demand.

22 BANK LOANS AND OTHER BORROWINGS

As of the end of each reporting period, bank loans and other borrowings were secured as follows:

	At 31 December			At 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Secured bank loans	1,795,793	625,069	1,170,494	1,082,576
Secured other borrowings	75,000	–	570,000	520,000
Guaranteed bank loans	4,000	404,000	22,000	20,000
	1,874,793	1,029,069	1,762,494	1,622,576
Non-current				
Secured bank loans	2,255,985	3,941,705	5,143,538	5,396,720
Secured other borrowings	–	500,000	1,110,000	1,120,000
Guaranteed bank loans	26,000	22,000	–	–
	2,281,985	4,463,705	6,253,538	6,516,720
Total	4,156,778	5,492,774	8,016,032	8,139,296

At the end of each reporting period, bank loans and other borrowings were repayable as follows:

	At 31 December			At 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or demand	1,874,793	1,029,069	1,762,494	1,622,576
After 1 year but within 2 years	449,080	1,793,613	2,649,807	2,661,126
After 2 year but within 5 years	1,198,396	1,479,140	2,336,610	2,692,257
After 5 years	634,509	1,190,952	1,267,121	1,163,337
	2,281,985	4,463,705	6,253,538	6,516,720
Total	4,156,778	5,492,774	8,016,032	8,139,296

The bank loans and other borrowings are secured by the following assets:

	At 31 December			At 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development for sale	466,674	128,319	783,153	806,388
Completed properties held for sale	153,783	508,151	376,068	301,914
Investment properties	6,065,865	7,598,629	7,784,734	7,445,145
Property, plant and equipment	333,138	312,711	285,541	276,321
Pledge deposits	–	350,000	400,000	410,000
Total	7,019,460	8,897,810	9,629,496	9,239,768

In addition, at 31 December 2012, 2013 and 2014 and 30 April 2015, secured bank loans of the Target Group with carrying amount of RMB4,051,778,000, RMB4,566,776,000, RMB6,314,032,000 and RMB6,479,296,000 were secured by paid-in capital of certain subsidiaries.

At 31 December 2012, 2013 and 2014 and 30 April 2015, certain related parties have provided unlimited joint guarantees to the Target Group in respect of certain bank loans and other borrowings with total amount of RMB3,861,181,000, RMB4,724,194,000, RMB6,862,032,000 and RMB7,492,296,000 respectively (see note (28(d)), of which RMB80,000,000, RMB60,000,000, RMB180,000,000 and RMB170,000,000 were also jointly guaranteed by an independent third party at 31 December 2012, 2013 and 2014 and 30 April 2015 respectively. In addition, at 31 December 2012, 2013 and 2014 and 30 April 2015, a secured bank loan with an amount of RMBNil, RMB500,000,000, RMB500,000,000 and RMB500,000,000 respectively was jointly secured by certain properties owned by Ms. He Yaxing, the spouse of the Controlling Shareholder.

At 31 December 2012, 2013 and 2014 and 30 April 2015, certain banking facilities of the Target Group are subject to fulfillment of covenants relating to certain of the Target Group's subsidiaries' financial ratios and the settlement schedule. These requirements are common amongst lending arrangements with financial institutions. If the Target Group was to breach such covenants, the drawn down facilities would become repayable on demand. None of such covenants were breached at 31 December 2012, 2013 and 2014 and 30 April 2015.

The bank loans bear interest ranging from 5.5% to 21%, 5.4% to 8.6%, 6.2% to 9.5% and 6.0% to 9.5% per annum at 31 December 2012, 2013 and 2014 and 30 April 2015 respectively.

23 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	At 31 December			At 30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepaid PRC CIT	11,460	41,816	632	1,072
Prepaid PRC LAT	89,644	121,763	16,993	33,668
Prepaid tax recognized in the consolidated statements of financial position	101,104	163,579	17,625	34,740

	At 31 December			At 30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
PRC CIT	3,398	2,292	186,684	194,524
PRC LAT	150,386	130,723	469,112	440,752
PRC Withholding tax	–	–	–	66,266
Current taxation liabilities recognized in the consolidated statements of financial position	153,784	133,015	655,796	701,542

(b) Deferred tax assets and liabilities recognized

(i) The components of deferred tax assets/(liabilities) recognized in the consolidated statements of financial position and the movements during the Relevant Periods are presented as follows:

	Tax losses	PRC dividend withholding tax	Valuation on investment properties	Depreciation allowances in relation to investment properties	Other temporary difference	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax arising from:						
At 1 January 2012	83,929	–	(1,495,917)	(17,509)	37,762	(1,391,735)
Credited/(charged) to the profit or loss	84,661	–	(162,966)	(18,793)	(22,162)	(119,260)
Charged to other comprehensive income	–	–	–	–	(9)	(9)
At 31 December 2012	168,590	–	(1,658,883)	(36,302)	15,591	(1,511,004)
At 1 January 2013	168,590	–	(1,658,883)	(36,302)	15,591	(1,511,004)
(Charged)/credited to the profit or loss	(71,275)	–	(147,838)	(21,223)	7,332	(233,004)
Charged to other comprehensive income	–	–	–	–	(46)	(46)
At 31 December 2013	97,315	–	(1,806,721)	(57,525)	22,877	(1,744,054)
At 1 January 2014	97,315	–	(1,806,721)	(57,525)	22,877	(1,744,054)
Credited/(charged) to the profit or loss	2,014	(66,606)	(223,835)	(25,561)	69,083	(244,905)
Charged to other comprehensive income	–	–	–	–	55	55
At 31 December 2014	99,329	(66,606)	(2,030,556)	(83,086)	92,015	(1,988,904)
At 1 January 2015	99,329	(66,606)	(2,030,556)	(83,086)	92,015	(1,988,904)
Credited/(charged) to the profit or loss	17,071	66,606	(22,266)	(8,434)	1,016	53,993
At 30 April 2015	116,400	–	(2,052,822)	(91,520)	93,031	(1,934,911)

(ii) Reconciliation to the consolidated statements of financial position:

	At 31 December			At 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognized in the consolidated statements of financial position	195,821	137,441	221,317	239,404
Net deferred tax liabilities recognized in the consolidated statements of financial position	(1,706,825)	(1,881,495)	(2,210,221)	(2,174,315)
	(1,511,004)	(1,744,054)	(1,988,904)	(1,934,911)

(c) Deferred tax assets not recognized

In accordance with the accounting policy set out in note 1(r), the Target Group has not recognized deferred tax assets in respect of cumulative tax loss of certain subsidiaries of RMB35,882,000, RMB29,335,000, RMB30,442,000 and RMB30,974,000 as of 31 December 2012, 2013 and 2014 and 30 April 2015 respectively, as it is not probable that future taxable income against which the loss can be utilized will be available.

The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from the operations in the Mainland China expire five years after the relevant accounting year end.

(d) Deferred tax liabilities not recognized

The PRC CIT Law and its implementation rules impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividends distributed by PRC-resident enterprises to their non-PRC-resident corporate investors for profits earned since 1 January 2008. Under the Sino-Hong Kong Double Tax Arrangement, a qualified Hong Kong tax resident is entitled to a reduced withholding tax rate of 5% if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interest of the PRC enterprise directly.

Since the Target Group controls the quantum and timing of distribution of profits of the Target Group's subsidiaries in the PRC, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

At 31 December 2012, 2013 and 2014 and 30 April 2015, temporary differences relating to the undistributed profits of the Target Group's PRC subsidiaries amounted to RMB422,040,000, RMB413,584,000, RMB663,794,000 and RMB366,045,000 respectively in respect of which deferred tax liabilities were not recognized. At 31 December 2014, deferred tax liabilities of RMB66,606,000 (note 23(b)) were recognized, representing estimated amounts of the dividend to be declared in foreseeable future. No deferred tax liability was recognized in respect of the taxable temporary differences as of 31 December 2012 and 2013 and 30 April 2015 as the Target Group controlled the dividend policy of these subsidiaries and had no plan to dispose of these subsidiaries in the then foreseeable future.

24 CAPITAL AND RESERVES

(a) Share capital

	At 31 December			At 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Authorized: *(note 1)*				
10,000 ordinary shares of HK$1 each *(note 2)*	11	11	–	–
Ordinary shares, issued and fully paid:				
At 1 January and 31 December/30 April	11	11	11	11

Note 1: Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorized share capital no longer exists.

Note 2: In accordance with section 135 of the new Hong Kong Companies Ordinance (Cap. 622), Green View's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

(b) Nature and purpose of reserves

(i) Other reserve

Other reserve represented the capital contribution made by the Controlling Shareholder.

(ii) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for sale securities held at the end of the reporting period and is dealt with in accordance with the accounting policies in note 1(g).

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 1(u).

(iv) PRC statutory reserve

Each PRC subsidiary of the Target Group is required to appropriate 10% of its after-tax-profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of profits to parent company.

The statutory reserve can be utilized, upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(c) Distributability of reserves

At 31 December 2012, 2013, 2014 and 30 April 2015, the aggregate amount of reserves available for distribution to equity owners of Green View, as calculated under the provision of Part 6 of the new Hong Kong Companies Ordinance (Cap 622), were RMBNil, RMBNil, RMBNil and RMB504,381,000 respectively.

(d) Dividends

Dividends payable to equity shareholders of Green View

	Year ended 31 December			
	2012	**2013**	**2014**	**Four months ended 30 April 2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Dividend declared during the year/period	–	–	–	89,062
	RMB	*RMB*	*RMB*	*RMB*
Dividend per share	–	–	–	8,906

On 31 August 2015, the Green View declared dividend of RMB504,381,000 to its equity shareholder. The dividend declared after the end of the reporting period has not been recognized as a liability as of 30 April 2015.

(e) Capital management

The Target Group's primary objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern in order to fund its property development projects, provide returns for holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Target Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher holders returns that might be possible with higher levels of borrowings and the advantages and securities afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The adjusted net debt-to-capital ratio at 31 December 2012, 2013 and 2014 was as follows:

	At 31 December			At 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities:				
Bank loans and other borrowings	1,874,793	1,029,069	1,762,494	1,622,576
Non-current liabilities				
Bank loans and other borrowings	2,281,985	4,463,705	6,253,538	6,516,720
Total debt	4,156,778	5,492,774	8,016,032	8,139,296
Less: Cash and cash equivalents and restricted cash	556,069	1,040,486	1,840,996	2,236,312
Adjusted net debt	3,600,709	4,452,288	6,175,036	5,902,984
Total equity	4,557,517	5,251,181	6,979,840	6,954,822
Adjusted net debt-to-capital ratio	79%	85%	88%	85%

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Target Group's business. These risks are limited by the Target Group's financial management policies and practices described below:

(a) Credit risk

The Target Group's credit risk is primarily attributable to cash and cash equivalents, pledged and restricted deposits, trade and other receivables and other financial assets.

Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash and cash equivalents, pledged and restricted deposits and other financial assets held by the Target Group are mainly deposited or placed in financial institutions such as commercial banks which maintain sound reputation. The credit risk is considered low. The Target Group sets deposit limits against the financial institutions' credit risks.

In respect of trade receivables, credit risk is minimized as the Target Group normally receives full payment from buyers before the transfer of property ownership. For outstanding receivables from property sales and property leasing, the Target Group continuously monitors defaults of leasing, customers and other counterparties, identifies individually and incorporates this information into its credit risk controls.

In respect of amount due from a joint venture, the Target Group facilitates their capital demand by assessing and closely monitoring their financial conditions and profitability.

In respect of other receivables due from third parties, the Target Group reviews the exposures and manages them based on the need of operation.

The Target Group has no concentrations of credit risk in view of its large number of customers. The Target Group did not record significant bad debts losses during the Relevant Periods.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position. Except for the financial guarantees given by the Target Group as set out in note 27, the Target Group does not provide any other guarantees which would expose the Target Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of each reporting period is disclosed in note 27.

Further quantitative disclosures in respect of the Target Group's exposure to credit risk arising from trade and other receivables are set out in note 17.

(b) Liquidity risk

The management reviews the liquidity position of the Target Group on an ongoing basis, including review of the expected cash inflows and outflows, sale/pre-sale results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor the Target Group's liquidity requirements in the short and longer terms. The Target Group's policy is to regularly monitor liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Target Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Target Group can be required to pay:

	Carrying amount	Total contractual undiscounted cash flows	Less than 1 year or on demand	After 1 year but less than 2 years	After 2 years but less than 5 years	After 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2012						
Trade and other payables	5,501,320	5,501,320	5,421,184	80,136	–	–
Bank loans and other borrowings	4,156,778	4,818,663	2,186,558	617,672	1,333,145	681,288
Total	9,658,098	10,319,983	7,607,742	697,808	1,333,145	681,288

	Carrying amount	Total contractual undiscounted cash flows	Less than 1 year or on demand	After 1 year but less than 2 years	After 2 years but less than 5 years	After 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2013						
Trade and other payables	5,813,005	5,813,005	5,714,643	98,362	–	–
Bank loans and other borrowings	5,492,774	6,510,063	1,434,204	2,122,808	1,673,675	1,279,376
Total	11,305,779	12,323,068	7,148,847	2,221,170	1,673,675	1,279,376

	Carrying amount	Total contractual undiscounted cash flows	Less than 1 year or on demand	After 1 year but less than 2 years	After 2 years but less than 5 years	After 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2014						
Trade and other payables	2,646,612	2,646,612	2,534,798	111,814	–	–
Bank loans and other borrowings	8,016,032	9,534,963	2,398,737	3,152,064	2,618,034	1,366,128
Total	10,662,644	12,181,575	4,933,535	3,263,878	2,618,034	1,366,128

	Carrying amount	Total contractual undiscounted cash flows	Less than 1 year or on demand	After 1 year but less than 2 years	After 2 years but less than 5 years	After 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 April 2015						
Trade and other payables	3,155,416	3,155,416	3,048,763	106,653	–	–
Bank loans and other borrowings	8,139,296	9,603,761	2,233,918	3,164,948	2,955,875	1,249,020
Total	11,294,712	12,759,177	5,282,681	3,271,601	2,955,875	1,249,020

(c) Interest rate risk

The Target Group's interest rate risk arises primarily from cash and cash equivalents, restricted cash, bank loans and other borrowings issued at variable rates. The interest rate and terms of repayment of the Target Group's interest bearing borrowings are set out in note 22.

(i) Interest rate profile

The following table details the interest rate profile of the Target Group's net borrowings (as defined above) at the end of the reporting period.

	At 31 December							
	2012		2013		2014		At 30 April 2015	
	Effective interest rate		*Effective interest rate*		*Effective interest rate*		*Effective interest rate*	
	%	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*
Net fixed rate borrowings:								
Bank loans and other borrowings								
– current	21.0	75,000	5.4	400,000	6.9-8.5	570,500	6.0-8.5	580,500
– non-current	–	–	8.5	500,000	8.5-9.5	1,172,000	8.0-9.5	1,186,000
		75,000		900,000		1,742,500		1,766,500
Variable rate borrowings:								
Bank loans and other borrowings								
– current	5.5-9.2	1,799,793	6.2-8.6	629,069	6.2-8.5	1,191,994	6.0-8.5	1,042,076
– non-current	6.0-9.2	2,281,985	6.2-8.6	3,963,705	6.3-9.3	5,081,538	6.0-9.3	5,330,720
		4,081,778		4,592,774		6,273,532		6,372,796
Total net borrowings		4,156,778		5,492,774		8,016,032		8,139,296
Net fixed rate borrowings as a percentage of total net borrowings		1.80%		16.39%		21.74%		21.70%

(ii) Sensitivity analysis

At 31 December 2012, 2013 and 2014 and 30 April 2015, it is estimated that a general increase of 50 basis points in interest rates, with all other variables held constant, would decrease the Target Group's profit after tax and total equity attributable to equity holders of the Target Group by approximately RMB9,120,000, RMB9,434,000, RMB8,721,000 and RMB9,313,000 respectively, without taken into account effect of interest capitalization.

Other components of consolidated equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Target Group's profit after tax and retained profits and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to re-measure those financial instruments held by the Target Group which expose the Target Group to interest rate risk at the end of each reporting period. The analysis is performed on the same basis for the years ended 31 December 2012, 2013 and 2014 and 30 April 2015.

(d) Currency risk

The Target Group is exposed to foreign currency risk primarily on cash and cash equivalents which are denominated in Hong Kong dollars.

Cash and cash equivalents denominated in foreign currencies are as follows:

	At 31 December			At 30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hong Kong Dollars	506	5,364	19,938	19,935

Trade and other receivables denominated in foreign currencies are as follows:

	At 31 December			At 30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hong Kong Dollars	24,796	44,223	40,577	40,572

Trade and other payables denominated in foreign currencies are as follows:

	At 31 December			At 30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hong Kong Dollars	90,469	88,770	99,858	100,846

Since the variance of exchange rate is insignificant to currency risk at the end of each reporting period, therefore no sensitivity analysis has been estimated in the report. The analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and that all other variables remain constant.

(e) Fair value

Available-for-sale financial assets of the Target Group amounted to RMB1,035,000, RMB1,220,000, RMBNil and RMBNil at 31 December 2012, 2013 and 2014 and 30 April 2015 respectively are stated at their fair value.

The fair value of listed available-for-sale financial assets is categorized as Level 1 of the fair value hierarchy as defined in IFRS 13 – Fair Value Measurement. The fair value of listed available-for-sale financial assets in Level 1 is determined by the unadjusted quoted price in active market for such investment at the measurement date.

At 31 December 2012, 2013 and 2014 and 30 April 2015, other financial instruments of the Target Group are either carried at amounts not materially different from their fair values because of the short maturities of these instruments, or carried at cost as their fair value could not be reliably measured at the end of each reporting period.

26 COMMITMENTS

(a) Commitments on property development expenditure

At the end of each reporting period, the Target Group's commitments in respect of property development expenditure are as follows:

	At 31 December			At 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Commitments on property development expenditure	1,198,325	916,144	903,967	498,610

(b) Operating lease commitment

Lessee

At the end of each reporting period, the Target Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December			At 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	23,488	23,444	23,889	23,955
After 1 but within 5 years	87,297	81,803	76,712	74,586
Above 5 years	96,517	78,634	60,745	54,782
Total	207,302	183,881	161,346	153,323

27 CONTINGENT LIABILITIES

(a) Guarantees for purchasers' mortgage

The Target Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Target Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Target Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owned by the defaulted purchasers to the banks.

The Target Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends upon the earlier of the buyer obtained the individual property ownership certificate and the full settlement of mortgage loans by the buyer.

The maximum outstanding amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Target Group's properties, at the end of the reporting period is as follows:

	At 31 December			At 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Target Group's properties	1,903,160	2,099,595	169,948	384,325

The directors consider that it is not probable that the Target Group will sustain a loss under these guarantees as during the periods under guarantees, the Target Group can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Target Group to the banks. The Target Group has not recognized any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Target Group in the event the purchasers default payments to the banks.

28 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed in notes 7, 8, 14, 17, 18, 21 and 22 to Section B in the Financial Information, the Target Group entered into the following material related party transactions.

During the Relevant Periods, the directors are of the view that the following are related parties of the companies now comprising the Target Group:

Name of party	Relationship
Mr. Wong Hong King 黃康境	Controlling Shareholder
Ms. He Yaxing 何亞興	Spouse of Controlling Shareholder
Mr. He Yayou 何亞有	Brother of Ms. He Yaxing
Guangdong LVGEM Charity foundation 廣東省綠景慈善基金會	Entity controlled by Controlling Shareholder
Shenzhen LVGEM Entity Management Group Co., Ltd. 深圳市綠景企業管理集團有限公司	Entity controlled by spouse of Controlling Shareholder
Shenzhen Forsafe System Technology Co., Ltd. 深圳市賦安安全系統有限公司	Entity controlled by Controlling Shareholder
Shenzhen Jin Shun Lai Investment Development Co., Ltd. 深圳市金順來投資發展有限公司	Entity controlled by spouse of Controlling Shareholder
China LVGEM Property Holdings Limited 中國綠景地產控股有限公司	Entity controlled by Controlling Shareholder
Zhuhai Shunjing Real Estate Co., Ltd. 珠海市順景房地產開發有限公司	Entity controlled by Controlling Shareholder
Shenzhen An Yuan Industry Development Co., Ltd. 深圳市安元實業發展有限公司	Joint venture of the Target Group

(a) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Target Group, directly or indirectly, including the Target Group's directors.

Remuneration for key management personnel, including amounts paid to the Target Group's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	Years ended 31 December			Four months ended 30 April	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, allowances and other benefits in kind	4,849	5,701	6,161	1,507	1,231
Contributions to defined contribution retirement schemes	88	97	207	34	36
	4,937	5,798	6,368	1,541	1,267

Total remuneration is included in "staff costs" (see note 5(b)).

(b) Transactions with related parties

	Years ended 31 December			Four months ended 30 April	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Development cost to related parties					
– Shenzhen Forsafe System Technology Co., Ltd.	5,060	4,116	739	–	828

(c) Balances with related parties

	At 31 December			At 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties				
– Guangdong LVGEM Charity Foundation	2,000	–	–	–
– Shenzhen LVGEM Entity Management Group Co., Ltd.	22,138	168,020	172,776	–
– Shenzhen Forsafe System Technology Co., Ltd.	29,628	22,422	35,140	–
– Shenzhen Jin Shun Lai Investment Development Co., Ltd.	–	107,214	–	–
– Shenzhen Jin Hui Te Investment Development Co., Ltd.	–	–	–	2,775
– China LVGEM Property Holdings Limited	–	20,180	16,451	16,451
– Zhuhai Shunjing Real Estate Co., Ltd.	3,312	3,432	4,048	10,275
	57,078	321,268	228,415	29,501
Amounts due to the Controlling Shareholder				
– Mr. Wong Hong King	94,676	88,671	100,411	189,322
Amounts due to related parties				
– Shenzhen Jin Shun Lai Investment Development Co., Ltd.	5,985	–	2,836	2,815
– Shenzhen LVGEM Entity Management Group Co., Ltd.	–	–	–	13,294
– Shenzhen Forsafe System Technology Co., Ltd.	–	–	–	12,815
– Mr. He Yayou	2,916	2,916	2,916	2,916
	8,901	2,916	5,752	31,840
Amount due from a joint venture				
– Shenzhen An Yuan Industry Development Co., Ltd.	459,091	498,957	515,557	518,904

(d) Guarantees provided by related parties

At 31 December 2012, 2013 and 2014 and 30 April 2015, Mr. Wong Hong King, together with its controlling entities, Shenzhen Forsafe System Technology Co., Ltd., and Ms. He Yaxing have provided unlimited joint guarantee to the Target Group in respect of certain bank loans and other borrowings with total amount of RMB3,861,181,000, RMB4,724,194,000, RMB6,862,032,000 and RMB7,492,296,000 respectively. The guarantees will be released upon completion of the Acquisition.

In addition, at 31 December 2012, 2013 and 2014 and 30 April 2015, a secured bank loan with an amount of RMBNil, RMB500,000,000, RMB500,000,000 and RMB500,000,000 respectively was jointly secured by certain properties owned by Ms. He Yaxing.

(e) Pledged deposits for letters of credit issued by a related party

At 31 December 2012, 2013 and 2014 and 30 April 2015, the Target Group placed pledged deposits of RMBNil, RMBNil, RMB347,653,000 and RMB744,021,000 respectively for the letters of credit issued by China LVGEM Property Holdings Limited.

29 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

The directors consider the immediate and ultimate controlling party of the Target Group as of 31 December 2014 to be Mr.Wong Hong King.

30 LIST OF AUDITORS OF THE SUBSIDIARIES

The statutory financial statements of Green View and it subsidiaries subject to statutory audit requirements were prepared in accordance with the relevant accounting rules and regulations applicable to the companies either in Hong Kong or the PRC and were audited by the following auditors:

Name of Company	Financial year end	Statutory auditors
Dongguan LVGEM Real Estate Development Co., Ltd. 東莞市綠景房地產開發有限公司	31 December 2014	Shenzhen Sunnysky Certified Public Accountants 深圳華陽天成會計師事務所(普通合夥)
Green View Holding Company Limited 綠景控股有限公司	31 December 2012 and 2013	ONE ONE CPA Limited Certified Public Accountants (Practising) 壹壹會計師事務所有限公司
Huazhou Haojing Real Estate Co., Ltd. 化州市好景置業發展有限公司	31 December 2012	Huazhou Chengxin Certified Public Accountants 化州市誠信會計師事務所
Huazhou LVGEM Property Management Co., Ltd. 化州市綠景物業管理有限公司	31 December 2012, 2013 and 2014	Huazhou Chengxin Certified Public Accountants, Maoming City Yinghengxin Certified Public Accountants 化州市誠信會計師事務所，茂名市盈恆信會計師事務所
Huazhou LVGEM Real Estate Co., Ltd. 化州市綠景置業發展有限公司	31 December 2012	Huazhou Chengxin Certified Public Accountants 化州市誠信會計師事務所
Huazhou LVGEM Real Estate Development Co., Ltd. 化州市綠景房地產開發有限公司	31 December 2012, 2013 and 2014	Maoming City Yinghengxin Certified Public Accountants, Huazhou Chengxin Certified Public Accountants 茂名市盈恆信會計師事務所，化州市誠信會計師事務所
Huizhou LVGEM Real Estate Development Co., Ltd. 惠州市綠景房地產開發有限公司	31 December 2012, 2013 and 2014	Shenzhen Sunnysky Certified Public Accountants 深圳華陽天成會計師事務所(普通合夥)

Name of Company	Financial year end	Statutory auditors
Jin Xin Investments (Hong Kong) Limited 金信投資(香港)有限公司	31 December 2012 and 2013	One One CPA Limited Certified Public Accountants (Practising) 壹壹會計師事務所有限公司
Maoming Xinji Storage Ltd 茂名信基倉儲有限公司	31 December 2012	Huazhou Chengxin Certified Public Accountants 化州市誠信會計師事務所
Shenzhen LVGEM Real Estate Development Co., Ltd. 深圳市綠景房地產開發有限公司	31 December 2012, 2013 and 2014	Shenzhen Sunnysky Certified Public Accountants 深圳華陽天成會計師事務所(普通合夥)
Shenzhen Wanghaiyikang Industrial Development Co., Ltd. 深圳市旺海怡康實業發展有限公司	31 December 2012, 2013 and 2014	Shenzhen Sunnysky Certified Public Accountants 深圳華陽天成會計師事務所(普通合夥)
Shenzhen LVGEM Asset Management Co., Ltd. 深圳市綠景資產管理有限公司	31 December 2012, 2013 and 2014	Shenzhen Sunnysky Certified Public Accountants 深圳華陽天成會計師事務所(普通合夥)
Shenzhen Longkanghong Investment Development Co., Ltd. 深圳市龍康弘投資發展有限公司	31 December 2012, 2013 and 2014	Shenzhen Sunnysky Certified Public Accountants 深圳華陽天成會計師事務所(普通合夥)
Shenzhen LVGEM Property Management Co., Ltd. 深圳市綠景物業管理有限公司	31 December 2012, 2013 and 2014	Ruihui Certified Public Accountants, RSM China Certified Public Accounts Shenzhen Branch 瑞華會計師事務所深圳分所，中瑞岳華會計師事務所(特殊普通合夥)深圳分所
Shenzhen LVGEM Hotel Co., Ltd 深圳市綠景酒店有限公司	31 December 2012, 2013 and 2014	Ruihui Certified Public Accountants, RSM China Certified Public Accounts Shenzhen Branch 瑞華會計師事務所深圳分所，中瑞岳華會計師事務所(特殊普通合夥)深圳分所
Shenzhen LVGEM Jiyuan Property Management Service Co., Ltd. 深圳市綠景紀元物業管理服務有限公司	31 December 2012, 2013 and 2014	Shenzhen Sunnysky Certified Public Accountants 深圳華陽天成會計師事務所(普通合夥)
Shenzhen Lvsheng Investment Development Co., Ltd. 深圳市綠晟投資發展有限公司	31 December 2012, 2013 and 2014	Shenzhen Sunnysky Certified Public Accountants 深圳華陽天成會計師事務所(普通合夥)
Yiyang Zhonghe Real Estate Co., Ltd. 益陽中核置業有限公司	31 December 2012, 2013 and 2014	Yiyang Lingyun Certified Public Accountants Ltd. 益陽淩雲有限責任會計師事務所
Yiyang Property Management Co., Ltd. 益陽中核物業管理公司	31 December 2012, 2013 and 2014	Yiyang Lingyun Certified Public Accountants Ltd. 益陽淩雲有限責任會計師事務所
Zhuhai Huijing Investment Management Co., Ltd. 珠海市惠景投資管理有限公司	31 December 2013 and 2014	Union Power Certified Public Accountants (Special general partnership) ZhuHai Branch 眾環海華會計師事務所(特殊普通合夥)珠海分所
Zhengxinglong Real Estate (Shenzhen) Co., Ltd 正興隆房地產(深圳)有限公司	31 December 2012, 2013 and 2014	Shenzhen Sunnysky Certified Public Accountants 深圳華陽天成會計師事務所(普通合夥)

Name of Company	Financial year end	Statutory auditors
Zhuhai LVGEM Real Estate Development Co., Ltd. 珠海綠景房地產開發有限公司	31 December 2012, 2013 and 2014	Union Power Certified Public Accountants (Special general partnership) ZhuHai Branch 眾環海華會計師事務所(特殊普通合夥)珠海分所
Zhuhai LVGEM Property Management Co., Ltd. 珠海綠景物業管理有限公司	31 December 2012, 2013 and 2014	Union Power Certified Public Accountants (Special general partnership) ZhuHai Branch 眾環海華會計師事務所(特殊普通合夥)珠海分所

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR BEGINNING 1 JANUARY 2015

Up to the date of issue of Financial Information, the IASB has issued a few amendments and new standards which are not yet effective for the year beginning 1 January 2015 and which have not been adopted in the Financial Information. These include the following which may be relevant to the Target Group.

	Effective for accounting periods beginning on or after
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
IFRS 14 "Regulatory deferral accounts"	1 January 2016
Amendments to IFRS 11, *Joint arrangements* "Accounting for acquisitions of interests in joint operations"	1 January 2016
Amendments to IAS 16, *Property, plant and equipment* and IAS 38, *Intangible assets* "Clarification of acceptable methods of depreciation and amortisation"	1 January 2016
Amendments to IAS 16, *Property, plant and equipment* and IAS 41, *Agriculture* "Agriculture: Bearer plants"	1 January 2016
Amendments to IAS 27, *Separate financial statements* "Equity method in separate financial statements"	
Amendments to IFRS 10, *Consolidated financial statements* and IAS 28, *Investments in associates and joint ventures* "Sale or contribution of assets between an investor and its associate or joint venture"	1 January 2016
Amendments to IFRS 10, *Consolidated financial statements* IFRS 12, *Disclosure of interests in other entities* and IAS 28, *Investments in associates and joint ventures* "Investment entities: Applying the consolidation exception"	1 January 2016
Amendments to IAS 1, *Presentation of financial Statements* "Disclosure initiative"	1 January 2016
IFRS 15 "Revenue from contracts with customers"	1 January 2018
IFRS 9 "Financial instruments"	1 January 2018

The Target Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application.

C STATEMENTS OF FINANCIAL POSITION OF GREEN VIEW

	At 31 December			At 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Interests in subsidiaries	338,092	311,368	311,368	311,368
Current assets				
Amounts due from related parties	4,290	24,470	20,741	686,649
Deposits, prepayment and other receivables	24,796	24,044	24,125	20,741
Cash and bank balances	496	4,673	19,925	19,922
	29,582	53,187	64,791	727,312
Current liabilities				
Amount due to related parties	305,483	296,665	309,118	398,004
Current tax liabilities	–	–	–	57,360
	305,483	296,665	309,118	455,364
Net current (liabilities)/assets	(275,901)	(243,478)	(244,327)	271,948
Total assets less current liabilities	62,191	67,890	67,041	583,316
Non-current liabilities				
Deferred tax liabilities	–	–	57,360	–
NET ASSETS	62,191	67,890	9,681	583,316
Capital and reserves				
Share capital	11	11	11	11
Exchange reserve	70,109	79,729	78,893	78,924
(Accumulated losses)/retained profit	(7,929)	(11,850)	(69,223)	504,381
TOTAL EQUITY	62,191	67,890	9,681	583,316

D SUBSEQUENT FINANCIAL STATEMENTS AND SUBSEQUENT EVENTS

(i) No audited financial statements have been prepared by Green View and its subsidiaries in respect of any period subsequent to 30 April 2015.

(ii) On 2 June 2015, Urban Thrive and Mr. Wong entered into an agreement pursuant to which Mr. Wong conditionally agreed to sell its entire interest in the issued shares of Green View to Urban Thrive for a total consideration of HK$13,785,000,000 (the "Acquisition"), as described more fully in the Circular.

Before the Acquisition, agreements were signed between certain entities within the Target Group and certain entities controlled by Mr. Wong pursuant to which certain subsidiaries of the Target Group were disposed to the entities controlled by Mr. Wong at a total consideration of RMB682,955,000 as described more fully under the section "History and Reorganization of the Target Group" in the Circular and note 1(b) to the Section B of the Financial Information.

(iii) On 31 August 2015, Green View declared RMB504,381,000 to its equity shareholder. Please refer to note 24(d) to Section B of the Financial Information.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong

Report on Review of Condensed Consolidated Financial Statements

Deloitte.
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TO THE BOARD OF DIRECTORS OF LVGEM (CHINA) REAL ESTATE INVESTMENT COMPANY LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements of LVGEM (China) Real Estate Investment Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 20 to 44, which comprise the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

OTHER MATTER

The comparative condensed consolidated financial statements for the six-month period ended 30 June 2014 were reviewed by another auditor who expressed an unmodified review conclusion on those statements on 28 August 2014.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 August 2015

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2015

	Notes	Six months ended 30 June 2015 HK$'000 (Unaudited)	2014 HK$'000 (Unaudited)
Revenue	4	**91,121**	44,671
Cost of sales		**(66,424)**	(28,262)
Gross profit		**24,697**	16,409
Other income		**8,595**	4,386
Selling expenses		**(2,839)**	(2,979)
Administrative expenses		**(30,818)**	(60,491)
Fair value changes on investment properties		**–**	(3,700)
Gain on disposal of subsidiaries	18	**–**	39,166
Finance costs	5	**(548)**	(815)
Share of results of associates		**–**	7,038
Loss before tax	6	**(913)**	(986)
Income tax expense	7	**(5,179)**	(2,324)
Loss for the period		**(6,092)**	(3,310)
(Loss) profit for the period attributable to:			
Owners of the Company		**(9,941)**	(2,400)
Non-controlling interests		**3,849**	(910)
		(6,092)	(3,310)
		HK cents	HK cents
Loss per share	9		
– Basic		**(0.7)**	(0.2)
– Diluted		**N/A**	N/A

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Loss for the period	**(6,092)**	(3,310)
Other comprehensive expense		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	**(2,087)**	(20,494)
Share of exchange differences on translation of an associate	**–**	(3,227)
Reclassification of exchange reserve upon disposal of subsidiaries	**–**	(30,104)
Other comprehensive expense for the period	**(2,087)**	(53,825)
Total comprehensive expense for the period	**(8,179)**	(57,135)
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(11,506)**	(51,771)
Non-controlling interests	**3,327**	(5,364)
	(8,179)	(57,135)

Condensed Consolidated Statement of Financial Position

At 30 June 2015

	Notes	At 30 June 2015 HK$'000 (Unaudited)	At 31 December 2014 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*10*	**9,831**	9,588
Investment properties	*10*	**586,734**	301,738
Deferred tax assets		**1,304**	1,304
		597,869	312,630
Current assets			
Properties held under development		**111,142**	105,465
Properties held for sale		**299,424**	359,633
Other inventories		**26**	24
Accounts receivable	*11*	**39**	10
Deposits paid, prepayments and other receivables		**22,268**	24,400
Tax recoverable		**20,471**	4,419
Restricted bank deposits		**14,525**	23,335
Bank balances and cash	*12*	**374,634**	483,138
		842,529	1,000,424
Total assets		**1,440,398**	1,313,054
Current liabilities			
Accounts payable	*13*	**43,429**	71,664
Accruals, deposits received and other payables		**121,687**	52,518
Tax payable		**4,547**	3,700
Borrowings	*14*	**118,823**	9,053
		288,486	136,935
Net current assets		**554,043**	863,489
Total assets less current liabilities		**1,151,912**	1,176,119
Non-current liabilities			
Borrowings	*14*	**11,375**	89,448
Deferred tax liabilities		**53,376**	52,353
		64,751	141,801
Total liabilities		**353,237**	278,736
NET ASSETS		**1,087,161**	1,034,318
Capital and reserves			
Share capital	*15*	**13,842**	13,842
Reserves		**963,497**	975,003
Equity attributable to owners of the Company		**977,339**	988,845
Non-controlling interests		**109,822**	45,473
TOTAL EQUITY		**1,087,161**	1,034,318

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Convertible notes equity reserve HK$'000	Merger reserve HK$'000	Property revaluation reserve HK$'000	Exchange reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance as at 1 January 2014 (Audited)	13,246	528,150	2,215	480	89,936	24,417	151,905	32,745	130,231	973,325	97,612	1,070,937
Loss for the period	–	–	–	–	–	–	–	–	(2,400)	(2,400)	(910)	(3,310)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(16,040)	–	–	(16,040)	(4,454)	(20,494)
Share of exchange differences on translation of an associate	–	–	–	–	–	–	(3,227)	–	–	(3,227)	–	(3,227)
Reclassification of exchange reserve upon disposal of subsidiaries	–	–	–	–	–	–	(30,104)	–	–	(30,104)	–	(30,104)
Total comprehensive expense for the period	–	–	–	–	–	–	(49,371)	–	(2,400)	(51,771)	(5,364)	(57,135)
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	(388)	(388)	(46,071)	(46,459)
Arising from issue of ordinary shares on exercise of share options	233	5,236	–	–	–	–	–	–	–	5,469	–	5,469
Transfer upon exercise of share options	–	2,172	(2,172)	–	–	–	–	–	–	–	–	–
Transfer upon cancellation of vested share options	–	43	(43)	–	–	–	–	–	–	–	–	–
Release of statutory reserve upon disposal of subsidiaries	–	–	–	–	–	–	–	(16,700)	16,700	–	–	–
Release of property revaluation reserve upon disposal of subsidiaries	–	–	–	–	–	(22,298)	–	–	22,298	–	–	–
Balance as at 30 June 2014 (Unaudited)	13,479	535,601	–	480	89,936	2,119	102,534	16,045	166,441	926,635	46,177	972,812

	Attributable to owners of the Company									
	Share capital HK$'000	**Share premium HK$'000**	**Merger reserve HK$'000**	**Property revaluation reserve HK$'000**	**Exchange reserve HK$'000**	**Statutory reserve HK$'000**	**Retained profits HK$'000**	**Total HK$'000**	**Non-controlling interests HK$'000**	**Total equity HK$'000**
Balance as at 1 January 2015 (Audited)	**13,842**	**579,346**	**89,936**	**2,119**	**102,390**	**22,031**	**179,181**	**988,845**	**45,473**	**1,034,318**
(Loss) profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(9,941)**	**(9,941)**	**3,849**	**(6,092)**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**(1,565)**	**–**	**–**	**(1,565)**	**(522)**	**(2,087)**
Total comprehensive (expense) income for the period	**–**	**–**	**–**	**–**	**(1,565)**	**–**	**(9,941)**	**(11,506)**	**3,327**	**(8,179)**
Non-controlling interest arising on acquisition of subsidiaries (note 16)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**61,022**	**61,022**
Transfer of statutory reserve	**–**	**–**	**–**	**–**	**–**	**1,009**	**(1,009)**	**–**	**–**	**–**
Balance as at 30 June 2015 (Unaudited)	**13,842**	**579,346**	**89,936**	**2,119**	**100,825**	**23,040**	**168,231**	**977,339**	**109,822**	**1,087,161**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net cash from (used in) operating activities	**4,206**	(89,350)
Investing activities		
Purchase of property, plant and equipment	**(1,017)**	(1,338)
Proceeds from disposal of property, plant and equipment	**3**	35
Net cash outflow on acquisition of subsidiaries	**(120,300)**	–
Net cash inflow on disposal of subsidiaries	**–**	182,798
Withdrawal of short-term time deposits with maturity beyond three months but within one year	**–**	78,000
Withdrawal of structured bank deposits	**465,000**	1,277
Placement of structured bank deposits	**(376,250)**	(51,244)
Withdrawal of restricted bank deposits	**22,306**	4,864
Placement of restricted bank deposits	**(13,496)**	–
Interest received	**5,597**	3,755
Net cash (used in) from investing activities	**(18,157)**	218,147
Financing activities		
Proceeds from issuance of shares	**–**	5,469
Proceeds from new borrowings	**–**	30,108
Acquisition of additional interest in a subsidiary	**–**	(46,459)
Repayment of loans from non-controlling shareholders of a subsidiary	**–**	(26,460)
Repayment of borrowings	**(5,803)**	(49,558)
Interest paid on convertible notes	**–**	(1,190)
Net cash used in financing activities	**(5,803)**	(88,090)
Net (decrease) increase in cash and cash equivalents	**(19,754)**	40,707
Effect of foreign exchange rate changes	**–**	4,115
Cash and cash equivalents at beginning of the period	**394,388**	356,505
Cash and cash equivalents at end of the period	**374,634**	401,327
Represented by:		
Bank balances and cash	**374,634**	452,571
Less: Structured bank deposits	**–**	(51,244)
	374,634	401,327

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Group has not early adopted the amendments to Appendix 16 issued by the Stock Exchange in early 2015 which will be effective for accounting periods ending on or after 31 December 2015.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance is mainly focused on property development and property investment in the People's Republic of China ("PRC"). No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segment:

	Six months ended 30 June 2015		
	Property development HK$'000 (Unaudited)	**Property investment HK$'000 (Unaudited)**	**Consolidated HK$'000 (Unaudited)**
SEGMENT REVENUE			
External sales	**81,192**	**9,929**	**91,121**
SEGMENT RESULTS			
Segment profit	**14,319**	**7,551**	**21,870**
Other unallocated income			**504**
Corporate expenses			**(23,287)**
Loss before tax			**(913)**

	Six months ended 30 June 2014		
	Property development HK$'000 (Unaudited)	Property investment HK$'000 (Unaudited)	Consolidated HK$'000 (Unaudited)
SEGMENT REVENUE			
External sales	37,644	7,027	44,671
SEGMENT RESULTS			
Segment loss	(2,134)	(11,379)	(13,513)
Other unallocated income			990
Corporate expenses			(34,667)
Share of results of associates			7,038
Gain on disposal of subsidiaries			39,166
Loss before tax			(986)

The Group does not allocate other unallocated income, corporate expenses, share of results of associates and gain on disposal of subsidiaries to individual reportable segment profit or loss for the purposes of resource allocation and performance assessment by the chief operating decision makers.

The accounting policies adopted in preparing the reportable segment information are the same as the Group's accounting policies.

Segment assets and liabilities

The following is an analysis of the Group's assets by reportable and operating segment, no liabilities are presented as the information is not reportable to the chief operating decision makers in the resource allocation and assessment of performance:

Segment assets

	At 30 June 2015 HK$'000 (Unaudited)	At 31 December 2014 HK$'000 (Audited)
Property development	**668,030**	684,540
Property investment	**689,289**	401,848
Total segment assets	**1,357,319**	1,086,388
Corporate assets	**83,079**	226,666
Total assets	**1,440,398**	1,313,054

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to operating segments other than corporate assets.

4. REVENUE

	Six months ended 30 June	
	2015 HK$'000 (Unaudited)	2014 HK$'000 (Unaudited)
Sales of properties held for sale	**81,192**	37,644
Rental income from investment properties	**9,929**	7,027
	91,121	44,671

5. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest on borrowings which are repayable within five years:		
Bank loans	**566**	1,151
Imputed interest expense on loans from non-controlling shareholders	**–**	106
	566	1,257
Interest on convertible notes	**–**	2,421
Total borrowing costs	**566**	3,678
Less: Amount capitalised in properties held under development*	**(18)**	(2,863)
	548	815

* The finance costs have been capitalised at a rate of 1.27% (six months ended 30 June 2014: 0.82%) per annum.

6. LOSS BEFORE TAX

	Six months ended 30 June	
	2015	2014
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Loss before tax is arrived at after charging (crediting):		
Cost of properties held for sale recognised as expense	**64,716**	26,692
Depreciation of property, plant and equipment	**773**	1,009
Less: Amount capitalised in properties held under development	**–**	(122)
	773	887
Outgoings in respect of investment properties that generated rental income during the period	**1,708**	1,570
Operating lease charges in respect of land and buildings	**1,427**	121
Impairment loss on amount due from an associate	**–**	19
Impairment loss on goodwill	**–**	16
Staff costs, including directors' emoluments and retirement benefits cost*	**11,949**	50,872
Less: Amount capitalised in properties held under development	**(2,042)**	(5,100)
	9,907	45,772
Amount recognised as expense for retirement benefits cost	**779**	1,453
Interest income from banks	**(5,597)**	(3,755)
Exchange (gain) loss, net	**(22)**	1,678
(Gain) loss on disposal of property, plant and equipment	**(3)**	141
Loss on early repayment of loan from a non-controlling shareholder	**–**	72

* For the six months ended 30 June 2014, this amount included approximately HK$19,365,000, which represented compensation to staffs, included mainly severance payments, discretionary awards and complimentary payments, payable by the Group to its employees in Suzhou, the PRC, as part of the sale and purchase of shares in the Company. Such an amount had been recognised as an expense in the condensed consolidated statement of profit or loss during the six months ended 30 June 2014.

7. INCOME TAX EXPENSE

	Notes	Six months ended 30 June 2015 HK$'000 (Unaudited)	2014 HK$'000 (Unaudited)
Current tax			
– PRC Enterprise Income Tax ("EIT")	*(a)*	**2,763**	(555)
– PRC Land Appreciation Tax ("LAT")	*(b)*	**1,393**	3,413
		4,156	2,858
Deferred tax	*(c)*	**1,023**	(534)
Total income tax expense		**5,179**	2,324

Notes:

(a) Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

No Hong Kong Profits Tax has been provided for as the Group had no estimated assessable profits for both periods.

(b) Under the Provisional Rules on LAT Implementation Rules of the PRC implemented on 27 January 1995, all gains from the sales or transfer of land use rights, buildings and their attached facilities in the PRC are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

(c) Deferred tax is calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their respective tax bases at the end of both reporting periods, using applicable tax rates.

8. DIVIDENDS

No dividend for the six months ended 30 June 2015 has been proposed by the directors of the Company (six months ended 30 June 2014: Nil).

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June 2015 HK$'000 (Unaudited)	2014 HK$'000 (Unaudited)
Loss for the purpose of basic and diluted loss per share	**(9,941)**	(2,400)

	Number of shares 2015	2014
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,384,240,281**	1,330,448,745

No diluted loss per share for the six months ended 30 June 2015 was presented as there was no potentially dilutive ordinary shares in issue during the period.

No diluted loss per share for the six months ended 30 June 2014 was presented as the exercise of share options and conversion of convertible notes would result in a reduction in loss per share.

10. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

(a) Capital expenditure

During the current interim period, the Group incurred capital expenditure of approximately HK$1,017,000 for property, plant and equipment (six months ended 30 June 2014: HK$1,338,000). During the current interim period, the Group acquired investment properties through acquisition of subsidiaries as disclosed in note 16.

During the current interim period, the Group disposed of property, plant and equipment with net carrying amount of nil (six months ended 30 June 2014: HK$37,640,000, includes an amount of HK$37,464,000 in relation to the disposal of subsidiaries as disclosed in note 18) at a consideration of HK$3,000.

(b) Valuation

The fair values of the investment properties at 30 June 2015 and 31 December 2014 have been arrived at on the basis of a valuation carried out by Messrs Jones Lang LaSalle Corporate Appraisal and Advisory Limited and Messrs Knight Frank Petty Limited, respectively, both of which are independent qualified professional valuers not connected to the Group.

Valuations were based on the properties' open market value on 30 June 2015 and 31 December 2014. The properties have been valued by capitalisation of net income method, where the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood.

11. ACCOUNTS RECEIVABLE

	At 30 June 2015 HK$'000 (Unaudited)	At 31 December 2014 HK$'000 (Audited)
Accounts receivable	**39**	10

Accounts receivable represent rental income from leasing properties. Monthly rents are normally received in advance and sufficient rental deposits are held to minimise credit risk. Accounts receivable generally have credit terms of 30 to 60 days (31 December 2014: 30 to 60 days) and no interest is charged. All accounts receivable are denominated in Renminbi ("RMB"). The ageing analysis of the Group's accounts receivable, based on invoice dates, is as follows:

	At 30 June 2015 HK$'000 (Unaudited)	At 31 December 2014 HK$'000 (Audited)
Within 30 days	**39**	10

The carrying amount of accounts receivable is considered a reasonable approximation of fair value as this financial asset, which is measured at amortised cost, is expected to be paid within a short timescale, such that the time value of money impact is not significant.

As at 30 June 2015 and 31 December 2014, accounts receivable were neither past due nor impaired. These related to a number of customers for whom there was no recent history of default.

12. BANK BALANCES AND CASH

As at 31 December 2014, included in bank balances and cash is an aggregate amount of HK$88,750,000 fixed deposits with maturity date in January 2015, which are principal-protected yield enhancement bank deposits carrying a minimum interest rate of 1.8% per annum and can be enhanced to a maximum interest rate of 4.7% per annum which is to be determined by reference to the market interest rates, market exchange rate of United States dollars ("USD")/RMB or market exchange rate of Australian Dollar ("AUD")/USD. Such deposits contain embedded derivative representing a return which would vary with prevailing market exchange rate of USD/RMB and AUD/USD. The directors of the Company consider that the fair value of the embedded derivative is minimal and hence no derivative financial instruments are recognised.

13. ACCOUNTS PAYABLE

Based on invoice dates, the ageing analysis of the Group's accounts payable is as follows:

	Notes	**At 30 June 2015 HK$'000 (Unaudited)**	At 31 December 2014 HK$'000 (Audited)
Over 365 days		**854**	894
Rental received on behalf of landlords	*(a)*	**854**	894
Accrued construction costs and other project-related expenses	*(b)*	**42,575**	70,770
		43,429	71,664

Notes:

(a) Rental received on behalf of landlords comprised net rental received from tenants after netting off fee charged to them provided by external service providers.

(b) The amounts represent construction costs and other project-related expenses payable which are accrued based on the terms of the relevant agreements and the progress of the projects, and are not due for payment as at the end of both reporting periods.

14. BORROWINGS

	At 30 June 2015 HK$'000 (Unaudited)	At 31 December 2014 HK$'000 (Audited)
Borrowings comprise:		
Bank loans – variable rate	**55,375**	23,678
Loans from non-controlling shareholders	**74,823**	74,823
	130,198	98,501
Analysed as:		
Secured	**55,375**	21,125
Unsecured	**74,823**	77,376
	130,198	98,501

During the current interim period, the Group repaid loans amounting to HK$5,803,000 (six months ended 30 June 2014: HK$76,018,000) and no new bank loans were drew (six months ended 30 June 2014: HK$30,108,000).

As at 30 June 2015, certain investment properties of HK$434,217,000 (31 December 2014: HK$160,500,000) were pledged to secure certain bank loans granted to the Group.

15. SHARE CAPITAL

	At 30 June 2015		At 31 December 2014	
	Number of shares (Unaudited)	**HK$'000 (Unaudited)**	Number of shares (Audited)	HK$'000 (Audited)
Authorised:				
Ordinary shares of HK$0.01 each	**30,000,000,000**	**300,000**	30,000,000,000	300,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each At 1 January	**1,384,240,281**	**13,842**	1,324,606,646	13,246
Arising from issue of ordinary shares on exercise of share options *(Note (a))*	–	–	23,270,000	233
Arising from issue of ordinary shares on conversion of convertible notes *(Note (b))*	–	–	36,363,635	363
At 30 June/31 December	**1,384,240,281**	**13,842**	1,384,240,281	13,842

Notes:

(a) For the year ended 31 December 2014, the Company issued 23,270,000 ordinary shares of HK$0.01 each in relation to the exercise of the share options by certain employees of the Group at the subscription price of HK$0.235 per ordinary share. The difference between the subscription price and par value amounting to approximately HK$5,236,000 was credited to share premium. In addition, the portion of share option reserve in relation to the exercise of the share options exercised during the year amounted to approximately HK$2,172,000 was transferred to the Company's share premium.

(b) For the year ended 31 December 2014, an aggregate number of 36,363,635 new ordinary shares of par value of HK$0.01 each were issued at a conversion price of HK$1.10.

16. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

On 30 April 2015, Xingfu (China) Limited, an indirect wholly-owned subsidiary of the Company, and Crown Profit (HK) Industrial Limited, entered into a sale and purchase agreement, pursuant to which Xingfu (China) Limited conditionally agreed to purchase, and Crown Profit (HK) Industrial Limited conditionally agreed to sell and transfer, 10,000 shares in the issued share capital of HongKong Jiatian International Trading Development Limited, which represents its entire issued share capital, and its non-wholly owned subsidiary (collectively referred to as the "HongKong Jiatian Group"), at a total consideration of RMB145,200,000 (equivalent to approximately HK$183,066,000). HongKong Jiatian Group was engaged in property investment in the PRC through its non-wholly owned subsidiary. The acquisition was completed on 4 May 2015.

Assets and liabilities recognised at the date of acquisition:

	HK$'000 (Unaudited)
Net assets acquired:	
Investment properties	287,083
Other receivables	206
Bank balances	16
Accounts payable	(1,875)
Accruals, deposits received and other payables	(3,842)
Borrowings	(37,500)
Total identifiable net assets	244,088

Non-controlling interests:
The non-controlling interests (25%) in non-wholly owned subsidiary of HongKong Jiatian International Trading Development Limited recognised at acquisition date were measured by reference to the proportionate share of recognised amounts of net assets and amounted to HK$61,022,000.

Net cash outflow arising on acquisition:

	HK$'000 (Unaudited)
Consideration paid and payable in cash *(Note)*	183,066
Less: Cash and cash equivalent balances acquired	(16)
	183,050

Note: As of 30 June 2015, RMB95,000,000 (equivalent to approximately HK$120,316,000) of the cash consideration has been paid by the Group and the remaining RMB50,200,000 (equivalent to approximately HK$62,750,000) has been recognised as other payables in the Group's condensed consolidated statement of financial position.

17. ACQUISITION OF NON-CONTROLLING INTERESTS

On 28 February 2014, the Group as purchaser entered into a conditional sale and purchase agreement (the "NHDL Acquisition Agreement") with Onsite Investment Limited ("Onsite Investment"), the then non-controlling shareholder of a subsidiary of the Company, as vendor to acquire 9.615% equity interest in a non-wholly owned subsidiary, New Heritage Development Limited ("NHDL"), and the shareholder's loan due and owing by NHDL to Onsite Investment (the "NHDL Loan") as at the date of the NHDL Acquisition Agreement, at a consideration of HK$72,919,000 in aggregate (apportioned as to HK$46,459,000 for the sale shares and as to HK$26,460,000 for the shareholder's loan). NHDL is engaged in investment holding with its subsidiaries engaged in properties development and investment in the PRC. The acquisition was completed on 8 May 2014. Following the acquisition, NHDL became a wholly-owned subsidiary of the Company.

Onsite Investment is a company incorporated in the British Virgin Islands ("BVI") with limited liability and controlled by Asia Financial Holdings Limited which is controlled by the associates of Mr. Chan Bernard Charnwut, a non-executive director of the Company when the sale and purchase agreement was entered into. Therefore, the acquisition constitutes a non-exempt connected transaction.

The transaction has been accounted for as equity transaction with the non-controlling interests and the decrease in equity attributable to owners of the Company, as included in retained profits, was as follows:

	At 31 December 2014 HK$'000 (Audited)
Consideration paid for 9.615% ownership interest in NHDL	46,459
Net assets of NHDL attributable to 9.615% ownership interest	(46,071)
	388
Consideration paid for NHDL Loan	26,460
Carrying value of the NHDL Loan	(26,460)
	–

18. GAIN ON DISPOSAL OF SUBSIDIARIES

On 28 February 2014, the Group as vendor entered into a conditional sale and purchase agreement (the "Accordcity Disposal Agreement") with Highmind Limited as purchaser to dispose of the entire equity interests in a wholly-owned subsidiary, Accordcity Limited ("Accordcity") and its subsidiary and an associate (collectively referred to as the "Accordcity Group"), and the shareholder's loan due by Accordcity to the Group, which at completion of the Accordcity Disposal Agreement, amounted to HK$76,100,000, at a consideration of HK$170,252,000 in aggregate (apportioned as to HK$94,152,000 for the sale shares and as to HK$76,100,000 for the shareholder's loan). Accordcity Group was engaged in hotel operation and property investment in the PRC through its associate. The disposal was completed on 8 May 2014.

On 28 February 2014, the Group as vendor entered into a conditional sale and purchase agreement (the "NHML Disposal Agreement") with Gavett Limited as purchaser to dispose of the entire equity interests in a wholly-owned subsidiary, New Heritage Management Limited ("NHML") and its subsidiaries (collectively referred to as the "NHML Group"), and the shareholder's loan due by NHML to the Group, which at completion of the NHML Disposal Agreement amounted to HK$9,000,000, at a consideration of HK$23,210,000 in aggregate (apportioned as to HK$14,210,000 for the sale shares and as to HK$9,000,000 for the shareholder's loan). The principal assets of NHML Group are commercial properties in Hong Kong. The disposal was completed on 8 May 2014.

Highmind Limited and Gavett Limited are companies incorporated in the BVI with limited liability. These companies are wholly and beneficially owned by Mr. TAOCHAIFU Choofuang, Mr. TAO Richard and Mr. TAO Paul, who were the then directors and shareholders of the Company. Therefore, the disposals constitute connected transactions.

Net assets of the above subsidiaries at the date of disposal were as follows:

	Six months ended 30 June 2014 HK$'000 (Unaudited)
Net assets disposed of:	
Goodwill	29,233
Property, plant and equipment	37,464
Interest in an associate	141,489
Deposits paid, prepayments and other receivables	390
Bank balances and cash	10,664
Accruals, deposits received and other payables	(1,400)
Shareholder's loans	(85,100)
Borrowings	(30,108)
Deferred tax liabilities	(3,332)
	99,300
Exchange reserve released on disposal	(30,104)
Shareholder's loan due from Accordcity assigned	76,100
Shareholder's loan due from NHML assigned	9,000
Gain on disposal of subsidiaries	39,166
Total consideration	193,462
Satisfied by cash	193,462

An analysis of the net cash inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	Six months ended 30 June 2014 HK$'000 (Unaudited)
Total cash consideration received	193,462
Bank balances and cash disposed of	(10,664)
Net cash inflow on disposal	182,798

19. RELATED PARTY DISCLOSURES

(a) Transactions with related parties

The Group had the following transactions with related parties:

	Notes	Six months ended 30 June 2015 HK$'000 (Unaudited)	2014 HK$'000 (Unaudited)
Rental expenses to Fontwell Holdings Limited ("Fontwell")	*(i)*	–	(54)
Rental income from Clark Hatch Fitness Centers (Shanghai) Ltd. ("Clark Hatch")	*(ii)*	–	263

Notes:

(i) Mr. TAOCHAIFU Choofuang, Mr. TAO Richard and Mr. TAO Paul, who resigned as the Company' s directors on 5 June 2014, have beneficial interests in Fontwell. The amount charged by Fontwell was in accordance with the terms of the relevant agreement.

(ii) Mr. TAO Richard and Mr. TAO Paul, who resigned as the Company' s directors on 5 June 2014, are directors of Clark Hatch and Mr. TAO Paul has beneficial interests in Clark Hatch.

In addition, as detailed in the announcement issued by the Company dated 18 June 2015, on 2 June 2015, Urban Thrive Holdings Limited, a wholly-owned subsidiary of the Company, and Mr. WONG Hong King, the controlling shareholder of the Company, entered into a sales and purchase agreement pursuant to which Mr. WONG Hong King conditionally agreed to sell and Urban Thrive Holdings Limited conditionally agreed to purchase 10,000 shares of Green View Holding Company Limited ("Sale Shares") and its subsidiaries (collectively referred to as the "Green View Group"). The consideration for the acquisition of the Sale Shares is HK$13,785,000,000. Green View Group was engaged in property development of urban boutique residences, community-based shopping centers and urban complexes in PRC. The acquisition is yet to be completed as at the date of this report.

(b) Balances with related parties

Details of the balances with related parties at the end of both reporting periods are disclosed in the condensed consolidated statement of financial position.

(c) Key management personnel compensation

The remuneration of directors who are the Group's key management personnel during the current interim period amounting to HK$3,738,000 (six month ended 30 June 2014: HK$17,112,000).

20. EVENT AFTER THE END OF THE REPORTING PERIOD

As detailed in the announcements issued by the Company dated 30 July 2015 and 13 August 2015, on 30 July 2015, Jianmai Limited, an indirect 75%-owned subsidiary of the Company, as purchaser entered into an acquisition agreement with Hanison Construction Holdings (BVI) Limited as vendor and Sanney Limited as vendor's guarantor pursuant to which Jianmai Limited conditionally agreed to acquire from the vendor the entire issued share capital in Wisdom Concept Development Limited ("Wisdom Concept") and the full benefits of the loan extended by the vendor to Wisdom Concept for an aggregate consideration of HK$710,000,000. 10% of the consideration, equivalent to HK$71,000,000, was paid upon the signing of the acquisition agreement, with the remaining balance of the consideration payable at completion. Wisdom Concept engaged in property development in Hong Kong. The acquisition is yet to be completed as at the date of this report.

Independent Auditor's Report

Deloitte.
德勤

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TO THE SHAREHOLDERS OF
LVGEM (CHINA) REAL ESTATE INVESTMENT COMPANY LIMITED
(formerly known as NEW HERITAGE HOLDINGS LTD.)
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of LVGEM (China) Real Estate Investment Company Limited (formerly known as New Heritage Holdings Ltd.) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 120, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit 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. An audit also includes 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 consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2013 were audited by another auditor who expressed an unmodified opinion on these statements on 24 March 2014.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 17 March 2015

Consolidated Statement of Profit or Loss

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Revenue	6	**524,305**	212,402
Cost of sales		**(415,833)**	(180,693)
Gross profit		**108,472**	31,709
Other income	7	**9,466**	9,101
Selling expenses		**(13,568)**	(9,384)
Administrative expenses		**(96,867)**	(39,927)
Fair value changes on investment properties	16	**(9,765)**	11,101
Loss on disposal of investment properties		**–**	(150)
Gain on disposal/deregistration of subsidiaries	33	**39,166**	8,898
Impairment loss on goodwill	14	**(16)**	(7,799)
Finance costs	8	**(1,653)**	(1,828)
Share of results of associates		**7,038**	19,848
Profit before tax	9	**42,273**	21,569
Income tax expense	10	**(27,574)**	(26,230)
Profit (loss) for the year		**14,699**	(4,661)
Profit (loss) for the year attributable to:			
Owners of the Company		**16,326**	(14,739)
Non-controlling interests		**(1,627)**	10,078
		14,699	(4,661)
Earnings (loss) per share	13		
– Basic		**1.21**	(1.14)
– Diluted		**1.18**	N/A

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Profit (loss) for the year	**14,699**	(4,661)
Other comprehensive (expense) income		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	**(20,625)**	30,543
Share of exchange differences on translation of an associate	**(3,227)**	4,475
Reclassification of exchange reserve upon disposal/ deregistration of subsidiaries	**(30,104)**	(8,898)
Item that will not be subsequently reclassified to profit or loss:		
Share of revaluation surplus of an associate's hotel property	**–**	1,127
Other comprehensive (expense) income for the year	**(53,956)**	27,247
Total comprehensive (expense) income for the year	**(39,257)**	22,586
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(33,189)**	6,405
Non-controlling interests	**(6,068)**	16,181
	(39,257)	22,586

Consolidated Statement of Financial Position

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Goodwill	*14*	**–**	29,249
Property, plant and equipment	*15*	**9,588**	47,611
Investment properties	*16*	**301,738**	318,899
Interests in associates	*17*	**–**	137,922
Deferred tax assets	*18*	**1,304**	173
		312,630	533,854
Current assets			
Properties held under development	*19*	**105,465**	457,085
Properties held for sale	*20*	**359,633**	343,501
Other inventories	*21*	**24**	67
Accounts receivable	*22*	**10**	166
Deposits paid, prepayments and other receivables	*23*	**24,400**	47,543
Tax recoverable		**4,419**	22,648
Restricted bank deposits	*24*	**23,335**	36,230
Bank balances and cash	*25*	**483,138**	435,782
		1,000,424	1,343,022
Total assets		**1,313,054**	1,876,876
Current liabilities			
Accounts payable	*26*	**71,664**	112,179
Accruals, deposits received and other payables	*27*	**52,518**	416,245
Tax payable		**3,700**	–
Convertible notes	*28*	**–**	42,140
Borrowings	*29*	**9,053**	85,173
		136,935	655,737
Net current assets		**863,489**	687,285
Total assets less current liabilities		**1,176,119**	1,221,139
Non-current liabilities			
Borrowings	*29*	**89,448**	96,455
Deferred tax liabilities	*18*	**52,353**	53,747
		141,801	150,202
Total liabilities		**278,736**	805,939
Net assets		**1,034,318**	1,070,937
Capital and reserves			
Share capital	*30*	**13,842**	13,246
Reserves	*31*	**975,003**	960,079
Equity attributable to owners of the Company		**988,845**	973,325
Non-controlling interests		**45,473**	97,612
Total equity		**1,034,318**	1,070,937

The consolidated financial statements on pages 41 to 120 were approved and authorised for issue by the board of directors (the "Board") on 17 March 2015 and are signed on its behalf by:

HUANG Jingshu
Director

DENG Chengying
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Convertible notes equity reserve HK$'000	Merger reserve HK$'000	Property revaluation reserve HK$'000	Exchange reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance as at 1 January 2013	12,854	488,934	2,871	900	89,936	23,290	131,888	34,143	146,151	930,967	96,654	1,027,621
(Loss) profit for the year	–	–	–	–	–	–	–	–	(14,739)	(14,739)	10,078	(4,661)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	24,440	–	–	24,440	6,103	30,543
Share of exchange differences on translation of an associate	–	–	–	–	–	–	4,475	–	–	4,475	–	4,475
Reclassification of exchange reserve upon deregistration of a subsidiary	–	–	–	–	–	–	(8,898)	–	–	(8,898)	–	(8,898)
Share of revaluation surplus of an associate's hotel property	–	–	–	–	–	1,503	–	–	–	1,503	–	1,503
Deferred tax arising on share of revaluation surplus of an associate's hotel property	–	–	–	–	–	(376)	–	–	–	(376)	–	(376)
Total comprehensive income (expense) for the year	–	–	–	–	–	1,127	20,017	–	(14,739)	6,405	16,181	22,586
2012 final dividend paid	–	–	–	–	–	–	–	–	(2,579)	(2,579)	–	(2,579)
Return to a non-controlling shareholder upon deregistration of a subsidiary	–	–	–	–	–	–	–	–	–	–	(15,223)	(15,223)
Arising from issue of ordinary shares on exercise of share options *(note 30)*	74	1,663	–	–	–	–	–	–	–	1,737	–	1,737
Arising from issue of ordinary shares on conversion of convertible notes *(notes 28 and 30)*	318	36,477	–	–	–	–	–	–	–	36,795	–	36,795
Transfer upon exercise of share options and conversion of convertible notes *(notes 28 and 30)*	–	1,076	(656)	(420)	–	–	–	–	–	–	–	–
Release of statutory reserve upon deregistration of a subsidiary	–	–	–	–	–	–	–	(3,856)	3,856	–	–	–
Transfer of statutory reserve	–	–	–	–	–	–	–	2,030	(2,030)	–	–	–
Share of an associate's statutory reserve	–	–	–	–	–	–	–	428	(428)	–	–	–
Balance as at 31 December 2013	13,246	528,150	2,215	480	89,936	24,417	151,905	32,745	130,231	973,325	97,612	1,070,937

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Convertible notes equity reserve HK$'000	Merger reserve HK$'000	Property revaluation reserve HK$'000	Exchange reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Profit (loss) for the year	–	–	–	–	–	–	–	–	16,326	16,326	(1,627)	14,699
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(16,184)	–	–	(16,184)	(4,441)	(20,625)
Share of exchange differences on translation of an associate	–	–	–	–	–	–	(3,227)	–	–	(3,227)	–	(3,227)
Reclassification of exchange reserve upon disposal of subsidiaries	–	–	–	–	–	–	(30,104)	–	–	(30,104)	–	(30,104)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(49,515)	–	16,326	(33,189)	(6,068)	(39,257)
Acquisition of non-controlling interests *(note 32)*	–	–	–	–	–	–	–	–	(388)	(388)	(46,071)	(46,459)
Arising from issue of ordinary shares on exercise of share options *(note 30)*	233	5,236	–	–	–	–	–	–	–	5,469	–	5,469
Arising from issue of ordinary shares on conversion of convertible notes *(notes 28 and 30)*	363	43,265	–	–	–	–	–	–	–	43,628	–	43,628
Transfer upon exercise of share options and conversion of convertible notes *(notes 28 and 30)*	–	2,652	(2,172)	(480)	–	–	–	–	–	–	–	–
Transfer upon cancellation of vested share options *(note 34)*	–	43	(43)	–	–	–	–	–	–	–	–	–
Release of statutory reserve upon disposal of subsidiaries	–	–	–	–	–	–	–	(16,700)	16,700	–	–	–
Transfer of statutory reserve	–	–	–	–	–	–	–	5,986	(5,986)	–	–	–
Release of property revaluation reserve upon disposal of subsidiaries	–	–	–	–	–	(22,298)	–	–	22,298	–	–	–
Balance as at 31 December 2014	13,842	579,346	–	–	89,936	2,119	102,390	22,031	179,181	988,845	45,473	1,034,318

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014	2013
	HK$'000	HK$'000
Operating activities		
Profit before tax	**42,273**	21,569
Adjustments for:		
Depreciation	**1,918**	2,271
Gain on disposal/deregistration of subsidiaries	**(39,166)**	(8,898)
(Gain) loss on disposal of property, plant and equipment	**(184)**	8
Loss on disposal of investment properties	**–**	150
Loss on early repayment of loans from non-controlling shareholders	**72**	27
Fair value changes on investment properties	**9,765**	(11,101)
Share of results of associates	**(7,038)**	(19,848)
Impairment loss on goodwill	**16**	7,799
Impairment loss on amount due from an associate	**19**	–
Impairment loss on other receivables	**–**	74
Impairment loss on properties held for sale	**2,318**	14,836
Interest income	**(8,182)**	(5,509)
Finance costs	**1,653**	1,828
Operating cash flows before movements in working capital	**3,464**	3,206
Decrease (increase) in properties held under development and properties held for sale	**320,376**	(65,978)
Decrease (increase) in other inventories	**43**	(2)
Decrease (increase) in accounts receivable	**156**	(27)
Decrease (increase) in deposits paid, prepayments and other receivables	**26,529**	(15,131)
(Decrease) increase in accounts payable, accruals, deposits received and other payables	**(394,430)**	289,280
Cash (used in) generated from operations	**(43,862)**	211,348
Interest paid	**(2,046)**	(3,686)
Income taxes paid	**(7,211)**	(31,645)
Net cash (used in) from operating activities	**(53,119)**	176,017

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Investing activities		
Purchase of property, plant and equipment	**(1,749)**	(581)
Proceeds from disposal of property, plant and equipment	**345**	28
Proceeds from disposal of investment properties	**–**	6,541
Net cash inflow on disposal of subsidiaries *(note 33)*	**182,798**	–
Withdrawal (placement) of short-term time deposits with maturity beyond three months but within one year	**78,000**	(78,000)
Withdrawal of structured bank deposits	**1,277**	–
Placement of structured bank deposits	**(88,750)**	(1,277)
Withdrawal of restricted bank deposits	**56,736**	152,474
Placement of restricted bank deposits	**(43,841)**	(149,828)
Repayment from an associate	**225**	–
Dividends received from an associate	**–**	24,929
Interest received	**8,182**	5,509
Net cash from (used in) investing activities	**193,223**	(40,205)
Financing activities		
Proceeds from issue of shares	**5,469**	1,737
Proceeds from new borrowings	**30,108**	73,180
Acquisition of additional interest in a subsidiary	**(46,459)**	–
Repayment of loans from non-controlling shareholders of a subsidiary	**(26,460)**	(16,820)
Repayment of borrowings	**(56,168)**	(116,364)
Return to a non-controlling shareholder upon deregistration of a subsidiary	**–**	(15,223)
Interest paid on convertible notes	**(1,441)**	(4,425)
Dividends paid	**–**	(2,579)
Net cash used in financing activities	**(94,951)**	(80,494)
Net increase in cash and cash equivalents	**45,153**	55,318
Effect of foreign exchange rate changes	**(7,270)**	10,188
Cash and cash equivalents at beginning of the year	**356,505**	290,999
Cash and cash equivalents at end of the year	**394,388**	356,505
Represented by:		
Bank balances and cash	**483,138**	435,782
Less: Fixed deposits with original maturity date more than three months	**–**	(78,000)
Less: Structured bank deposits	**(88,750)**	(1,277)
	394,388	356,505

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1. GENERAL

The Company is a company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). On 21 January 2014, China LVGEM Property Holdings Limited ("China LVGEM"), an independent third party and the then shareholders of the Company, including Belbroughton Limited, Mr. TAOCHAIFU Choofuang, Mr. TAO Richard, Mr. TAO Paul and Tian Xiang Business Limited (together, the "Vendors"), had entered into a conditional sale and purchase agreement (the "Sale and Purchase Agreement") for the disposal of an aggregate of 858,800,792 ordinary shares of HK$0.01 each (the "Disposal Shares") of the Company. The Disposal Shares represented approximately 64.83% of the issued share capital of the Company as at 8 May 2014 ("Completion Date"). Prior to Completion Date, the Company's immediate holding company was Belbroughton Limited, a company incorporated in the British Virgin Islands ("BVI"). Where after completion, its immediate holding company is China LVGEM, a company incorporated in the Cayman Islands with limited liability and its ultimate holding company is Go Great International Limited, a company incorporated in the BVI with limited liability. Its ultimate controlling party is Mr. WONG Hong King, father of Miss HUANG Jingshu, the Chairman of the Company. The addresses of the Company's registered office and principal place of business are Clifton House, 75 Fort Street, P.O. Box 1350 GT, George Town, Grand Cayman, Cayman Islands and Suites 1701–1703, 17/F., Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong respectively.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 41.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments to HKFRSs and an Interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRS 10, HKFRS 12 and Hong Kong Accounting Standard ("HKAS") 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of the amendments to HKFRSs and an Interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to HKAS 1	Disclosure Initiative[4]
Amendments to HKAS 16 and HKAS 38	Classification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[4]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2017
[3] Effective for annual periods beginning on or after 1 July 2014
[4] Effective for annual periods beginning on or after 1 January 2016
[5] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

HKFRS 15 *Revenue from Contracts with Customers*

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company will assess the impact on the application of HKFRS 15. For the moment, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group preforms a detailed review.

The directors of the Company do not anticipate that the application of the other new and revised HKFRSs will have any material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap. 32).

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statements items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

– deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

– liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the properties;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidation statement of financial position under current liabilities.

The Group's policy for recognition of revenue from operating leases is described in the accounting policy below.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance lease) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Hotel property held by an associate of the Group is measured at fair value determined by external professional valuers less accumulated depreciation and impairment losses.

Changes in the fair value of hotel property are dealt with as movements in the property revaluation reserve. If the balance of this reserve is insufficient to cover a deficit, the excess of the deficit is charged to the profit or loss.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any revaluation surplus remaining in equity is transferred to retained profits on the disposal of hotel property and certain buildings that have been transferred as investment properties.

Properties held under development/properties held for sale

Properties held under development which are intended to be held for sale are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to estimated selling price less anticipated costs to completion of the development and costs to be incurred in marketing and selling the completed properties.

Properties held under development are transferred to properties held for sale when the relevant completion certificates are issued by the respective government authorities.

Completed properties held for sale in the ordinary course of business are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to estimated selling price based on prevailing market conditions less estimated selling expenses.

Cost of properties comprises land cost, development costs and other direct costs attributable to the development and borrowing costs capitalised during the development period that have been incurred in bringing the properties to their present condition.

Other inventories

Other inventories comprising consumable stores for own consumption which are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts and other receivables, restricted bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as accounts and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts and other receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including accounts and other payables, liability component of convertible notes and borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Convertible notes

The component parts of convertible notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and are amortised over the lives of the convertible notes using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the case of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share options reserve.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme, are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Income tax

The Group is subject to income tax in various jurisdictions. Significant judgement is required in determining the amount of the provision of tax and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in periods in which such determination are made.

The Group is subject to land appreciation tax ("LAT") in the People's Republic of China (the "PRC"). However, the implementation and settlement of this tax varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised certain LAT calculation and payments with local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount on the appreciation of land value and its related LAT. The Group recognised LAT based on management's best estimates according to the understanding of the tax rules.

During the year, the Group incurred LAT of approximately HK$4,417,000 (2013: HK$6,062,000) which was charged to the consolidated statement of profit or loss as income tax expense. The directors considered the amount charged to the consolidated statement of profit or loss to be adequate as this is calculated according to the method which is in compliance with the existing rules and interpretation of LAT.

Deferred tax on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have determined that certain of the Group's investment properties amounting to HK$231,250,000 (2013: HK$242,304,000) situated in the PRC are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. The presumption that the carrying amounts of certain of the Group's investment properties situated in the PRC are recovered entirely through sale has been rebutted and the deferred tax on the changes in fair value of these investment properties is recognised according to the relevant tax rules. For remaining investment properties amounting to HK$70,488,000 (2013: HK$76,595,000), the presumption that the carrying amounts of these investment properties measured using fair value model were recovered entirely through sales was not rebutted. As a result, the Group has recognised additional deferred tax in respect of the LAT as the property holding companies in the PRC are subject to LAT and enterprise income tax ("EIT") in the PRC upon disposal of the properties.

Key sources of estimation uncertainty

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

Income tax

No deferred tax asset has been recognised in respect of tax losses of HK$125,060,000 (2013: HK$88,558,000) as it is not probable that taxable profit will be available due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, additional recognition of deferred tax assets may arise, which would be recognised in the consolidated statement of profit or loss for the period in which it takes place.

Fair value of investment properties

Investment properties with a carrying amount of HK$301,738,000 (2013: HK$318,899,000) are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have used a method of valuation which involves certain assumptions of market conditions. In relying on the valuation report or making their own valuation, the directors of the Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

Information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties are disclosed in note 16.

Valuation of properties held for sale and properties held under development

Management determines the net realisable value of completed properties held for sale with carrying amount of HK$359,633,000 (2013: HK$343,501,000) by using prevailing market data such as most recent sale transactions and market survey reports available from independent qualified professional valuers, and internal estimates of costs based on quotes by suppliers.

Management's assessment of net realisable value of properties held under development with carrying amount of HK$105,465,000 (2013: HK$457,085,000) requires the estimates of future cash flows to be derived from these properties. These estimates requires judgement as to the anticipated sale prices by reference to recent sales transactions in nearby locations, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions.

The Group has recognised an impairment loss amounting to HK$2,318,000 during the year (2013: HK$14,836,000) which is included in cost of sales. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, a further loss will be recognised on the properties held for sale and properties held under development and properties held for sale in the consolidated statement of profit or loss.

5. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance is mainly focused on property development and property investment in the PRC. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segment:

For the year ended 31 December 2014

	Property development HK$'000	Property investment HK$'000	Consolidated HK$'000
SEGMENT REVENUE			
External sales	**509,845**	**14,460**	**524,305**
SEGMENT RESULTS			
Segment profit (loss)	**54,865**	**(12,589)**	**42,276**
Other unallocated income			**2,173**
Corporate expenses			**(48,380)**
Share of results of associates			**7,038**
Gain on disposal of subsidiaries			**39,166**
Profit before tax			**42,273**

For the year ended 31 December 2013

	Property development HK$'000	Property investment HK$'000	Consolidated HK$'000
SEGMENT REVENUE			
External sales	199,485	12,917	212,402
SEGMENT RESULTS			
Segment profit	15,801	11,494	27,295
Other unallocated income			1,215
Corporate expenses			(35,687)
Share of results of associates			19,848
Gain on deregistration of a subsidiary			8,898
Profit before tax			21,569

The Group does not allocate other unallocated income, corporate expenses, share of results of associates and gain on disposal/deregistration of subsidiaries to individual reportable segment profit or loss for the purposes of resource allocation and performance assessment by the chief operating decision makers.

The accounting policies adopted in preparing the reportable segment information are the same as the Group's accounting policies described in note 3.

Segment assets and liabilities

The following is an analysis of the Group's assets by reportable and operating segment, no liabilities are presented as the information is not reportable to the chief operating decision makers in the resource allocation and assessment of performance:

Segment assets

	2014 HK$'000	2013 HK$'000
Property development	**684,540**	1,090,503
Property investment	**401,848**	405,396
Total segment assets	**1,086,388**	1,495,899
Goodwill	**–**	29,249
Interests in associates	**–**	137,922
Corporate assets	**226,666**	213,806
Total assets	**1,313,054**	1,876,876

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to operating segments other than goodwill, interests in associates and corporate assets.

Other segment profit or loss information

The following charges (credits) are included in the measurement of segment profit or loss:

For the year ended 31 December 2014

	Property development HK$'000	**Property investment HK$'000**	**Unallocated HK$'000**	**Consolidated HK$'000**
Depreciation of property, plant and equipment	**506**	**725**	**687**	**1,918**
Fair value changes on investment properties	**–**	**9,765**	**–**	**9,765**
Impairment loss on properties held for sale	**2,318**	**–**	**–**	**2,318**
Interest income	**(4,430)**	**(1,730)**	**(2,022)**	**(8,182)**
Finance costs	**–**	**1,653**	**–**	**1,653**

For the year ended 31 December 2013

	Property development HK$'000	Property investment HK$'000	Unallocated HK$'000	Consolidated HK$'000
Depreciation of property, plant and equipment	472	1,123	676	2,271
Fair value changes on investment properties	–	(11,101)	–	(11,101)
Impairment loss on properties held for sale	14,836	–	–	14,836
Loss on disposal of investment properties	–	150	–	150
Interest income	(3,488)	(1,656)	(365)	(5,509)
Finance costs	–	1,828	–	1,828

Geographical information

No geographical information is presented as the operations, major customers and assets of the Group are substantially located in the PRC.

No major customers contributed over 10% of the total sales of the Group for the years ended 31 December 2014 and 2013.

6. REVENUE

The following is an analysis of the Group's revenue from its major business activities:

	2014 HK$'000	2013 HK$'000
Sale of properties held for sale	**509,845**	199,485
Rental income from investment properties	**14,460**	12,917
	524,305	212,402

7. OTHER INCOME

	2014	2013
	HK$'000	HK$'000
Interest income from banks	**8,182**	5,509
Exchange gain, net	**–**	844
Gain on disposal of property, plant and equipment	**184**	–
Others	**1,100**	2,748
	9,466	9,101

8. FINANCE COSTS

	2014	2013
	HK$'000	HK$'000
Interest on borrowings which are repayable within five years:		
Bank loans	**2,046**	3,260
Other loan	**–**	6
Imputed interest expense on loans from non-controlling shareholders	**106**	1,066
	2,152	4,332
Interest on borrowings which are repayable after five years:		
Bank loans	**–**	420
	2,152	4,752
Interest on convertible notes *(note 28)*	**2,929**	9,010
Total borrowing costs	**5,081**	13,762
Less: Amounts capitalised in properties held under development*	**(3,428)**	(11,934)
	1,653	1,828

* The finance costs have been capitalised at a rate of 2.67% (2013: 3.85%) per annum.

9. PROFIT BEFORE TAX

	2014 HK$'000	2013 HK$'000
Profit before tax is arrived at after charging (crediting):		
Cost of properties sold	**410,276**	163,013
Impairment loss on properties held for sale	**2,318**	14,836
Cost of properties held for sale recognised as expense	**412,594**	177,849
Depreciation of property, plant and equipment	**1,927**	2,621
Less: Amount capitalised in properties held under development	**(9)**	(350)
	1,918	2,271
Outgoings in respect of investment properties that generated rental income during the year	**3,239**	2,844
Operating lease charges in respect of land and buildings	**1,490**	356
Impairment loss on goodwill *(note 14)*	**16**	7,799
Impairment loss on amount due from an associate	**19**	–
Impairment loss on other receivables	**–**	74
Auditor's remuneration	**1,900**	1,350
Staff costs		
– Directors' emoluments *(note 11)*	**22,210**	12,868
– Salaries and other benefits in kind	**19,600**	21,437
– Compensation*	**19,365**	–
– Amount recognised as expense for retirement benefit costs	**2,089**	1,655
Less: Amount capitalised in properties held under development	**(5,648)**	(11,415)
	57,616	24,545
(Gain) loss on disposal of property, plant and equipment	**(184)**	8
Loss on disposal of investment properties	**–**	150
Exchange loss (gain), net	**1,711**	(844)

* This amount represented compensation to staffs, included mainly severance payments, discretionary awards and complimentary payments, to be payable by the Group to its employees in Suzhou, the PRC, as part of the sale and purchase of shares in the Company as mentioned in note 1. Such an amount has been recognised as an expense in the consolidated statement of profit or loss during the year ended 31 December 2014 and will be paid to its employees within one year from the Completion Date.

10. INCOME TAX EXPENSE

	Notes	**2014 HK$'000**	2013 HK$'000
Current tax			
PRC EIT	*(a)*	**21,143**	15,273
PRC LAT	*(b)*	**4,417**	6,062
		25,560	21,335
Deferred tax *(note 18)*		**2,014**	4,895
Total income tax expense		**27,574**	26,230

Notes:

(a) Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

No Hong Kong Profits Tax has been provided for as the Group had no estimated assessable profits for both years.

(b) Under the Provisional Rules on LAT Implementation Rules of the PRC implemented on 27 January 1995, all gains from the sales or transfer of land use rights, buildings and their attached facilities in the PRC are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

	2014 HK$'000	2013 HK$'000
Profit before tax	**42,273**	21,569
Tax at the PRC EIT at 25% (2013: 25%)	**10,568**	5,392
Tax effect of share of results of associates	**(1,759)**	(4,962)
Tax effect of expenses not deductible for tax purposes	**9,408**	11,395
Tax effect of income not taxable for tax purposes	**(11,568)**	(1,836)
Tax effect of deductible temporary differences not recognised	**580**	3,709
Tax effect of temporary difference arising from withholding tax for undistributed profits	**6,556**	1,549
Tax effect of tax losses not recognised	**9,126**	5,610
PRC LAT charge	**4,417**	6,062
Others	**246**	(689)
Income tax expense for the year	**27,574**	26,230

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 16 (2013: 9) directors were as follows:

	Notes	Fees HK$'000	Salaries, allowance and other benefits in kind HK$'000	Compensation for loss of office as directors HK$'000	Gratuity and discretionary bonus HK$'000	Contributions to retirement benefit scheme HK$'000	Total HK$'000
2014							
Executive directors							
Miss HUANG Jingshu	*(a)*	–	**1,718**	–	–	–	**1,718**
Mr. YIM Chun Leung	*(c)*	–	**2,759**	**2,721**	**820**	**237**	**6,537**
Mr. YE Xingan	*(a)*	–	**327**	–	–	–	**327**
Mr. CHEN Tieshen	*(a)*	–	**327**	–	–	–	**327**
Ms. DENG Chengying	*(a)*	–	**205**	–	–	–	**205**
Mr. TAOCHAIFU Choofuang	*(b)*	–	**541**	**1,685**	–	**60**	**2,286**
Mr. TAO Richard	*(b)*	–	**767**	**2,197**	–	**85**	**3,049**
Mr. TAO Paul	*(b)*	–	**767**	**2,159**	–	**85**	**3,011**
Mr. KONG Mui Sum Lawrence	*(b)*	–	**811**	**2,321**	**680**	**123**	**3,935**
		–	**8,222**	**11,083**	**1,500**	**590**	**21,395**
Non-executive director							
Mr. CHAN Bernard Charnwut	*(b)*	**83**	–	–	–	–	**83**
Independent non-executive directors							
Mr. ZHU Jiu Sheng	*(a)*	**158**	–	–	–	–	**158**
Mr. WANG Jing	*(a)*	**139**	–	–	–	–	**139**
Ms. HU Gin Ing	*(a)*	**158**	–	–	–	–	**158**
Mr. WONG Gary Ka Wai	*(b)*	**111**	–	–	–	–	**111**
Mr. SUN Leland Li Hsun	*(b)*	**83**	–	–	–	–	**83**
Mr. CHAN Norman Enrique	*(b)*	**83**	–	–	–	–	**83**
		732	–	–	–	–	**732**
		815	**8,222**	**11,083**	**1,500**	**590**	**22,210**

Notes: (a) Appointed on 15 May 2014

(b) Resigned on 5 June 2014

(c) Acted as the Chief Executive Officer of the Company since 7 July 2014.

	Fees HK$'000	Salaries, allowance and other benefits in kind HK$'000	Gratuity and discretionary bonus HK$'000	Contributions to retirement benefit scheme HK$'000	Total HK$'000
2013					
Executive directors					
Mr. TAOCHAIFU Choofuang	–	1,300	326	64	1,690
Mr. TAO Richard	–	1,846	461	93	2,400
Mr. TAO Paul	–	1,846	461	93	2,400
Mr. KONG Mui Sum Lawrence	–	1,950	487	101	2,538
Mr. YIM Chun Leung	–	2,304	576	124	3,004
	–	9,246	2,311	475	12,032
Non-executive director					
Mr. CHAN Bernard Charnwut	193	–	–	–	193
Independent non-executive directors					
Mr. WONG Gary Ka Wai	257	–	–	–	257
Mr. SUN Leland Li Hsun	193	–	–	–	193
Mr. CHAN Norman Enrique	193	–	–	–	193
	643	–	–	–	643
	836	9,246	2,311	475	12,868

No share option was granted to directors of the Company for the years ended 31 December 2014 and 2013.

No directors waived or agreed to waive any emoluments for the years ended 31 December 2014 and 2013.

(b) Employees' emoluments

The five highest paid individuals in the Group for the years ended 31 December 2014 and 2013 were all directors of the Company and details of their emoluments are reflected in the analysis presented above.

12. DIVIDENDS

	2014 HK$'000	2013 HK$'000
Dividends recognised as distribution during the year:		
Final dividend of 0.2 HK cents per ordinary share for 2012 paid as distribution during the year	**–**	2,579

No dividend for the years ended 31 December 2014 and 2013 has been proposed by the directors of the Company.

13. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	2014	2013
	HK$'000	HK$'000
Earnings (loss)		
Earnings (loss) for the purposes of basic and diluted earnings per share	**16,326**	(14,739)

	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**1,353,716,018**	1,291,544,460
Effect of dilutive potential ordinary shares in respect of		
– Share options	**6,867,344**	–
– Convertible notes	**21,718,555**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,382,301,917**	1,291,544,460

No diluted loss per share for the year ended 31 December 2013 was presented as the exercise of share options and conversion of convertible notes would result in a reduction in loss per share for the year ended 31 December 2013.

14. GOODWILL

	2014	2013
	HK$'000	HK$'000
Balance as at 1 January	**29,249**	37,048
Derecognised on disposal of subsidiaries *(note 33)*	**(29,233)**	–
Impairment	**(16)**	(7,799)
Balance as at 31 December	**–**	29,249

As at 31 December 2013, goodwill mainly represented an amount of HK$26,122,000 (net of accumulated impairment loss of HK$7,550,000) that arose from acquisition of a subsidiary in 2005, which was allocated to one cash generating unit (CGU) with its principal activities being hotel operation and property investment.

The recoverable amount of the CGU was measured based on fair value less costs to sell, which was determined according to the estimated sales proceeds with respect to the possible disposal of the entire interests in the CGU. As at 31 December 2013, the recoverable amount of the CGU determined using the above basis is lower than its carrying value by HK$7,550,000. Accordingly, an impairment loss of HK$7,550,000 was recognised.

During the year ended 31 December 2014, the whole amount of goodwill was derecognised upon deregistration or disposal of subsidiaries (see note 33).

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Operating and office equipment HK$'000	Furniture and fixtures HK$'000	Total HK$'000
COST						
At 1 January 2013	51,082	9,866	3,270	4,668	2,668	71,554
Exchange differences	352	256	84	143	39	874
Additions	–	265	124	30	162	581
Disposals/Written Off	–	(43)	–	(86)	(84)	(213)
At 31 December 2013	51,434	10,344	3,478	4,755	2,785	72,796
Exchange differences	(264)	(194)	(59)	(95)	(28)	(640)
Additions	–	564	–	876	309	1,749
Disposals	–	–	(838)	(1,606)	(148)	(2,592)
Derecognised on disposal of subsidiaries	(40,160)	(1,720)	(500)	–	(1,585)	(43,965)
At 31 December 2014	11,010	8,994	2,081	3,930	1,333	27,348
DEPRECIATION						
At 1 January 2013	4,241	9,283	2,106	4,489	2,076	22,195
Exchange differences	85	243	52	138	28	546
Provided for the year	1,358	510	479	68	206	2,621
Eliminated on disposals/written off	–	(40)	–	(77)	(60)	(177)
At 31 December 2013	5,684	9,996	2,637	4,618	2,250	25,185
Exchange differences	(75)	(187)	(43)	(92)	(23)	(420)
Provided for the year	823	162	437	158	347	1,927
Eliminated on disposals/written off	–	–	(677)	(1,606)	(148)	(2,431)
Eliminated on disposal of subsidiaries	(2,945)	(1,720)	(500)	–	(1,336)	(6,501)
At 31 December 2014	3,487	8,251	1,854	3,078	1,090	17,760
CARRYING VALUES						
At 31 December 2014	7,523	743	227	852	243	9,588
At 31 December 2013	45,750	348	841	137	535	47,611

Owner-occupied leasehold land located in the PRC is included in property, plant and equipment as the allocations between the land and buildings elements cannot be made reliably.

Property, plant and equipment are depreciated, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of the lease or 2% – 5%
Leasehold improvements	10% – 20%
Motor vehicles	20%
Operating and office equipment	5% – 20%
Furniture and fixtures	20%

Carrying amount of the Group's leasehold land and buildings held under long leases comprises:

	2014	2013
	HK$'000	HK$'000
Land in Hong Kong	**–**	37,483
Land outside Hong Kong	**7,523**	8,267
	7,523	45,750

As at 31 December 2013, certain leasehold land and buildings with the aggregate carrying amount of HK$37,483,000 were pledged to secure certain bank loans granted to the Group (note 29(a)). As at 31 December 2014, the properties have been derecognised upon disposal of subsidiaries (note 33).

16. INVESTMENT PROPERTIES

	2014	2013
	HK$'000	HK$'000
At beginning of the year	**318,899**	304,594
Disposals	**–**	(6,691)
(Decrease) increase in fair value recognised in profit or loss	**(9,765)**	11,101
Exchange differences	**(7,396)**	9,895
At end of the year	**301,738**	318,899

All of the Group's investment properties held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

As at 31 December 2014, certain investment properties of HK$160,500,000 (2013: HK$167,680,000) were pledged to secure certain bank loans granted to the Group (note 29(a)).

Investment properties included leasehold interests in land located in the PRC under long lease.

The fair value of the Group's investment properties as at 31 December 2014 and 31 December 2013 has been arrived at on the basis of a valuation carried out on the respective dates by Messrs Knight Frank Petty Limited, independent qualified professional valuers not connected to the Group.

The fair value, which falls under Level 3 of the fair value hierarchy, was determined based on the capitalisation of net income method, where the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The fair value of the Group's investment properties is a recurring fair value measurement. The following table gives information about how the fair values of these investment properties are determined, as well as the fair value hierarchy into which the fair value measurement are categorised (Level 3), based on the degree to which the inputs to the fair value measurement is observable.

Investment properties held by the Group in the consolidated statement of financial position	**Fair value hierarchy**	**Valuation technique(s)**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**	**Range**
Residential units – Suzhou Garden Villa Phase 1, 2 and 3 with an aggregate carrying amount of HK$82,488,000 (2013: HK$90,035,000)	Level 3	Income approach	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property and prevailing market condition.	The higher the capitalisation rate, the lower the fair value.	1% to 4.5% (2013: 1% to 4.5%)
			Market unit rents were obtained from making reference to the current rent, the prevailing market rental level and taking into account of location, size etc. (RMB/sq m/month).	The higher the market unit rent, the higher the fair value.	RMB37 to RMB42 (2013: RMB40 to RMB42)
Shopping arcades with an aggregate carrying amount of HK$219,250,000 (2013: HK$228,864,000)	Level 3	Income approach	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property and prevailing market condition.	The higher the capitalisation rate, the lower the fair value.	4.75% to 6.5% (2013: 4.75% to 6.5%)
			Market unit rents were obtained from making reference to the current rent, the prevailing market rental level and taking into account of location, size etc. (RMB/sq m/month).	The higher the market unit rent, the higher the fair value.	RMB130 to RMB190 (2013: RMB130 to RMB187)

There was no transfer into or out of Level 3 during the year.

17. INTERESTS IN ASSOCIATES

	Notes	**2014 HK$'000**	2013 HK$'000
Share of net assets	*(a)*	–	137,678
Amount due from an associate	*(b)*	–	244
		–	137,922

Notes:

(a) Particulars of associates as at 31 December 2013 were as follows:

Company name	Place of incorporation/ establishment and operation	Percentage of interest held	Principal activities
Beijing Landmark Towers Co., Ltd. ("BLTCL")*	PRC	30.05%	Hotel ownership and property investment
Art Shine Limited**	HK	40%	Inactive

* The associate was disposed of during the year through disposal of subsidiaries for the year (see note 33).

** The associate was deregistered during the year.

(b) The amount due is unsecured, interest-free and not repayable within twelve months from the end of the reporting period.

(c) Summarised financial information of BLTCL as at 31 December 2013, in which the financial statements were prepared in accordance with HKFRSs.

	As at 31 December 2013 HK$'000
Non-current assets	412,109
Current assets	182,541
Current liabilities	115,918
Non-current liabilities	20,567

	For the year ended 31 December 2013 HK$'000
Revenue	371,391
Profit from continuing operations	66,048
Other comprehensive income	3,692
Total comprehensive income	69,740
Dividends received from an associate	24,929

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	As at 31 December 2013 HK$'000
Net assets of BLTCL	458,165
Proportion of the Group's ownership interest in BLTCL	30.05%
Carrying amount of the Group's interest in BLTCL	137,678

18. DEFERRED TAX

The movement in deferred tax (liabilities) assets arising from temporary differences are as follows:

	Fair value adjustments on investment properties HK$'000	**Sales deposits received and related prepaid costs** HK$'000	**Withholding tax for undistributed profits** HK$'000	**Others** HK$'000	**Total** HK$'000
Balance as at 1 January 2013	(41,562)	–	(5,785)	167	(47,180)
Charged to the profit or loss *(note 10)*	(3,346)	–	(1,549)	–	(4,895)
Exchange differences	(1,393)	–	(112)	6	(1,499)
Balance as at 31 December 2013	(46,301)	–	(7,446)	173	(53,574)
Credited (charged) to the profit or loss *(note 10)*	**3,398**	**1,144**	**(6,556)**	**–**	**(2,014)**
Disposal of subsidiaries *(note 33)*	**–**	**–**	**3,332**	**–**	**3,332**
Exchange differences	**1,058**	**(9)**	**162**	**(4)**	**1,207**
Balance as at 31 December 2014	**(41,845)**	**1,135**	**(10,508)**	**169**	**(51,049)**

Pursuant to the EIT Law of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign-invested enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries and an associate established in the PRC in respect of earnings generated from 1 January 2008. The deferred tax liabilities in respect of temporary differences attributable to undistributed profits of the PRC subsidiaries and associate have been recognised in profit or loss.

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2014 HK$'000	2013 HK$'000
Deferred tax assets	**1,304**	173
Deferred tax liabilities	**(52,353)**	(53,747)
	(51,049)	(53,574)

At the end of the reporting period, the Group has unused tax losses of HK$125,060,000 (2013: HK$88,558,000) available for offset against future profits. Deferred tax asset in respect of such tax losses has not been recognised in the consolidated financial statements due to the unpredictability of future profit streams against which the tax losses can be utilised. The tax losses of the subsidiaries operating in the PRC amounted to HK$28,000 (2013: HK$28,000) can be carried forward for five years and the remaining tax losses of the subsidiaries operating in Hong Kong will not expire under the current tax legislation.

At the end of reporting period, the Group has deductible temporary differences of HK$17,154,000 (2013: HK$14,836,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

19. PROPERTIES HELD UNDER DEVELOPMENT

	2014	2013
	HK$'000	HK$'000
Amounts comprise:		
Construction costs	**55,489**	315,750
Land use rights	**48,066**	125,925
Interest capitalised	**1,910**	15,410
	105,465	457,085

Included in properties held under development of HK$105,465,000 (2013: 106,838,000) is expected to be realised after twelve months from the end of the reporting period.

20. PROPERTIES HELD FOR SALE

Properties held for sale included leasehold interests in land located in the PRC under long lease.

21. OTHER INVENTORIES

Other inventories represent low value consumables carried at cost.

22. ACCOUNTS RECEIVABLE

	2014	2013
	HK$'000	HK$'000
Accounts receivable	**10**	166

Accounts receivable represent rental income from leasing properties. Monthly rents are normally received in advance and sufficient rental deposits are held to minimise credit risk. Accounts receivable generally have credit terms of 30 to 60 days (2013: 30 to 60 days) and no interest is charged. All accounts receivable are denominated in Renminbi ("RMB"). The ageing analysis of the Group's accounts receivable, based on invoice dates, is as follows:

	2014	2013
	HK$'000	HK$'000
Within 30 days	**10**	127
31 – 60 days	**–**	39
	10	166

The carrying amount of accounts receivable is considered a reasonable approximation of fair value as this financial asset, which is measured at amortised cost, is expected to be paid within a short timescale, such that the time value of money impact is not significant.

As at 31 December 2014 and 2013, all accounts receivable were neither past due nor impaired. These related to a number of customers for whom there was no recent history of default.

23. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	2014 HK$'000	2013 HK$'000
Deposits paid and prepayments	**6,245**	13,961
Other receivables	**18,155**	33,582
	24,400	47,543

Included in other receivables is an aggregate amount of HK$3,594,000 (2013: HK$3,680,000) receivable from a non-controlling shareholder of a subsidiary in which the balances are unsecured, interest-free and repayable on demand.

Pursuant to Accordcity Disposal Agreement as defined in note 33(a), Highmind Limited should bear any duties and tax in connection with such disposal. An amount of HK$3,198,000 and HK$578,000 have been included in tax payable and other payables respectively as in the opinion of directors of the Company, it is probable that the Group in the capacity as the seller will have to pay the related tax and duties. At the same time, an amount of HK$3,776,000 has been included in other receivables to reflect the Group's right to recover from Highmind Limited any duties and tax paid relating to the disposal in accordance with Accordcity Disposal Agreement.

The carrying amounts of other receivables approximate their fair values. Other receivables were neither past due nor impaired and were related to a number of counterparties for whom there was no recent history of default.

24. RESTRICTED BANK DEPOSITS

	Notes	2014 HK$'000	2013 HK$'000
Analysis of restricted bank deposits:			
Deposits pledged against mortgage loans granted to the purchasers of properties	*(a)*	**23,335**	27,497
Restricted bank deposits	*(b)*	**–**	8,733
		23,335	36,230

Notes:

(a) The bank deposits were pledged as security in favour of banks and financial institutions in the PRC which provided mortgage loans to purchasers of properties for the period from the date of draw-down of mortgage loans to the date when the certificates for housing ownership and certificates of others' interest for housing ownership (collectively known as "Certificates") are granted to the property purchasers. Such charges would be released when the Certificates are granted to the property purchasers. In the opinion of the directors of the Company, such charges are expected to be released within the next twelve months from the end of the reporting period. The deposits earn interest based on daily bank deposits rates.

(b) In accordance with the terms of the banking facilities and regulations issued by local government, certain property development companies of the Group are required to maintain certain amount of cash at designated bank accounts for securing the repayment of bank loans and wages payments to contractors' workers for construction projects. These deposits earn interest at floating rates based on daily bank deposits rates. During the year, the construction projects have been completed and bank loans have been repaid, thus the restricted bank deposits have been released.

25. BANK BALANCES AND CASH

Included in bank balances and cash is an aggregate amount of HK$88,750,000 (2013: HK$1,277,000) fixed deposits with maturity date in January 2015, which are principal-protected yield enhancement bank deposit carrying a minimum interest rate of 1.8% (2013: 0.1%) per annum and can be enhanced to a maximum interest rate of 4.7% (2013: 7.1%) per annum which is to be determined by reference to the market interest rates, market exchange rate of United States dollars ("USD")/RMB or market exchange rate of Australian Dollar ("AUD")/USD. Such deposits contain embedded derivative representing a return which would vary with prevailing market exchange rate of USD/RMB and AUD/USD. The directors of the Company consider that the fair value of the embedded derivative is minimal and hence no derivative financial instruments are recognised.

As at 31 December 2013, included in bank balances and cash was a fixed deposit of HK$78,000,000 with original maturity period of more than three months but within one year.

As at 31 December 2014, there is no fixed deposit with original maturity period of more than three months but within one year.

The effective interest rate of cash at banks, excluding the structured bank deposits, is in the range of 0.01% to 3.83% (2013: 0.01% to 1.25%) per annum.

26. ACCOUNTS PAYABLE

Based on the invoice dates, the ageing analysis of the Group's accounts payable is as follows:

	Notes	**2014 HK$'000**	2013 HK$'000
Within 30 days		**–**	8
31 – 60 days		**–**	12
Over 365 days		**894**	1,420
Rental received on behalf of landlords	*(a)*	**894**	1,440
Accrued construction costs and other project-related expenses	*(b)*	**70,770**	110,739
		71,664	112,179

Notes:

(a) Rental received on behalf of landlords comprised net rental received from tenants after netting off fee charged to them provided by external service providers.

(b) The amounts represent construction costs and other project-related expenses payable which are accrued based on the terms of the relevant agreements and the progress of the projects, and are not due for payment as at the end of both reporting periods.

27. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2014 HK$'000	2013 HK$'000
Deposits received	**22,119**	393,711
Accruals and other payables	**30,399**	22,534
	52,518	416,245

Included in other payables is an aggregate amount of HK$5,302,000 (2013: HK$5,302,000) payable to non-controlling shareholders of a subsidiary, in which the balances are unsecured, interest-free and repayable on demand.

28. CONVERTIBLE NOTES

	2014	2013
	HK$'000	HK$'000
Carrying amount of the liability component as at 1 January	**42,140**	74,350
Interest charged *(note 8)*	**2,929**	9,010
Interest paid	**(1,441)**	(4,425)
Conversion during the year	**(43,628)**	(36,795)
Carrying amount of the liability component as at 31 December	**–**	42,140

On 10 August 2007, the Company entered into a Convertible Notes Subscription Agreement (the "2007 Agreement") with Asia Financial Holdings Limited ("AFH") and Asia Insurance Company, Limited ("AICL") (AICL is a subsidiary of AFH which is controlled by the associates of Mr. CHAN Bernard Charnwut, the then non-executive director of the Company). Pursuant to the 2007 Agreement, AFH and AICL agreed to acquire the convertible notes (the "2007 Notes") at HK$50,000,000 and HK$25,000,000 respectively, in total of the principal amount of HK$75,000,000 at interest rate of 5% per annum, payable in arrears on a quarterly basis on 31 March, 30 June, 30 September and 31 December of each year between the date of issue of the 2007 Notes and the maturity date. The 2007 Notes were issued to AFH and AICL on 15 October 2007 and the maturity date was 60 months from the date of issue of the 2007 Notes.

The 2007 Notes were not transferable and not allowed for redemption before the maturity date. Unless previously converted, the Company was obliged to redeem the 2007 Notes on the maturity date at the redemption price of 110% of the principal amount of the 2007 Notes outstanding together with accrued interest payables.

The principal amount of HK$35,000,000 (HK$25,000,000 for AFH and HK$10,000,000 for AICL) of the 2007 Notes should be compulsorily converted at the conversion price of HK$1.10 per conversion share within seven business days if the closing price per share of the Company was HK$1.10 or higher for ten consecutive trading days during the period between the date of issue of the 2007 Notes and five business days prior to the maturity date.

In addition, the 2007 Notes could be converted by the holders into ordinary shares of the Company at any part of the principal amount of the 2007 Notes in the multiple of HK$25,000,000, at a conversion price of HK$1.10 per conversion share, at any time during the period between the date of issue of the 2007 Notes and the maturity date.

The 2007 Notes contain two components: equity and liability elements. The equity element is presented in equity heading "Convertible notes equity reserve". The fair value of the liability component at inception date is determined based on the present value of the contractual cash flows payable in the future.

Subsequently on 5 July 2011, the Company entered into a subscription agreement with AFH and AICL in relation to the issue of the 2011 convertible notes (the "2011 Notes"), of which the interest rate has been changed to 6% per annum and the maturity date is 36 months from the date of issue of the 2011 Notes. Notwithstanding that the 2007 Notes did not contain any early redemption clause, the Company, AFH and AICL agreed that, the 2007 Notes were redeemed by the Company on 30 September 2011 by issuing the 2011 Notes to AFH and AICL on 30 September 2011. Upon redemption, the 2007 Notes were cancelled.

The difference between the redemption amount of 2007 Notes and the fair value of the liability component of 2011 Notes on 30 September 2011 was charged to consolidated statement of profit or loss for the year ended 31 December 2011.

The 2011 Notes contain two components: equity and liability elements. The equity component is presented in equity heading "Convertible notes equity reserve". The fair value of the liability component at the inception date is determined based on the present value of the contractual cash flows payable in the future at a discount rate which was determined with reference to the market interest rate for an equivalent non-convertible notes and remaining time to maturity. The effective interest rate of the liability component was 13,38% per annum.

During the year ended 31 December 2013, principal amount of HK$35,000,000 (HK$25,000,000 for AFH and HK$10,000,000 for AICL) of the 2011 Notes has been compulsorily converted into ordinary shares of the Company according to the compulsory conversion clause as stated in the 2011 Notes. The conversion gave rise to the issue of 31,818,181 ordinary shares of HK$0.01 each of the Company and derecognition of carrying value of liability component and equity component by HK$36,795,000 and HK$420,000, respectively.

On 7 August 2014, the Company received notices from AFH and AICL, requesting for the conversion of the 2011 Convertible Notes in the principal amount of HK$25,000,000 and HK$15,000,000, respectively. Accordingly, the Company has allotted and issued a total of 36,363,635 ordinary shares to AFH and AICL at the conversion price of HK$1.10 per conversion share on 7 August 2014. The ordinary shares issued as a result of the conversion rank pari passu with all the then existing shares as at the date of allotment.

29. BORROWINGS

	2014	2013
	HK$'000	HK$'000
Borrowings comprise:		
Bank loans – variable rate *(note a)*	**23,678**	80,523
Loans from non-controlling shareholders *(note b)*	**74,823**	101,105
	98,501	181,628
Analysed as:		
Secured	**21,125**	56,956
Unsecured	**77,376**	124,672
	98,501	181,628
Carrying amount repayable *(note c)*		
Within one year	**6,500**	32,938
More than one year, but not more than five years	**89,448**	96,455
	95,948	129,393
Carrying amount of bank loans that contain a repayment on demand clause *(note c)*		
– repayable within one year	**2,553**	25,770
– repayable after one year (shown under current liabilities)	**–**	26,465
	2,553	52,235
	98,501	181,628
Amounts shown under current liabilities	**(9,053)**	(85,173)
Amounts due after one year	**89,448**	96,455

All the Group's borrowings are denominated in the functional currencies of the relevant group companies (i.e. RMB and HKD) except loans from non-controlling shareholders of a subsidiary amounting to HK$74,823,000 (2013: HK$74,823,000) and bank loans of nil (2013: HK$18,667,000), which are denominated in USD.

Notes:

(a) Bank loans amounting to HK$21,125,000 (2013: HK$56,956,000) were secured by pledges of certain leasehold land and buildings, and investment properties of the Group (notes 15 and 16). For bank loans denominated in HKD, the effective interest rates ranging from 2.83% to 2.91% (2013: 1.97% to 4.55%) per annum. For bank loans denominated in RMB, the effective interest rate was 6.22% (2013: 6.22%) per annum. For bank loans denominated in USD, the effective interest rate was 2.44% to 2.45% per annum for the year ended 31 December 2013.

(b) Loans from non-controlling shareholders are unsecured and interest-free. The loans were initially recognised at fair value and subsequently stated at amortised cost which was estimated by discounting the nominal value of the loans at effective interest rate of 2.08% to 4.55% per annum.

During the year ended 31 December 2014, the loan from a non-controlling shareholder of a subsidiary with carrying value of approximately HK$26,460,000 was fully settled (note 32) and a loss on early repayment of loan of approximately HK$72,000 has been recognised in consolidated statement of profit or loss.

During the year ended 31 December 2013, the Group made partial repayment and extended certain repayment terms of certain loans from non-controlling shareholders of a subsidiary from April 2013 to April 2016. The directors considered that such early repayment and extension of repayment terms represented a modification of the original loans.

(c) The amounts due are based on the scheduled repayment dates set out in the loan agreements.

30. SHARE CAPITAL

	2014		2013	
	Number of shares	**Amount HK$'000**	Number of shares	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**30,000,000,000**	**300,000**	30,000,000,000	300,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At 1 January	**1,324,606,646**	**13,246**	1,285,398,465	12,854
Arising from issue of ordinary shares on exercise of share options *(Note)*	**23,270,000**	**233**	7,390,000	74
Arising from issue of ordinary shares on conversion of convertible notes *(note 28)*	**36,363,635**	**363**	31,818,181	318
At 31 December	**1,384,240,281**	**13,842**	1,324,606,646	13,246

Note:

For the year ended 31 December 2014, the Company issued 23,270,000 (2013: 7,390,000) ordinary shares of HK$0.01 each in relation to the exercise of the share options by certain employees of the Group at the subscription price of HK$0.235 per ordinary share (note 34). The difference between the subscription price and par value amounting to approximately HK$5,236,000 (2013: HK$1,663,000) was credited to share premium. In addition, the portion of share option reserve in relation to the exercise of the share options exercised during the year amounted to approximately HK$2,172,000 (2013: HK$656,000) was transferred to the Company's share premium.

As detailed in note 28, an aggregate number of 36,363,635 (2013: 31,818,181) of new ordinary shares of par value of HK$0.01 (2013: HK$0.01) each were issued at a conversion price of HK$1.10 (2013: HK$1.10). The conversion gave rise to a credit to share capital of HK$363,000 (2013: HK$318,000) and the remaining balance of HK$43,265,000 (2013: HK$36,477,000) was credited to the share premium. In addition, the portion of convertible notes equity reserve in relation to the conversion of convertible notes during the year amounted to approximately HK$480,000 (2013: HK$420,000) was transferred to the Company's share premium.

31. RESERVES

	Notes	**2014** **HK$'000**	2013 HK$'000
Share premium	*(i)*	**579,346**	528,150
Share option reserve	*(ii)*	**–**	2,215
Convertible notes equity reserve	*(iii)*	**–**	480
Merger reserve	*(iv)*	**89,936**	89,936
Property revaluation reserve	*(v)*	**2,119**	24,417
Exchange reserve	*(vi)*	**102,390**	151,905
Statutory reserve	*(vii)*	**22,031**	32,745
Retained profits		**179,181**	130,231
		975,003	960,079

Notes:

The movements of the Group's reserves for the year are presented in the consolidated statement of changes in equity of the financial statements. The nature and purpose of the reserves are as follows:

(i) Under the Companies Law (2011 Revision) of the Cayman Islands, the share premium account is distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be paid, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) The share option reserve represents the value of the unexercised share options granted under the Company's share option scheme to the eligible participants.

(iii) The convertible notes equity reserve represents the value of the equity component of convertible notes.

(iv) The merger reserve of the Group represents the excess of the nominal value of the share capital of the subsidiaries acquired pursuant to the Group's reorganisation completed on 23 June 2005 over the nominal value of the Company's shares issued in exchange therefor.

(v) The property revaluation reserve represents accumulated gains and losses arising on the revaluation of the corresponding properties that has been recognised in other comprehensive income, net of amounts transferred to retained profits when the corresponding properties are disposed of or are determined to be impaired.

(vi) The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(vii) As stipulated by the relevant laws and regulations in the PRC, certain subsidiaries and associate of the Company in the PRC are required to maintain a statutory reserve which is non-distributable other than upon the liquidation or disposal of the entity. Transfer to this reserve is made out of profit after tax of the subsidiaries' and an associate's PRC statutory financial statements which are prepared in accordance with the accounting principles generally accepted in the PRC.

32. ACQUISITION OF NON-CONTROLLING INTERESTS

On 28 February 2014, the Group as purchaser entered into a conditional sale and purchase agreement (the "NHDL Acquisition Agreement") with Onsite Investment Limited ("Onsite Investment"), the then non-controlling shareholder of a subsidiary of the Company, as vendor to acquire 9.615% equity interest in a non-wholly owned subsidiary, New Heritage Development Limited ("NHDL"), and the shareholder's loan due and owing by NHDL to Onsite Investment (the "NHDL Loan") as at the date of the NHDL Acquisition Agreement, at a consideration of HK$72,919,000 in aggregate (apportioned as to HK$46,459,000 for the sale shares and as to HK$26,460,000 for the shareholder's loan). NHDL is engaged in investment holding with its subsidiaries engaged in properties development and investment in the PRC. The acquisition was completed on 8 May 2014. Following the acquisition, NHDL became a wholly-owned subsidiary of the Company.

Onsite Investment is a company incorporated in the BVI with limited liability and controlled by AFH which is controlled by the associates of Mr. Chan Bernard Charnwut, the non-executive director of the Company when the sale and purchase agreement was entered into. Therefore, the acquisition constitutes a non-exempt connected transaction.

The transaction has been accounted for as equity transaction with the non-controlling interests and the decrease in equity attributable to owners of the Company, as included in retained profits, was as follows:

	2014 **HK$'000**
Consideration paid for 9.615% ownership interest in NHDL	**46,459**
Net assets of NHDL attributable to 9.615% ownership interest	**(46,071)**
	388
Consideration paid for NHDL Loan	**26,460**
Carrying value of the NHDL Loan *(Note 29(b))*	**(26,460)**
	–

33. GAIN ON DISPOSAL AND DEREGISTRATION OF SUBSIDIARIES

(a) Gain on disposal of subsidiaries

On 28 February 2014, the Group as vendor entered into a conditional sale and purchase agreement (the "Accordcity Disposal Agreement") with Highmind Limited as purchaser to dispose of the entire equity interests in a wholly-owned subsidiary, Accordcity Limited ("Accordcity"), and its subsidiary and an associate (collectively referred to as the "Accordcity Group"), and the shareholder's loan due by Accordcity to the Group, which at completion of the Accordcity Disposal Agreement, amounted to HK$76,100,000, at a consideration of HK$170,252,000 in aggregate (apportioned as to HK$94,152,000 for the sale shares and as to HK$76,100,000 for the shareholder's loan). Accordcity Group was engaged in hotel operation and property investment in the PRC through its associate. The disposal was completed on 8 May 2014.

On 28 February 2014, the Group as vendor entered into a conditional sale and purchase agreement (the "NHML Disposal Agreement") with Gavett Limited as purchaser to dispose of the entire equity interests in a wholly-owned subsidiary, New Heritage Management Limited ("NHML") and its subsidiaries (collectively referred to as the "NHML Group"), and the shareholder's loan due by NHML to the Group, which at completion of the NHML Disposal Agreement amounted to HK$9,000,000, at a consideration of HK$23,210,000 in aggregate (apportioned as to HK$14,210,000 for the sale shares and as to HK$9,000,000 for the shareholder's loan). The principal assets of NHML Group are commercial properties in Hong Kong. The disposal was completed on 8 May 2014.

Highmind Limited and Gavett Limited are companies incorporated in the BVI with limited liability. These companies are wholly and beneficially owned by Mr. TAOCHAIFU Choofuang, Mr. TAO Richard and Mr. TAO Paul, who were the then directors and shareholders of the Company. Therefore, the disposals constitute connected transactions.

Net assets of the above subsidiaries at the date of disposal were as follows:

	2014 HK$'000
Net assets disposed of:	
Goodwill	**29,233**
Property, plant and equipment	**37,464**
Interest in an associate	**141,489**
Deposits paid, prepayments and other receivables	**390**
Bank balances and cash	**10,664**
Accruals, deposits received and other payables	**(1,400)**
Shareholder's loans	**(85,100)**
Borrowings	**(30,108)**
Deferred tax liabilities	**(3,332)**
	99,300
Exchange reserve released on disposal	**(30,104)**
Shareholder's loan due from Accordcity assigned	**76,100**
Shareholder's loan due from NHML assigned	**9,000**
Gain on disposal of subsidiaries	**39,166**
Total consideration	**193,462**
Satisfied by Cash	**193,462**

An analysis of the net cash inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2014 HK$'000
Total cash consideration received	**193,462**
Bank balances and cash disposed of	**(10,664)**
Net cash inflow on disposal	**182,798**

(b) Gain on deregistration of a subsidiary

On 28 January 2013, the Group deregistered a non-wholly owned subsidiary, namely Suzhou New Heritage Wuzhong Limited. As a result, the Group recognised HK$8,898,000 gain on deregistration of a subsidiary in the consolidated statement of profit or loss for the year ended 31 December 2013, which represented the exchange reserve being reclassified to consolidated statement of profit or loss.

34. SHARE-BASED EMPLOYEE COMPENSATION

Pursuant to the written resolutions of all the then shareholders passed on 14 November 2005, the Company has conditionally adopted the Share Option Scheme (the "Scheme") for employee compensation.

The purpose of the Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants for their contributions to the Group and for such other purposes as the Board may approve from time to time.

Pursuant to the Scheme, the Board may, at its discretion, invite any executive or non-executive directors including independent non-executive directors or any employees (whether full-time or part-time) of the Company, its subsidiaries and associated companies; any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of each member of the Group or its associated companies; any consultants, professional and other advisers to each member of the Group or its associated companies (or persons, firms or companies proposed to be appointed for providing such services); any chief executives or substantial shareholders of the Company; any associates of any director, chief executive or substantial shareholder of the Company; and any employees (whether full-time or part-time) of substantial shareholders of the Company, provided that the Board may have absolute discretion to determine whether or not one falls within the above categories, (together, the "Participants" and each a "Participant"), to take up options ("Option(s)") to subscribe for shares at a price determined in accordance with the paragraph below.

In determining the basis of eligibility of each Participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

The Scheme shall be valid and effective for a period of 10 years commencing on the date on which the Scheme is adopted, after which period no further Options will be granted but in all other respects the provisions of the Scheme shall remain in full force and effect, and Options which are granted during the life of the Scheme may continue to be exercisable in accordance with their terms of grant.

The subscription price in respect of each share issued pursuant to the exercise of Options granted hereunder shall be a price solely determined by the Board and notified to a Participant and shall be at least the highest of:

(a) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the business day on which an offer is accepted by the grantee or if such date of acceptance by the grantee is not a business day, the immediately preceding business day;

(b) a price being the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date on which an offer is accepted by the grantee (provided that the new issue price shall be used as the closing price for any business day falling within the period before listing of the shares where the Company has been listed for less than 5 business days as at the date on which an offer is accepted by the grantee); and

(c) the nominal value of a Company's share.

The total number of shares, which may be issued upon exercise of all Options to be granted under the Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the total number of shares in issue on the date of commencement of dealings in the shares on the Stock Exchange ("Scheme Mandate Limit"), unless the Company obtains an approval from its shareholders. Options lapsed in accordance with the terms of the Scheme will not be counted for the purpose of calculating such 10% limit.

On 5 May 2014, an ordinary resolution regarding the refreshment of Scheme Mandate Limit was approved by the shareholders of the Company at the AGM. Starting from 5 May 2014, further Options to subscribe up to 132,460,664 shares, being 10% of the total number of Shares in issue on the date of the AGM are available to be granted under the Scheme.

Notwithstanding any other provisions of the Scheme, the maximum number of the shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of shares in issue from time to time.

Unless approved by the shareholders, the total number of shares issued and to be issued upon exercise of the Options granted to each participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

Offer of an option ("Offer") shall be deemed to have been accepted by any Participant (the "Grantee") who accepts an Offer in accordance with the terms of the Scheme and the option to which the Offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the Offer duly signed by the Grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the granting thereof is received by the Company within 14 days from the date upon which the Offer is made.

In May 2014, China LVGEM made unconditional cash offer for cancellation of all outstanding share options of the Company at the offer price of HK$0.865 for each option (the "Option Offer"). As a result of the Option Offer, 480,000 Options held by those optionholders who have accepted the Option Offer were cancelled. The carrying amount of these cancelled Options was HK$43,000 which was released from share option reserve to share premium.

Details of the Options granted by the Company pursuant to the Scheme and the Options outstanding as at 31 December 2014 were as follows:

			Number of options						
	Date of grant (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Balance at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled pursuant to acceptance under the Option Offer by China LVGEM *(Note)*	Balance at 31 December 2014	Exercise price per share HK$
Executive directors	04/09/2012	04/09/2012 to 03/09/2017	**16,000,000**	**–**	**(16,000,000)**	**–**	**–**	**–**	**0.2350**
Employees	04/09/2012	04/09/2012 to 03/09/2017	**7,750,000**	**–**	**(7,270,000)**	**–**	**(480,000)**	**–**	**0.2350**
			23,750,000	**–**	**(23,270,000)**	**–**	**(480,000)**	**–**	

Details of the Options granted by the Company pursuant to the Scheme and the Options outstanding as at 31 December 2013 were as follows:

			Number of Options					
	Date of grant (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Balance at 1 January 2013	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31 December 2013	Exercise price per share HK$
Executive directors	04/09/2012	04/09/2012 to 03/09/2017	16,000,000	–	–	–	16,000,000	0.2350
Employees	04/09/2012	04/09/2012 to 03/09/2017	15,140,000	–	(7,390,000)	–	7,750,000	0.2350
			31,140,000	–	(7,390,000)	–	23,750,000	

Notes: Certain holders of the Options have accepted the Option Offer made by China LVGEM pursuant to the offers in respect of 480,000 Options pursuant to the Composite Document dated 15 May 2014 jointly issued by the Company and China LVGEM. Please refer to the announcement dated 5 June 2014 jointly issued by the Company and China LVGEM for details.

Of the total number of Options outstanding at the end of the year ended 31 December 2013, 23,750,000 Options had vested and were exercisable at the end of the year.

The weighted average share price at the date of exercise of Options exercised during the year was HK$1.10 (2013: HK$0.44).

35. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing properties commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristic of the underlying assets.

The Group monitors capital on the basis of the net debt to equity ratio. For this purpose the net debt is defined as borrowings less cash and cash equivalents. The Group's goal in capital management is to maintain a net debt to equity ratio at a reasonable level. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debts.

The Group's overall strategy in capital management remains unchanged during the year.

36. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

Categories of financial instruments:

	2014	2013
	HK$'000	HK$'000
Financial assets		
Loans and receivables:		
Accounts receivable	**10**	166
Other receivables	**18,155**	33,658
Restricted bank deposits	**23,335**	36,230
Bank balances and cash	**483,138**	435,782
	524,638	505,836
Financial liabilities		
Financial liabilities measured at amortised cost:		
Accounts payable	**71,664**	112,179
Accruals and other payables	**24,934**	20,934
Borrowings	**98,501**	181,628
Convertible notes	**–**	42,140
	195,099	356,881

The Group is exposed to a variety of financial risks: currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management focuses on unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group currently does not have any written risk management policies and guidelines. However, the Board meets periodically and cooperates closely with key management to analyse and formulate strategies to manage and monitor financial risks.

The Group is not engaged in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed are described below.

36.1 Currency risk

The Group reports its results in HKD. The Group's primary foreign currency exposure arises from its property development and investment activities in the PRC. The functional currency of these operations is RMB and most of the financial instruments are denominated in RMB. No foreign currency risk has been identified for the financial assets and financial liabilities in the PRC as they were denominated in a currency same as the functional currencies of the group entities to which these transactions relate.

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group does not expect any significant exposure to foreign exchange fluctuations and shall use derivative contracts to hedge against its exposure to currency risk only when it is required. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date as follows:

	Assets		**Liabilities**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	HK$'000	HK$'000
USD	**13,239**	165,635	**80,125**	98,792
RMB	**1,323**	1,285	**–**	–

In addition, intercompany balances within the Group that form part of the Group's net investment in foreign operations, and are denominated in foreign currency (i.e. HKD), other than the functional currency of the respective group entities (i.e. RMB), at the end of the reporting period amounted to HK$35,272,000 (2013: HK$36,580,000).

Sensitivity analysis

The following table details the Group's sensitivity of a 5% (2013: 5%) appreciation in the functional currencies of the relevant group entities against RMB. There would be an equal and opposite impact where the functional currencies of the relevant group entities weaken 5% (2013: 5%) against RMB.

	Increase (decrease) in profit (loss) for the year		**Increase in other comprehensive income**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**66**	(64)	**1,764**	1,830

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the year end exposure does not reflect the exposure during the year.

Since the Hong Kong dollar is pegged to the United States dollar under the Linked Exchange Rate System, management does not expect any significant foreign currency exposure in relation to the exchange rate fluctuations between the Hong Kong dollar and the United States dollar.

36.2 Interest rate risk

The Group has significant bank loans (see note 29 for details) with floating interest rate which are exposed to cash flow interest rate risk. Loans from non-controlling shareholders (see note 29 for details), restricted bank deposits and bank balances carried at fixed rate expose the Group to fair value interest rate risk. During the year, the Group has not hedged its cash flow and fair value interest rate risks.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank loans at the end of the reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 (2013: 100) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 (2013: 100) basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year (2013: loss for the year) would decrease/increase (2013: increase/decrease) by approximately HK$180,000 (2013: HK$648,000).

Sensitivity analysis on bank deposits is not presented as the directors consider that the Group's exposure to interest rate fluctuations on bank deposits is insignificant.

36.3 Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The Group continuously monitors defaults of customers and other counterparties, identifies individually and incorporates this information into its credit risk controls. Where available at reasonable cost, external reports on customers and other counterparties are obtained and used.

None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of accounts and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty having similar characteristics. The credit risk for liquid funds is considered minimal, since the counterparties are reputable banks with high quality of external credit ratings.

36.4 Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In the opinion of the directors of the Company, the Group does not have any significant liquidity risk exposure.

The Group's policy is to regularly monitor its liquidity requirements to ensure that the Group maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term financial liabilities.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's bank borrowings, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Company can be required to pay.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

	Weighted average effective interest rate	On demand	Less than 6 months	6 to 12 months	2 to 5 years	Total contractual undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2014							
Accounts payable	–	**71,664**	–	–	–	**71,664**	**71,664**
Accruals and other payables	–	**24,934**	–	–	–	**24,934**	**24,934**
Term loans subject to repayment on demand clause	–	**2,553**	–	–	–	**2,553**	**2,553**
Other bank loans	**6.22**	–	**3,882**	**3,781**	**15,762**	**23,425**	**21,125**
Loans from non-controlling shareholders	–	–	–	–	**74,823**	**74,823**	**74,823**
		99,151	**3,882**	**3,781**	**90,585**	**197,399**	**195,099**
2013							
Accounts payable	–	112,179	–	–	–	112,179	112,179
Accruals and other payables	–	20,934	–	–	–	20,934	20,934
Term loans subject to repayment on demand clause	–	52,235	–	–	–	52,235	52,235
Other bank loans	6.22	–	4,182	4,078	23,987	32,247	28,288
Loans from non-controlling shareholders	2.7	–	26,460	–	74,823	101,283	101,105
Convertible notes	13.38	–	1,190	44,598	–	45,788	42,140
		185,348	31,832	48,676	98,810	364,666	356,881

The table that follows summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained in as above. Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Maturity analysis of term loans subject to a repayment on demand clause based on scheduled repayments is as follows:

	On demand	Less than 6 months	6 to 12 months	2 to 5 years	Total undiscounted cash flows	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2014	–	**2,574**	–	–	**2,574**	**2,553**
31 December 2013	–	14,148	12,832	27,440	54,420	52,235

36.5 Fair value

The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The directors of the Company consider that the fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments. The fair values of non-current financial assets and liabilities were not disclosed because these are not materially different from their carrying amounts.

37. COMMITMENTS AND OPERATING LEASE ARRANGEMENTS

(a) Other commitments

Other commitments in respect of properties held under development for the Group are as follows:

	2014	2013
	HK$'000	HK$'000
Contracted but not provided for	**7,131**	64,128

(b) Operating lease arrangements

(i) The Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings which are receivable as follows:

	2014	2013
	HK$'000	HK$'000
Within one year	**12,829**	11,069
In the second to fifth years	**8,792**	10,036
Over five years	**814**	–
	22,435	21,105

The Group leases out its investment properties under operating lease arrangements which run for initial periods of less than one year to five years (2013: less than one year to five years) or expire at dates as mutually agreed between the Group and the respective tenants, without an option to renew the lease terms at the expiry date. The terms of the leases generally also require the tenants to pay security deposits.

(ii) The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings which are payable as follows:

	2014	2013
	HK$'000	HK$'000
Within one year	**2,610**	44
In the second to fifth years	**3,605**	–
	6,215	44

The Group leases a number of properties under operating lease arrangements which run for initial periods of one to three years (2013: one to two years) or expire at dates as mutually agreed between the Group and the respective landlords, without an option to renew the lease terms at the expiry date.

38. RETIREMENT BENEFIT SCHEME

Hong Kong

The Group has joined a Mandatory Provident Fund Scheme (the "MPF Scheme") for its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

PRC

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a certain percentage of the salaries of their employees to the state-managed retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

During the year, the retirement benefit scheme contributions amounted to HK$2,679,000 (2013: HK$2,130,000). No forfeited contributions has been used to reduce the level of contributions in both years.

39. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

The Group had the following transactions with related parties:

	Notes	**2014** **HK$'000**	2013 HK$'000
Rental expenses to Fontwell Holdings Limited ("Fontwell")	*(i)*	**(54)**	(141)
Rental income from Clark Hatch Fitness Centers (Shanghai) Ltd. ("Clark Hatch")	*(ii)*	**263**	635
Membership fee to Clark Hatch	*(ii)*	**–**	(151)
Interest paid to Chong Lai (Panama) S.A.	*(i)*	**–**	(6)

Notes:

(i) Mr. TAOCHAIFU Choofuang, Mr. TAO Richard and Mr. TAO Paul, who resigned as the Company's directors on 5 June 2014, have beneficial interests in Fontwell and Chong Lai (Panama) S.A.. The amount charged by Fontwell was in accordance with the terms of the relevant agreement.

(ii) Mr. TAO Richard and Mr. TAO Paul, who resigned as the Company's directors on 5 June 2014, are directors of Clark Hatch and Mr. TAO Paul has beneficial interests in Clark Hatch.

(b) Balances with related parties

Details of the balances with related parties at the end of the reporting period are disclosed in the consolidated statement of financial position and notes 17, 23, 27 and 29.

(c) Key management personnel compensation

The directors are of the opinion that the key management personnel were solely the directors of the Company. Remuneration paid to the Company's directors is disclosed in note 11.

40. COMPANY'S STATEMENT OF FINANCIAL POSITION

	2014	2013
	HK$'000	HK$'000
Investment in subsidiaries	**119,215**	133,960
Amounts due from subsidiaries	**581,050**	461,762
Deposits paid, prepayments and other receivables	**1,671**	408
Bank balances and cash	**434**	4,890
Convertible notes	**–**	(42,140)
Accruals and other payables	**(2,732)**	(5,009)
Financial guarantee contracts	**(98)**	(1,017)
	699,540	552,854
Share capital	**13,842**	13,246
Share premium	**579,346**	528,150
Share option reserve	**–**	2,215
Convertible notes equity reserve	**–**	480
Contributed surplus	**(22)**	(22)
Retained profits *(Note)*	**106,374**	8,785
	699,540	552,854

Note:

Details of the movement in the Company's retained profits are set out below:

	HK$'000
At 1 January 2013	20,520
Loss and total comprehensive expense for the year	(9,156)
Dividend paid	(2,579)
At 31 December 2013	8,785
Profit and total comprehensive income for the year	97,589
At 31 December 2014	106,374

41. PARTICULAR OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries, each of which is a limited liability company, as at 31 December 2014 and 2013 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Attributable equity interest		Principal activities (Place of operations)
			Directly	Indirectly	
LVGEM Real Estate Limited (formerly known as "New Heritage Corporation Limited")	BVI	347 shares of US$1 each	100% (2013: 100%)	–	Investment holding Hong Kong ("HK")
LVGEM (Suzhou) Real Estate Investment Company Limited (formerly known as "New Heritage Development Limited")	HK	156 shares of HK$1 each	– –	100% (2013: 90%#)	Investment holding and administration vehicle of the Group (HK)
Accordcity	BVI *(Note c)*	102 shares of US$1 each	–	– (2013:100%)	Investment holding (HK)
New Heritage Investments Limited	HK *(Note c)*	6,260,000 shares of HK$10 each	–	– (2013:100%)	Investment holding (HK)
New Heritage (IP) Limited	BVI *(Note c)*	1 share of US$1 each	–	– (2013:100%)	Holding of trademark of the Group (HK)
New Heritage Land Limited	HK *(Note d)*	1 share of HK$1 each	–	– (2013:100%)	Investment holding (HK)
NHML	HK *(Note c)*	1 share of HK$1 each	–	– (2013:100%)	Administration vehicle of the Group (HK)
New Heritage Properties Limited	HK *(Note d)*	1 share of HK$1 each	–	– (2013: 100%)	Investment holding (HK)
Prosper View Group Limited* ("PVGL")	HK	10,000 shares of HK$1 each	– –	51% (2013: 46%#)	Investment holding (HK)
World Margin Limited	HK	800,000 shares of HK$1 each	– –	100% (2013: 100%)	Treasury vehicle of the Group (HK)
Suzhou Garden Villa Development & Management Co., Ltd.	PRC *(Note (a))*	US$20,550,000	– –	95% (2013: 86%#)	Properties development and investment (PRC)
Suzhou New Heritage GF Limited ("SNHGF")	PRC *(Note (b))*	US$26,600,000	– –	61%# (2013: 55%#)	Properties development and investment (PRC)
Suzhou New Heritage WZA Limited	PRC *(Note (b))*	US$8,000,000	– –	100% (2013: 100%)	Properties development and investment (PRC)
New Heritage WJA Limited	PRC *(Note (b))*	US$13,000,000	– –	100% (2013: 94%#)	Properties development and investment (PRC)

* The Group has an effective interest of 51% (2013: 46%) in PVGL, of which the immediate holding company was a non-wholly owned subsidiary in prior year. In the opinion of the directors, the Group has the power to control over the relevant activities of PVGL and its subsidiary and PVGL and its subsidiary is consolidated in the financial statements accordingly.

Approximate percentage.

Notes:

(a) This subsidiary is registered as a Sino-foreign cooperative joint venture under the PRC law.

(b) These subsidiaries are registered as wholly foreign owned enterprises under the PRC law.

(c) During the year, these subsidiaries have been disposed of (see note 33).

(d) During the year, these subsidiaries were deregistered.

(e) None of the subsidiaries had issued any debt securities at the end of the reporting period.

(f) The official names of the PRC subsidiaries are in Chinese. The English translation of the names is for reference only.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Material non-controlling interests ("NCI")

Summarised consolidated financial information of PVGL and its subsidiary that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

PVGL and its subsidiary

	2014	2013
	HK$'000	HK$'000
Non-current assets	**1,041**	425
Current assets	**326,058**	367,303
Current liabilities	**(39,979)**	(70,982)
Non-current liabilities	**(155,179)**	(154,721)
Equity	**131,941**	142,025
Equity attributable to owners of the Company	**95,081**	101,202
Equity attributable to non-controlling interests	**36,860**	40,823
	131,941	142,025

	2014	2013
	HK$'000	HK$'000
Revenue	**55,676**	133,522
Expenses and tax	**(58,877)**	(112,700)
(Loss) profit for the year	**(3,201)**	20,822
(Loss) profit attributable to owners of the Company	**(1,946)**	12,660
(Loss) profit attributable to the non-controlling interests	**(1,255)**	8,162
(Loss) profit for the year	**(3,201)**	20,822
Other comprehensive (expense) income attributable to owners of the Company	**(3,348)**	4,438
Other comprehensive (expense) income attributable to the non-controlling interests	**(2,158)**	2,861
Other comprehensive (expense) income for the year	**(5,506)**	7,299
Total comprehensive (expense) income attributable to owners of the Company	**(5,294)**	17,098
Total comprehensive (expense) income attributable to the non-controlling interests	**(3,413)**	11,023
Total comprehensive (expense) income for the year	**(8,707)**	28,121
Net cash inflow from operating activities	**17,157**	74,407
Net cash outflow from investing activities	**(1,608)**	(3,848)
Net cash outflow from financing activities	**–**	(24,744)
Net cash inflow	**15,549**	45,815

* As at 31 December 2014, the Group held 51% (2013: 46% through its non-wholly owned subsidiary) equity interest in PVGL, which indirectly held 80% (2013: 80%) equity interest in SNHGF. In addition, the Group also indirectly held the remaining 20% (2013: 20%) equity interest in SNHGF. Therefore, the Group effectively held 61% (2013: 55%) in SNHGF.

Independent Auditor's Report



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To the Shareholders of New Heritage Holdings Ltd.
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of New Heritage Holdings Ltd. ("the Company") and its subsidiaries (together "the Group") set out on pages 40 to 135, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit 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. An audit also includes 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 consolidated financial statements.

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

BDO Limited
香港立信德豪會計師事務所有限公司

BDO Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Chiu Wing Cheung Ringo
Practising Certificate Number: P04434

Hong Kong, 24 March 2014

Consolidated Income Statement

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Revenue	7	**212,402**	272,102
Cost of sales		**(180,693)**	(223,202)
Gross profit		**31,709**	48,900
Other income	7	**9,101**	4,736
Selling expenses		**(9,384)**	(10,154)
Administrative expenses		**(39,927)**	(55,548)
Fair value adjustments on investment properties	15	**11,101**	22,337
(Loss)/Gain on disposal of investment properties		**(150)**	2,477
Gain on deregistration of a subsidiary	29	**8,898**	–
Impairment loss on goodwill	13	**(7,799)**	–
Finance costs	8	**(1,828)**	(1,937)
Share of results of associates		**19,848**	20,417
Profit before income tax	9	**21,569**	31,228
Income tax expense	10	**(26,230)**	(15,730)
(Loss)/Profit for the year		**(4,661)**	15,498
(Loss)/Profit for the year attributable to:			
Owners of the Company		**(14,739)**	8,208
Non-controlling interests		**10,078**	7,290
		(4,661)	15,498
		HK cents	HK cents
(Loss)/Earnings per share attributable to the owners of the Company during the year	12		
– Basic		**(1.14)**	0.64
– Diluted		**N/A**	0.64

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
(Loss)/Profit for the year	**(4,661)**	15,498
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange gain on translation of foreign operations of subsidiaries	**30,543**	8,148
Share of exchange gain on translation of foreign operation of an associate	**4,475**	908
Items that will not be reclassified subsequently to profit or loss:		
Reclassification of exchange reserve upon deregistration of a subsidiary	**(8,898)**	–
Share of revaluation surplus of an associate's hotel property	**1,127**	4,014
Other comprehensive income for the year, net of tax	**27,247**	13,070
Total comprehensive income for the year	**22,586**	28,568
Total comprehensive income attributable to:		
Owners of the Company	**6,405**	19,631
Non-controlling interests	**16,181**	8,937
	22,586	28,568

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Goodwill	*13*	**29,249**	37,048
Property, plant and equipment	*14*	**47,611**	49,359
Investment properties	*15*	**318,899**	304,594
Interests in associates	*17*	**137,922**	137,402
Deferred tax assets	*18*	**173**	167
		533,854	528,570
Current assets			
Properties held under development	*19*	**457,085**	418,816
Properties held for sale	*20*	**343,501**	294,334
Inventories	*21*	**67**	65
Accounts receivable	*22*	**166**	139
Deposits paid, prepayments and other receivables	*23*	**47,543**	32,486
Tax recoverable		**22,648**	12,338
Restricted bank deposits	*32*	**36,230**	38,876
Cash and bank balances	*33*	**435,782**	290,999
		1,343,022	1,088,053
Total assets		**1,876,876**	1,616,623
Current liabilities			
Accounts payable	*24*	**112,179**	92,197
Accruals, deposits received and other payables	*25*	**416,245**	135,810
Convertible notes	*27*	**42,140**	–
Borrowings	*26*	**85,173**	219,527
		655,737	447,534
Net current assets		**687,285**	640,519
Total assets less current liabilities		**1,221,139**	1,169,089
Non-current liabilities			
Borrowings	*26*	**96,455**	19,771
Convertible notes	*27*	**–**	74,350
Deferred tax liabilities	*18*	**53,747**	47,347
		150,202	141,468
Total liabilities		**805,939**	589,002
NET ASSETS		**1,070,937**	1,027,621
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	*28*	**13,246**	12,854
Reserves	*31(a)*	**960,079**	915,542
Proposed final dividend	*11*	**–**	2,571
		973,325	930,967
Non-controlling interests		**97,612**	96,654
TOTAL EQUITY		**1,070,937**	1,027,621

TAO Richard
Director

TAO Paul
Director

Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	*16(a)*	**133,960**	133,936
Current assets			
Prepayments		**408**	327
Amounts due from subsidiaries	*16(b)*	**461,762**	471,811
Cash and bank balances	*33*	**4,890**	1,003
		467,060	473,141
Total assets		**601,020**	607,077
Current liabilities			
Accruals and other payables		**5,009**	4,898
Amount due to a subsidiary	*16(b)*	**–**	181
Convertible notes	*27*	**42,140**	–
Financial guarantee contracts	*37*	**1,017**	1,591
		48,166	6,670
Net current assets		**418,894**	466,471
Total assets less current liabilities		**552,854**	600,407
Non-current liability			
Convertible notes	*27*	**–**	74,350
		–	74,350
Total liabilities		**48,166**	81,020
NET ASSETS		**552,854**	526,057
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	*28*	**13,246**	12,854
Reserves	*31(b)*	**539,608**	510,632
Proposed final dividend	*11*	**–**	2,571
TOTAL EQUITY		**552,854**	526,057

TAO Richard
Director

TAO Paul
Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013	2012
	HK$'000	HK$'000
Cash flows from operating activities		
Profit before income tax	**21,569**	31,228
Adjustments for:		
Depreciation	**2,271**	3,289
Loss on disposal of property, plant and equipment	**8**	8,174
Loss/(Gain) on disposal of investment properties	**150**	(2,477)
Loss on early repayment of loans from non-controlling shareholders	**27**	–
Fair value adjustments on investment properties	**(11,101)**	(22,337)
Equity-settled employee share-based payments	**-**	2,947
Share of results of associates	**(19,848)**	(20,417)
Impairment loss on amount due from an associate	**-**	192
Impairment loss on goodwill	**7,799**	–
Impairment loss on other receivables	**74**	1,602
Impairment loss on properties held for sale	**14,836**	759
Interest income	**(5,509)**	(3,325)
Interest expenses	**1,828**	1,937
Operating profit before working capital changes	**12,104**	1,572
(Increase)/Decrease in properties held under development and properties held for sale	**(65,978)**	42,196
(Increase)/Decrease in inventories	**(2)**	9
Increase in accounts receivable	**(27)**	(55)
(Increase)/Decrease in deposits paid, prepayments and other receivables	**(15,131)**	14,864
Increase in accounts payable, accruals, deposits received and other payables	**289,280**	48,658
Cash generated from operations	**220,246**	107,244
Interest paid	**(3,686)**	(10,598)
Income taxes paid	**(31,645)**	(18,636)
Net cash generated from operating activities	**184,915**	78,010

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(581)**	(295)
Proceeds from disposal of property, plant and equipment		**28**	173
Proceeds from sale of investment properties		**6,541**	20,017
Placement of short-term time deposits with maturity beyond three months but within one year		**(78,000)**	–
Placement of structured bank deposit		**(1,277)**	–
Dividends received from an associate		**24,929**	22,051
Interest received		**5,509**	3,325
Decrease in restricted bank deposits		**2,646**	53,984
Net cash (used in)/generated from investing activities		**(40,205)**	99,255
Cash flows from financing activities			
Proceeds from issuance of share capital		**1,737**	203
Proceeds from new borrowings		**73,180**	32,000
Repayments of borrowings		**(133,184)**	(173,074)
Return to a non-controlling shareholder upon deregistration of a subsidiary		**(15,223)**	–
Interest paid on convertible notes		**(4,425)**	(4,513)
Dividends paid to Company's owners		**(2,579)**	(3,854)
Dividends paid to a non-controlling shareholder of a subsidiary		**–**	(3,367)
Net cash used in financing activities		**(80,494)**	(152,605)
Net increase in cash and cash equivalents		**64,216**	24,660
Effect of exchange rate changes on cash and cash equivalents		**1,290**	614
Cash and cash equivalents at 1 January		**290,999**	265,725
Cash and cash equivalents at 31 December	*33*	**356,505**	290,999

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Share option reserves HK$'000	Convertible notes equity reserves HK$'000	Merger reserve HK$'000	Hotel property, plant and equipment revaluation reserve HK$'000	Exchange reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance as at 1 January 2012	12,845	488,664	–	900	89,936	19,276	124,479	31,069	141,017	3,854	912,040	91,084	1,003,124
2011 final dividend paid	–	–	–	–	–	–	–	–	–	(3,854)	(3,854)	–	(3,854)
Dividend paid to a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	–	(3,367)	(3,367)
Equity-settled employee share-based payments *(note 30)*	–	–	2,947	–	–	–	–	–	–	–	2,947	–	2,947
Arising from issue of ordinary shares on exercise of share options *(note 28)*	9	194	–	–	–	–	–	–	–	–	203	–	203
Transfer *(note 28)*	–	76	(76)	–	–	–	–	–	–	–	–	–	–
	9	270	2,871	–	–	–	–	–	–	(3,854)	(704)	(3,367)	(4,071)
Profit for the year	–	–	–	–	–	–	–	–	8,208	–	8,208	7,290	15,498
Other comprehensive income													
Exchange gain on translation of foreign operations of subsidiaries	–	–	–	–	–	–	6,501	–	–	–	6,501	1,647	8,148
Share of exchange gain on translation of foreign operation of an associate	–	–	–	–	–	–	908	–	–	–	908	–	908
Share of revaluation surplus of an associate's hotel property	–	–	–	–	–	4,014	–	–	–	–	4,014	–	4,014
Total comprehensive income for the year	–	–	–	–	–	4,014	7,409	–	8,208	–	19,631	8,937	28,568
Transfer	–	–	–	–	–	–	–	388	(388)	–	–	–	–
Share of an associate's statutory reserve	–	–	–	–	–	–	–	2,686	(2,686)	–	–	–	–
Proposed final dividend *(note 11)*	–	–	–	–	–	–	–	–	(2,571)	2,571	–	–	–
Balance as at 31 December 2012	12,854	488,934	2,871	900	89,936	23,290	131,888	34,143	143,580	2,571	930,967	96,654	1,027,621

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Share option reserves HK$'000	Convertible notes equity reserves HK$'000	Merger reserve HK$'000	Hotel property, plant and equipment revaluation reserve HK$'000	Exchange reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance as at 1 January 2013	**12,854**	**488,934**	**2,871**	**900**	**89,936**	**23,290**	**131,888**	**34,143**	**143,580**	**2,571**	**930,967**	**96,654**	**1,027,621**
2012 final dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(8)**	**(2,571)**	**(2,579)**	**–**	**(2,579)**
Return to a non-controlling shareholder upon deregistration of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(15,223)**	**(15,223)**
Arising from issue of ordinary shares on exercise of share options *(note 28)*	**74**	**1,663**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,737**	**–**	**1,737**
Arising from issue of ordinary shares on compulsory conversion of convertible notes *(notes 27 and 28)*	**318**	**36,477**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**36,795**	**–**	**36,795**
Transfer *(notes 27 and 28)*	**–**	**1,076**	**(656)**	**(420)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	392	**39,216**	**(656)**	**(420)**	**–**	**–**	**–**	**–**	**(8)**	**(2,571)**	**35,953**	**(15,223)**	**20,730**
(Loss)/Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(14,739)**	**–**	**(14,739)**	**10,078**	**(4,661)**
Other comprehensive income													
Exchange gain on translation of foreign operations of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**24,440**	**–**	**–**	**–**	**24,440**	**6,103**	**30,543**
Share of exchange gain on translation of foreign operation of an associate	**–**	**–**	**–**	**–**	**–**	**–**	**4,475**	**–**	**–**	**–**	**4,475**	**–**	**4,475**
Share of revaluation surplus of an associate's hotel property	**–**	**–**	**–**	**–**	**–**	**1,127**	**–**	**–**	**–**	**–**	**1,127**	**–**	**1,127**
Reclassification of exchange reserve upon deregistration of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**(8,898)**	**–**	**–**	**–**	**(8,898)**	**–**	**(8,898)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**1,127**	**20,017**	**–**	**(14,739)**	**–**	**6,405**	**16,181**	**22,586**
Release of statutory reserve upon deregistration of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,856)**	**3,856**	**–**	**–**	**–**	**–**
Transfer	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,030**	**(2,030)**	**–**	**–**	**–**	**–**
Share of an associate's statutory reserve	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**428**	**(428)**	**–**	**–**	**–**	**–**
Balance as at 31 December 2013	**13,246**	**528,150**	**2,215**	**480**	**89,936**	**24,417**	**151,905**	**32,745**	**130,231**	**–**	**973,325**	**97,612**	**1,070,937**

Notes to the Financial Statements

For the year ended 31 December 2013

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The address of the Company's registered office and principal place of business are Clifton House, 75 Fort Street, P.O. Box 1350 GT, George Town, Grand Cayman, Cayman Islands and Room 2301, 23/F, Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong respectively.

The principal activity of the Company is investment holding and the principal activities of the subsidiaries are set out in note 16(a) to the financial statements.

The financial statements for the year ended 31 December 2013 were approved for issue by the board of directors on 24 March 2014.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new and revised HKFRSs – first effective on 1 January 2013

In the current year, the Group has applied for the first time the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are relevant to and effective for the Group's financial statements for the annual year beginning on 1 January 2013:

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures

Except as explained below, the adoption of these new and revised HKFRSs has no material impact on the Group's financial statements.

HKFRSs (Amendments) – Annual Improvements 2010-2012 Cycle

The Basis of Conclusions for HKFRS 13 Fair Value Measurement was amended to clarify that short-term receivables and payables with no stated interest rate can be measured at their invoice amounts without discounting, if the effect of discounting is immaterial. This is consistent with the Group's existing accounting policy.

Amendments to HKAS1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis.

The Group has adopted the amendments retrospectively for the financial year ended 31 December 2013. Items of other comprehensive income that may and may not be reclassified to profit and loss in the future have been presented separately in the consolidated statement of comprehensive income. The comparative information has been restated to comply with the amendments. As the amendments affect presentation only, there are no effects on the Group's financial position or performance.

Amendments to HKFRS 7 – Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

The adoption of the amendments has no impact on these financial statements as the Group has not offset financial instruments, nor has it entered into a master netting agreement or a similar arrangement.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them.

The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The accounting requirements in HKAS 27 (2008) on other consolidation related matters are carried forward unchanged. The Group has changed its accounting policy in determining whether it has control of an investee and therefore is required to consolidate that interest (see note 4(b)).

The adoption of HKFRS 10 does not have any material impact on the Group's financial position or performance.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosure requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 12 disclosures are provided in notes 16 and 17. As the new standard affects only disclosure, there is no effect on the Group's financial position and performance.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as 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 (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 is applied prospectively.

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance. The standard requires additional disclosures about fair value measurements and these are included in note 15. Comparative disclosures have not been presented in accordance with the transitional provisions of the standard.

HKAS 19 (2011) – Employee Benefits

HKAS 19 (2011) distinguishes between short-term and long-term employee benefits based on the expected date of settlement. The previous standard used the term "due to be settled". HKAS 19 (2011) provides additional guidance on the definition of termination benefits. Benefits that are conditional on future service being provided including those that increase if additional service is provided are not termination benefits. The revised standard requires that a liability for termination benefits is recognised on the earlier of the date when the entity can no longer withdraw the offer of those benefits and the date the entity recognises any related restructuring costs.

The Group has amended its accounting policies for short-term employee benefits and termination benefits, however the adoption of the revised standard has no effect on the Group's financial position or performance.

(b) New or revised HKFRSs that have been issued but are not yet effective

The Group has not applied the following new or revised HKFRSs that have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures[1]
HKFRS 9	Financial Instruments
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities[1]
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK (IFRIC) 21	Levies[1]
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[3]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

Amendments to HKAS 36 – Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit (CGU) to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are effective for annual periods commencing on or after 1 January 2014.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Amendments to HKFRS 9, HKFRS 7 and HKAS 39 – Hedge Accounting

The amendments overhaul hedge accounting to allow entities to better reflect their risk management activities in financial statements. Changes included in HKFRS 9 to address the own credit risk issue on financial liabilities designated at fair value through profit or loss can be applied in isolation without the need to change any other accounting for financial instruments. The amendments also remove the 1 January 2015 effective date for HKFRS 9.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2012) – Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

Amendments to HKAS 19 (2011) – Defined Benefit Plans: Employee Contributions

The amendments permit contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered instead of allocating the contributions to periods of service.

Amendments to HKAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

The amendments provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

HK (IFRIC) 21 – Levies

HK (IFRIC) 21 clarifies that an entity recognizes a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs.

Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle

The amendments issued under the annual improvements process make small, non-urgent charges to a number of standards where they are currently unclear. Among them HKAS 16 Property, Plant and Equipment has been amended to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The Group is in the process of making an assessment of the potential impact of these new or revised HKFRSs and the directors so far concluded that the application of these new or revised HKFRSs will have no material impact on the Group's financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the HKICPA and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on Stock Exchange.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis except for the investment properties and hotel properties, which are measured at fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

The financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Group is able to exercise control. The Group controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the end of the reporting period. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

(d) Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

(e) Property, plant and equipment

(i) Depreciation

Depreciation is provided to write off the cost or valuation of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	2% – 5%
Leasehold improvements	10% – 20%
Motor vehicles	20%
Operating and office equipment	5% – 20%
Furniture and fixtures	20%
Hotel properties	Period of the lease terms

The asset's depreciation methods, residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of the reporting period.

(ii) Measurement bases

Property, plant and equipment, other than hotel properties, are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to the profit or loss during the financial period in which they are incurred.

Hotel properties held by an associate of the Group are stated at valuation determined by external professional valuers less accumulated depreciation and impairment losses.

Changes in the value of hotel properties are dealt with as movements in the hotel property, plant and equipment revaluation reserve. If the balance of this reserve is insufficient to cover a deficit, the excess of the deficit is charged to the profit or loss.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any revaluation surplus remaining in equity is transferred to retained profits on the disposal of hotel properties and certain buildings that have been transferred as investment properties.

(f) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it was held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value, unless it is still in the course of construction or development at the end of the reporting period and its fair value cannot be reliably determined at that time. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised at the end of the reporting period reflect the prevailing market conditions at the end of the reporting period.

Gains or losses arising from either changes in the fair value or the sale of an investment property are included in profit or loss in the period in which they arise.

(g) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(h) Properties held under development

Properties held under development for future sale are included in current assets and comprise land held under operating lease (note 4(o)) and aggregate cost of development, materials and supplies, wages, borrowing costs capitalised for qualifying assets and other expenses ("Development costs"). Development costs are stated at the lower of cost and net realisable value. Other expenses included (i) those costs that are incurred in bringing the properties held under development to their present location and condition and (ii) a systematic allocation of fixed overheads that are incurred on development of properties. Fixed overheads are indirect costs which remain relatively constant regardless of the size or volume of the development.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated selling expenses.

(i) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses.

The cost of properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the properties to their present location and condition.

(j) Financial assets

The Group's accounting policies for the financial assets other than investments in subsidiaries and associates are set out below.

The Group classified its financial assets as loans and receivables. Management determines the classification of the financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at the end of the reporting period.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At the end of the reporting period, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

At the end of the reporting period, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial asset includes observable data that comes to the attention of the Group about one or more of the following loss events:

– Significant financial difficulty of the debtor;

– A breach of contract, such as a default or delinquency in interest or principal payments;

– It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in the carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

(k) Inventories

Inventories comprise consumable stores for own consumption which are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost is determined using the weighted average method.

(l) Cash and cash equivalents

Cash and cash equivalents include cash at bank, cash in hand and demand deposits with banks, which are subject to an insignificant risk of changes in value, and have a short maturity of generally within 3 months or less when acquired.

(m) Financial liabilities

The Group's financial liabilities include borrowings, accounts and other payables, accruals, deposits received and convertible notes.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 4(u)).

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

Where 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 the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

Convertible notes

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Convertible notes issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The fair value of the equity component is determined using the binomial option pricing model.

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the notes.

When the notes are converted, the convertible notes equity reserves and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the notes are redeemed, the convertible notes equity reserves are released directly to retained profits.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to their respective fair values. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Accounts and other payables, accruals and deposits received

Accounts and other payables, accruals and deposits received are recognised initially at their fair values and subsequently measured at amortised cost, using the effective interest method.

(n) Financial guarantee issued

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

(o) Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

Leasehold interest in land is up-front payments to acquire the land use rights. The payments are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis to write off the up-front payments over the lease terms.

Leasehold interest in land included in properties held under development and properties held for sale, of which the amortisation of prepaid land lease is capitalised as part of the building costs during the development period but charged to the profit or loss for completed properties.

Properties leased out under operating leases are included in investment properties in the consolidated statement of financial position. The recognition of rental income is set out in note 4(r).

(ii) Operating lease charges as the lessee

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(p) Provisions, contingent liabilities and contingent assets

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

All provisions are reviewed at the end of the reporting period and adjusted to reflect the current best estimate.

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

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

Probable inflows of economic benefits to the Group that not yet meet the recognition criteria of an asset are considered contingent assets.

(q) Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issue of shares are deducted from share premium (net of any related income tax benefits) to the extent that they are incremental costs directly attributable to the equity transaction.

(r) Revenue recognition

Revenue arising from sale of properties held for sale is recognised when the significant risks and rewards of ownership of these properties held for sale have been transferred to the purchasers and the Group retains neither continuing involvement to the degree usually associated with ownership nor effective control over properties held for sale. The transfer of risks and rewards of ownership is evidenced by the passing of possession of properties to the purchaser when the property hand-over confirmation is executed by the Group and the purchaser. Deposits and instalments received from purchasers prior to this stage and pre-sale are included in current liabilities and are not recognised as revenue.

Rental income receivable under operating leases is recognised in equal instalments over the accounting periods covered by the lease terms. Lease incentives granted are recognised as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the period in which they are earned.

Interest income is recognised on a time proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

(s) Impairment of non-financial assets

Goodwill, property, plant and equipment, investments in subsidiaries and interests in associates are subject to impairment testing.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflow independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

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

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the reporting period to which the interim period relates.

(t) Employee benefits

(i) Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operate in People's Republic of China ("PRC") are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a fixed percentage of its payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligation under these schemes is limited to the fixed percentage contributions payable.

(ii) Short-term employee benefits

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

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(iii) Employee share-based payment compensation

The Group operates an equity-settled, share-based compensation plan.

All employee services received in exchange for the grant of any share-based compensation are measured at fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the share option reserves in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in share option reserves will be transferred to share premium. After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserves will be transferred to retained profits.

(u) Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

The Group capitalises borrowing costs for all eligible assets where construction was commenced on or after 1 January 2009. The Group continues to expense borrowing costs relating to construction projects that commenced prior to 1 January 2009.

(v) Income taxes

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of the reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 “Investment Property”. Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(w) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group has identified the following reportable segments:

Property development	:	Property development and sale of properties held for sale
Property leasing and investment	:	Property leasing and sale of investment properties

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

– share of results of associates accounted for using the equity method;

– loss on extinguishment of convertible notes;

– income tax expense;

– corporate income and expenses which are not directly attributable to the business activities of any operating segment; and

– equity-settled employee share-based payments

are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but exclude goodwill and interests in associates. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities information is not reported or used by the Group's executive directors.

No asymmetrical allocations have been applied to reportable segments.

(x) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Estimated fair value of investment properties

The investment properties of the Group were stated at fair value in accordance with the accounting policy stated in note 4(f). The fair value of the investment properties are determined by a firm of independent qualified professional valuers and the fair value of investment properties as at the end of the reporting period are set out in note 15. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, consideration has been given to assumptions that are mainly based on market conditions existing at the end of the reporting period and appropriate capitalisation rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

(ii) Impairment of goodwill

The Group tests annually for any impairment of goodwill in accordance with the accounting policy stated in note 4(s). The recoverable amount of cash-generating unit that is based on its fair value less costs to sell, which was determined according to the estimated sales proceeds with respect to the possible disposal of the underlying cash-generating unit. The details are set out in notes 13 and 40 to the financial statements.

(iii) Net realisable value of properties held for sale and properties held under development

Management determines the net realisable value of completed properties held for sale by using prevailing market data such as most recent sale transactions and market survey reports available from independent qualified professional valuers, and internal estimates of costs based on quotes by suppliers.

Management's assessment of net realisable value of properties held under development requires the estimates of future cash flows to be derived from these properties. These estimates requires judgement as to the anticipated sale prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions.

(iv) Impairment of accounts receivable

The Group's management assesses the collectability of accounts receivable. This estimate is based on the credit history of the Group's customers and the current market condition.

Management reassesses the impairment provision at the end of the reporting period.

(v) Valuation for convertible notes

The management uses their judgement in selecting an appropriate valuation technique for the Group's and the Company's convertible notes at initial recognition which are not quoted in the active market. Valuation techniques commonly used by market practitioners are applied. The fair value of convertible notes at initial recognition is estimated by DTZ Debenham Tie Leung Limited ("DTZ"), a firm of independent qualified professional valuers, based on actual transactions of the financial instruments in the market or transactions of similar financial instruments which generally represent the best estimate of the market value. The fair value of convertible notes at initial recognition varies with different variable and certain subjective assumptions. Any changes in these variables so adopted may materially affect the estimation of the fair value of convertible notes. Details of the fair value of convertible notes at initial recognition are disclosed in note 27.

(b) Critical judgements in applying the entity's accounting policies

(i) Revenue recognition

The Group has recognised revenue from sale of properties held for sale during the year as disclosed in note 7. The assessment of when an entity has transferred the significant risks and rewards of ownership to a buyer requires examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the transfer of the legal title or the passing of possession to the buyer. The Group believes that its recognition basis of sales as set out in note 4(r) is appropriate and is in line with the current practice adopted in the PRC.

(ii) Income tax

The Group is subject to income tax in various jurisdictions. Significant judgement is required in determining the amount of the provision of tax and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in periods in which such determination are made.

The Group is subject to land appreciation tax ("LAT") in the PRC. However, the implementation and settlement of this tax varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised certain LAT calculation and payments with local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount on the appreciation of land value and its related LAT. The Group recognised LAT based on management's best estimates according to the understanding of the tax rules.

During the year, the Group incurred LAT of approximately HK$6,062,000 (2012: HK$6,273,000) which was charged to the consolidated income statement as income tax expense. The directors considered the amount charged to the consolidated income statement to be adequate as this is calculated according to the method which is in compliance with the existing rules and interpretation of LAT.

(iii) Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the management has reviewed the Group's investment properties portfolio and concluded that certain investment properties of the Group are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on these investment properties, the management has determined that the presumption set out in Amendments to HKAS 12 "Deferred Tax – Recovery of Underlying Assets" that investment properties measured using the fair value model are recovered through sale is rebutted.

6. SEGMENT INFORMATION

In identifying its operating segments, management generally follows the Group's service lines, which represents the main products and services provided by the Group. The Group has identified the following reportable segments.

Property development : Property development and sale of properties held for sale

Property leasing and investment : Property leasing and sale of investment properties

Each of these operating segments is managed separately as each of these products and service lines requires different resources as well as marketing approaches.

For the year ended 31 December 2013, there have been no changes from prior years in the measurement methods used to determine operating segments and reported segment profit or loss.

Inter-segment sales are charged at prevailing market prices.

The revenue and profit generated by the Group's operating segments are summarised as follows:

	2013			
	Property development HK$'000	**Property investment and leasing HK$'000**	**Elimination HK$'000**	**Total HK$'000**
Revenue:				
From external customers	**199,485**	**12,917**	**–**	**212,402**
Inter-segment revenue	**–**	**–**	**–**	**–**
Total segment revenue	**199,485**	**12,917**	**–**	**212,402**
Reportable segment profit	**15,801**	**11,494**	**–**	**27,295**
Interest income	**3,488**	**1,656**	**–**	**5,144**
Depreciation of property, plant and equipment	**(472)**	**(1,123)**	**–**	**(1,595)**
Loss on disposal of investment properties	**–**	**(150)**	**–**	**(150)**
Impairment loss on properties held for sale	**(14,836)**	**–**	**–**	**(14,836)**
Fair value adjustments on investment properties	**–**	**11,101**	**–**	**11,101**
Finance costs	**–**	**(1,828)**	**–**	**(1,828)**
Reportable segment assets	**1,090,503**	**405,396**	**–**	**1,495,899**
Additions to non-current segment assets during the year	**124**	**350**	**–**	**474**

	2012			
	Property development HK$'000	Property investment and leasing HK$'000	Elimination HK$'000	Total HK$'000
Revenue:				
From external customers	258,937	13,165	–	272,102
Inter-segment revenue	–	–	–	–
Total segment revenue	258,937	13,165	–	272,102
Reportable segment profit	22,420	16,400	–	38,820
Interest income	2,694	619	–	3,313
Depreciation of property, plant and equipment	(491)	(1,866)	–	(2,357)
Gain on disposal of investment properties	–	2,477	–	2,477
Impairment loss on properties held for sale	(759)	–	–	(759)
Fair value adjustments on investment properties	–	22,337	–	22,337
Finance costs	–	(1,937)	–	(1,937)
Reportable segment assets	1,034,068	348,629	–	1,382,697
Additions to non-current segment assets during the year	5	79	–	84

The total presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2013 **HK$'000**	2012 HK$'000
Total segment profit	**27,295**	38,820
Share of results of associates	**19,848**	20,417
Gain on deregistration of a subsidiary	**8,898**	–
Equity-settled employee share-based payments	**–**	(2,947)
Corporate overheads	**(35,687)**	(25,235)
Other unallocated income	**1,215**	173
Profit before income tax	**21,569**	31,228
Reportable segment assets	**1,495,899**	1,382,697
Goodwill	**29,249**	37,048
Interests in associates	**137,922**	137,402
Corporate assets	**213,806**	59,476
Total assets	**1,876,876**	1,616,623

No geographical information is presented as the operations, major customers and assets of the Group are substantially located in the PRC.

The Group has a large number of customers and there was no significant revenue derived from specific external customers for the years ended 31 December 2013 and 2012.

7. REVENUE AND OTHER INCOME

	2013 HK$'000	2012 HK$'000
Revenue, which also represents the Group's turnover		
Proceeds from sale of properties held for sale	**199,485**	258,937
Rental income	**12,917**	13,165
	212,402	272,102
Other income		
Interest income	**5,509**	3,325
Exchange gain, net	**844**	233
Others	**2,748**	1,178
	9,101	4,736

8. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest charges on borrowings which are repayable within five years:		
Bank loans	**3,260**	10,093
Other loan	**6**	8
Imputed interest expense on loans from non-controlling shareholders	**1,066**	2,071
	4,332	12,172
Interest charges on borrowings which are repayable after five years:		
Bank loans	**420**	497
	4,752	12,669
Interest charges on convertible notes *(Note 27)*	**9,010**	9,188
Total interest expense on financial liabilities not at fair value through profit or loss	**13,762**	21,857
Less: amount capitalised in properties held under development *	**(11,934)**	(19,920)
	1,828	1,937

* The finance costs have been capitalised at a rate of 3.85% (2012: 3.29%) per annum.

The analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayment dates set out in the loan agreements. For the years ended 31 December 2013 and 2012, the interest on bank borrowings which contain a repayment on demand clause amounted to approximately HK$1,957,000 and HK$1,811,000 respectively.

9. PROFIT BEFORE INCOME TAX

	2013 HK$'000	2012 HK$'000
Profit before income tax is arrived at after charging/ (crediting):		
Carrying amount of properties sold	**163,013**	219,356
Impairment loss on properties held for sale	**14,836**	759
Cost of properties held for sale recognised as expense	**177,849**	220,115
Depreciation of property, plant and equipment	**2,621**	3,581
Less: amount capitalised in properties held under development	**(350)**	(292)
	2,271	3,289
Outgoings in respect of investment properties that generated rental income during the year	**2,844**	3,087
Operating lease charges in respect of land and buildings	**356**	309
Impairment loss on goodwill *(note 13)*	**7,799**	–
Auditor's remuneration		
– Audit services	**1,350**	1,280
– Other services	**167**	634
Staff costs (including directors' emoluments *(note 34(a))*		
– Directors' fee	**836**	836
– Salaries and other benefits in kind	**32,994**	33,378
– Amount recognised as expense for retirement benefit costs	**2,130**	2,549
– Equity-settled employee share-based payments *(note 30)*	**–**	2,947
Less: amount capitalised in properties held under development	**(11,415)**	(13,276)
	24,545	26,434
Loss on disposal of property, plant and equipment	**8**	8,174
Impairment loss on amount due from an associate	**–**	192
Impairment loss on other receivables	**74**	1,602
Loss/(Gain) on disposal of investment properties	**150**	(2,477)
Exchange gain, net	**(844)**	(233)

10. INCOME TAX EXPENSE

	Notes	2013 HK$'000	2012 HK$'000
Current tax – the PRC			
Corporate income tax	*(a)*	**15,273**	8,699
LAT	*(b)*		
– current year		**6,062**	6,273
– over-provision in prior years		**–**	(7,380)
		21,335	7,592
Deferred taxation *(note 18)*		**4,895**	8,138
Total income tax charge		**26,230**	15,730

Notes:

(a) The PRC corporate income tax is computed according to relevant laws and regulations in the PRC. The applicable income tax rate was 25% for the years ended 31 December 2013 and 2012.

No Hong Kong profits tax has been provided for as the Group had no estimated assessable profits for the year (2012: Nil).

(b) Under the Provisional Rules on LAT Implementation Rules of the PRC implemented on 27 January 1995, all gains from the sales or transfer of land use rights, buildings and their attached facilities in the PRC are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

The income tax expense for the year can be reconciled to the profit before income tax per the consolidated income statement as follows:

	2013	2012
	HK$'000	HK$'000
Profit before income tax	**21,569**	31,228
Tax on profit before income tax, calculated at the rates applicable in the tax jurisdiction concerned	**6,161**	11,608
Tax effect of non-deductible expenses	**11,385**	10,701
Tax effect of non-taxable revenue	**(4,057)**	(13,755)
Tax effect of temporary difference arising from withholding tax for undistributed profits	**1,549**	1,798
Tax effect of unused tax losses not recognised	**3,703**	5,023
LAT charge/(credit)	**6,062**	(1,107)
Others	**1,427**	1,462
Income tax expense for the year	**26,230**	15,730

11. DIVIDENDS

Dividends attributable to the year:

	2013	2012
	HK$'000	HK$'000
Proposed 2012 final dividend of 0.2 HK cents per ordinary share	**–**	2,571

The final dividend proposed after the year ended 31 December 2012 had not been recognised as a liability at the end of the reporting period, but reflected as an appropriation of retained profits for the year.

12. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to the owners of the Company of approximately HK$14,739,000 (2012: profit of HK$8,208,000) and on weighted average of 1,291,544,460 (2012: 1,284,780,869) ordinary shares in issue during the year.

No adjustment has been made to the basic loss per share as the outstanding share options (note 30) and convertible notes (note 27) had an anti-dilutive effect on the basic loss per share for the year ended 31 December 2013.

In the calculation of diluted earnings per share attributable to the owners of the Company for the year ended 31 December 2012, the potential shares arising from the conversion of the Company's convertible notes would increase the earnings per share attributable to the owners of the Company and was not taken into account as they had an anti-dilutive effect. Therefore, the diluted earnings per share attributable to the owners of the Company is based on the profit attributable to the owners of the Company of approximately HK$8,208,000 and on weighted average of 1,286,858,075 ordinary shares outstanding during the year ended 31 December 2012, being the weighted average number of ordinary shares of 1,284,780,869 used in basic earnings per share calculation adjusted for the effect of share options issued of 2,077,206.

13. GOODWILL

	Group	
	2013	2012
	HK$'000	HK$'000
Balance as at 1 January	**37,048**	37,048
Derecognised on subsidiaries in the process of deregistration	**(242)**	–
Impairment loss	**(7,557)**	–
Balance as at 31 December	**29,249**	37,048

The goodwill as at 31 December 2013 comprises mainly goodwill arising from the acquisition of New Heritage Investments Limited ("NHIL") of approximately HK$33,672,000 in 2005.

For the year ended 31 December 2013, the recoverable amount for the cash-generating units ("CGU"), the underlying hotel and property operations, in relation to NHIL was based on fair value less costs to sell, which was determined according to the estimated sales proceeds with respect to the possible disposal of the entire interests in NHIL and its immediate holding company, Accordcity Limited ("Accordcity"), as detailed in note 40 to the financial statements. The recoverable amount of NHIL and Accordcity determined using the above basis is HK$170,252,000, which is lower than its carrying value. Accordingly, impairment losses of HK$7,550,000 and HK$7,000 are allocated to the goodwill attributed to NHIL and Accordcity, respectively.

For the year ended 31 December 2013, New Heritage Land Limited and New Heritage Properties Limited were in the process of deregistration. The recoverable amounts of these companies as separate CGUs are estimated to be nil, which are lower than their carrying values. Accordingly, impairment losses amounting to HK$242,000 are recognised for the goodwill of these CGUs.

14. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Operating and office equipment HK$'000	Furniture and fixtures HK$'000	Total HK$'000
At 1 January 2012						
Cost	62,439	10,235	3,250	7,195	2,762	85,881
Accumulated depreciation	(7,170)	(8,550)	(1,578)	(5,675)	(2,004)	(24,977)
Net book amount	55,269	1,685	1,672	1,520	758	60,904
Year ended 31 December 2012						
Opening net book amount	55,269	1,685	1,672	1,520	758	60,904
Additions	–	–	–	24	271	295
Disposals	(7,641)	(55)	–	(524)	(127)	(8,347)
Depreciation	(856)	(1,052)	(517)	(842)	(314)	(3,581)
Exchange differences	69	5	9	1	4	88
Closing net book amount	46,841	583	1,164	179	592	49,359
At 31 December 2012 and 1 January 2013						
Cost	51,082	9,866	3,270	4,668	2,668	71,554
Accumulated depreciation	(4,241)	(9,283)	(2,106)	(4,489)	(2,076)	(22,195)
Net book amount	46,841	583	1,164	179	592	49,359
Year ended 31 December 2013						
Opening net book amount	**46,841**	**583**	**1,164**	**179**	**592**	**49,359**
Additions	**–**	**265**	**124**	**30**	**162**	**581**
Disposals	**–**	**(3)**	**–**	**(9)**	**(24)**	**(36)**
Depreciation	**(1,358)**	**(510)**	**(479)**	**(68)**	**(206)**	**(2,621)**
Exchange differences	**267**	**13**	**32**	**5**	**11**	**328**
Closing net book amount	**45,750**	**348**	**841**	**137**	**535**	**47,611**
At 31 December 2013						
Cost	**51,434**	**10,344**	**3,478**	**4,755**	**2,785**	**72,796**
Accumulated depreciation	**(5,684)**	**(9,996)**	**(2,637)**	**(4,618)**	**(2,250)**	**(25,185)**
Net book amount	**45,750**	**348**	**841**	**137**	**535**	**47,611**

Depreciation expenses have been included in:

	2013	2012
	HK$'000	HK$'000
Consolidated statement of financial position		
– capitalised in properties held under development	**350**	292
Consolidated income statement		
– cost of sales	**129**	343
– administrative expenses	**2,142**	2,946
	2,621	3,581

Net book amount of the Group's leasehold land and buildings shown above comprises:

	2013	2012
	HK$'000	HK$'000
Properties in Hong Kong held under long leases (not less than 50 years)	**37,483**	38,286
Properties outside Hong Kong held under long leases (not less than 50 years)	**8,267**	8,555
	45,750	46,841

As at 31 December 2013, certain leasehold land and buildings of approximately HK$37,483,000 (2012: HK$38,286,000) were pledged to secure certain bank loans granted to the Group (note 26(a)).

15. INVESTMENT PROPERTIES

	Group	
	2013	2012
	HK$'000	HK$'000
Carrying amount at 1 January	**304,594**	297,340
Disposals	**(6,691)**	(17,540)
Fair value adjustments	**11,101**	22,337
Exchange differences	**9,895**	2,457
Carrying amount at 31 December	**318,899**	304,594

As at 31 December 2013, certain investment properties of approximately HK$167,680,000 (2012: Nil) were pledged to secure certain bank loans granted to the Group (note 26(a)).

Investment properties included leasehold interests in land located in the PRC with lease terms expiring from 2061 to 2065.

The fair values of the investment properties at 31 December 2013 were based on the valuation by Knight Frank Petty Limited ("KFP") (2012: DTZ), a firm of independent qualified professional valuers and has appropriate qualifications and recent experiences in the valuation of similar properties in nearby location. Valuations were based on the properties' open market value on 31 December 2013. The properties have been valued by direct comparison method by making reference to comparable sales evidence as available in the relevant market and where appropriate, by capitalising the net rental income derived from the existing tenancies with due allowance for the reversionary potential of the respective properties as at the end of the reporting period.

Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three levels fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

	Fair value measurements categorised into			
	Level 1	**Level 2**	**Level 3**	**Fair value**
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurement				
As at 31 December 2013				
Residential apartments	–	90,035	–	90,035
Shopping arcades	–	–	228,864	228,864
	–	**90,035**	**228,864**	**318,899**

There were no transfers into or out of Level 2 and 3 during the year. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the reporting date in which they occur.

The movements during the year in the balance of Level 3 fair value measurements are as below:

	2013
	HK'000
Opening balance (Level 3 recurring fair value)	**214,520**
Fair value adjustments	**7,308**
Exchange differences	**7,036**
Closing balance (Level 3 recurring fair value)	**228,864**

The fair value of the Group's investment properties is a recurring fair value measurement. The following table gives information about how the fair values of these investment properties are determined, as well as the fair value hierarchy into which the fair value measurement are categorised (Level 2 to 3), based on the degree to which the inputs to the fair value measurement is observable.

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Range
Residential units – Suzhou Garden Villa Phase 1, 2 and 3	Level 2	Direct comparison approach	N/A	N/A	N/A
			Price per square meter is the key input, based on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject property.		
Shopping arcades	Level 3	Income approach	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property and prevailing market condition.	The higher the capitalisation rate, the lower the fair value.	4.75% – 6.50%
			Market unit rents were obtained from making reference to the current rent, the prevailing market rental level and taking into account of location, size etc. (RMB/sq m/month).	The higher the market unit rent, the higher the fair value.	RMB130 – RMB187

There was no change to the valuation techniques during the year. The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

16. INTERESTS IN SUBSIDIARIES

(a) Investments in subsidiaries

	Company	
	2013	2012
	HK$'000	HK$'000
Unlisted, at cost	**112,893**	112,893
Capital contribution to a subsidiary	**11,700**	11,700
Financial guarantees granted to subsidiaries	**9,367**	9,343
	133,960	133,936

Particulars of the principal subsidiaries, each of which is a limited liability company, as at 31 December 2013 are as follows:

Company name	Place of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Attributable equity interest		Principal activities (Place of operations)
			Directly	Indirectly	
New Heritage Corporation Limited*	British Virgin Islands ("BVI")	347 shares of US$1 each	100%	–	Investment holding (HK)
New Heritage Development Limited	Hong Kong ("HK")	156 shares of HK$1 each	–	90%#	Investment holding (HK)
New Heritage Investments Limited	HK	6,260,000 shares of HK$10 each	–	100%	Investment holding (HK)
New Heritage (IP) Limited*	BVI	1 share of US$1 each	–	100%	Holding of trademark of the Group (HK)
New Heritage Land Limited ("NHLL")***	HK	1 share of HK$1 each	–	100%	Investment holding (HK)
New Heritage Management Limited	HK	1 share of HK$1 each	–	100%	Administration vehicle of the Group (HK)
New Heritage Properties Limited ("NHPL")***	HK	1 share of HK$1 each	–	100%	Investment holding (HK)
Prosper View Group Limited ("PVGL")**	HK	10,000 shares of HK$1 each	–	46%#	Investment holding (HK)
World Margin Limited	HK	800,000 shares of HK$1 each	–	100%	Treasury vehicle of the Group (HK)
Suzhou Garden Villa Development & Management Co., Ltd.*	PRC *(Note (a))*	US$20,550,000	–	86%#	Properties development and investment (PRC)
Suzhou New Heritage GF Limited*	PRC *(Note (b))*	US$26,600,000	–	55%#	Properties development and investment (PRC)
Suzhou New Heritage WZA Limited*	PRC *(Note (b))*	US$8,000,000	–	100%	Properties development and investment (PRC)
New Heritage WJA Limited*	PRC *(Note (b))*	US$13,000,000	–	94%#	Properties development and investment (PRC)

* The statutory financial statements of these subsidiaries are not audited by BDO Limited.

** The Group has an effective interest of 46% in PVGL. In the opinion of the directors, the Group has the power to control over the financial and operating policies of PVGL and PVGL is consolidated in the financial statements accordingly.

*** NHLL, NHPL, Net Gold Investments Limited and NH (Guiyang) Limited, subsidiaries of the Company, which became dormant during the year, were in the process of deregistration as at 31 December 2013.

On 28 January 2013, Suzhou New Heritage Wuzhoug Limited, a former subsidiary of the Group, the deregistration was successfully approved by Suzhou Bureau of Commerce successfully. Upon deregistration, gain on deregistration of a subsidiary of approximately HK$8,898,000 was recorded by the Group (note 29).

Approximate percentage.

Notes:

(a) This subsidiary is registered as a sino-foreign cooperative joint venture under the PRC law.

(b) These subsidiaries are registered as wholly foreign owned enterprises under the PRC law.

(c) None of the subsidiaries had issued any debt securities at the end of the reporting period.

(b) Amounts due from/(to) subsidiaries

The amounts due are unsecured, interest-free and repayable on demand.

(c) Material non-controlling interests

(1) PVGL

PVGL, a 46% owned subsidiary of the Company, has material non-controlling interests ("NCI").

Summarised financial information in relation to the NCI of PVGL, before intra-group eliminations, is presented below:

	2013	2012
	HK$'000	HK$'000
For the year ended 31 December		
Revenue	**–**	–
Profit/(Loss) for the year	**15,372**	(5,692)
Total comprehensive income for the year	**15,372**	(5,692)
Profit/(Loss) allocated to NCI	**8,286**	(3,068)
Dividends paid to NCI	**–**	–
For the year ended 31 December		
Cash flows from operating activities	**(997)**	(190)
Cash flows from investing activities	**10,163**	4,171
Cash flows from financing activities	**1,224**	(4,510)
Net cash inflows/(outflows)	**10,390**	(529)
As at 31 December		
Current assets	**11,021**	19,352
Non-current assets	**166,488**	166,488
Current liabilities	**15,467**	191,869
Non-current liabilities	**152,699**	–
Net assets/(liabilities)	**9,343**	(6,029)
Accumulated non-controlling interests	**5,036**	(3,250)

(2) Suzhou New Heritage GF Limited ("SNHGF")

SNHGF, a 55% owned subsidiary of the Company, has material NCI.

Summarised financial information in relation to the NCI of SNHGF, before intra-group eliminations, is presented below:

	2013	2012
	HK$'000	HK$'000
For the year ended 31 December		
Revenue	**129,841**	115,566
Profit for the year	**18,180**	16,614
Total comprehensive income for the year	**27,303**	18,874
Profit allocated to NCI	**12,299**	8,502
Dividends paid to NCI	**5,760**	–
For the year ended 31 December		
Cash flows from operating activities	**492,510**	46,098
Cash flows from investing activities	**458**	109
Cash flows from financing activities	**(456,529)**	(38,240)
Net cash inflows	**36,439**	7,967
As at 31 December		
Current assets	**356,922**	360,392
Non-current assets	**425**	444
Current liabilities	**60,631**	79,381
Non-current liabilities	**2,021**	1,277
Net assets	**294,695**	280,178
Accumulated non-controlling interests	**132,748**	126,209

17. INTERESTS IN ASSOCIATES

		Group	
		2013	2012
	Notes	**HK$'000**	HK$'000
Share of net assets	*(a)*	**137,678**	137,158
Amount due from an associate		**244**	436
Impairment loss		**–**	(192)
	(b)	**244**	244
		137,922	137,402

Notes:

(a) Particulars of associates as at 31 December 2013 are as follows:

Company name	Place of incorporation/ establishment and operation	Percentage of interest held	Principal activities
Beijing Landmark Towers Co., Ltd.*	PRC	30.05%	Hotel ownership and property investment
Art Shine Limited*	HK	40%	Investment holding

* The statutory financial statements of these associates are not audited by BDO Limited.

(b) The amount due is unsecured, interest-free and not repayable within twelve months from the end of the reporting period.

(c) Summarised financial information (material associate)

Beijing Landmark Towers Co., Ltd.

	2013 **HK$'000**	2012 HK$'000
As at 31 December		
Non-current assets	**412,109**	448,502
Current assets	**182,541**	141,961
Current liabilities	**115,918**	106,971
Non-current liabilities	**20,567**	27,058
Included in the above amounts are:		
Cash and cash equivalents	**171,499**	130,503
For the year ended 31 December		
Revenue	**371,391**	362,404
Profit from continuing operations for the year	**66,048**	67,944
Other comprehensive income for the year	**3,692**	13,250
Total comprehensive income for the year	**69,740**	81,194
Dividends received from an associate	**24,929**	22,051
Included in the above amounts are:		
Depreciation and amortisation	**58,496**	46,425
Interest income	**2,641**	2,573
Income tax expense	**21,446**	21,712

(d) Summarised financial information

Art Shine Limited

	2013 HK$'000	2012 HK$'000
For the year ended 31 December		
Loss from continuing operations for the year	**2**	431
Total comprehensive income for the year	**(2)**	(431)

18. DEFERRED TAXATION

The movement in deferred tax assets/(liabilities) arising from temporary differences are as follows:

	Group			
	Fair value adjustments on investment properties HK$'000	**In respect of provision for LAT** HK$'000	**In respect of withholding tax for un-distributed profits** HK$'000	**Total** HK$'000
Balance as at 1 January 2012	(36,732)	2,011	(3,959)	(38,680)
Deferred tax charged to the profit or loss *(note 10)*	(4,495)	(1,845)	(1,798)	(8,138)
Exchange differences	(335)	1	(28)	(362)
Balance as at 31 December 2012 and 1 January 2013	**(41,562)**	**167**	**(5,785)**	**(47,180)**
Deferred tax charged to the profit or loss *(note 10)*	**(3,346)**	**–**	**(1,549)**	**(4,895)**
Exchange differences	**(1,393)**	**6**	**(112)**	**(1,499)**
Balance as at 31 December 2013	**(46,301)**	**173**	**(7,446)**	**(53,574)**

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign-invested enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries and an associate established in the PRC in respect of earnings generated from 1 January 2008. The deferred tax liabilities in respect of temporary differences attributable to undistributed profits of the PRC subsidiaries and associate have been recognised in profit or loss.

The following is the analysis of the deferred taxation balances for financial reporting purposes:

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Deferred tax assets	**173**	167	**–**	–
Deferred tax liabilities	**(53,747)**	(47,347)	**–**	–
	(53,574)	(47,180)	**–**	–

The amount of the deferred tax asset not recognised during the year is as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Tax effect of:				
– unused tax losses	**52,736**	31,112	**52,709**	30,286

Deferred tax asset in respect of tax losses has not been recognised in the financial statements due to the unpredictability of future profit streams against which the tax losses can be utilised. The tax losses of the subsidiaries operating in the PRC can be carried forward for 5 years and tax losses of the subsidiaries operating in Hong Kong will not expire under the current tax legislation.

19. PROPERTIES HELD UNDER DEVELOPMENT – GROUP

	2013	2012
	HK$'000	HK$'000
Amounts comprise:		
Construction costs	**315,750**	234,314
Land use rights	**125,925**	175,004
Interest capitalised	**15,410**	9,498
	457,085	418,816

The capitalisation rate used to determine the amount of interest incurred eligible for capitalisation in 2013 was 3.85% (2012: 3.29%).

Properties held under development included leasehold interests in land located in the PRC with lease terms expiring from 2047 to 2077.

As at 31 December 2012, certain leasehold interests in land of approximately HK$71,597,000 were pledged to secure certain bank loans granted to the Group. The related bank loans have been fully repaid during the year ended 31 December 2013 and the pledged properties held under development have been released.

20. PROPERTIES HELD FOR SALE – GROUP

Properties held for sale included leasehold interests in land located in the PRC with lease terms expiring from 2061 to 2077.

The carrying amounts of certain carparks under properties held for sales were above the recoverable amounts determined according to prevailing property market conditions and impairment losses in the amount of HK$14,836,000 were recognised accordingly.

As at 31 December 2013, the carrying value of the leasehold interests in land amounted to approximately HK$93,241,000 (2012: HK$74,808,000).

21. INVENTORIES – GROUP

Inventories represent low value consumables carried at cost.

22. ACCOUNTS RECEIVABLE

	Group	
	2013	2012
	HK$'000	HK$'000
Accounts receivable	**166**	139

Accounts receivable represents rental income from leasing properties. Monthly rents are normally received in advance and sufficient rental deposits are held to minimise credit risk. Accounts receivable generally have credit terms of 30 to 60 days (2012: 30 to 60 days) and no interest is charged. All accounts receivable are denominated in Renminbi. The ageing analysis of the Group's accounts receivable, based on invoice dates, is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within 30 days	**127**	139
31 – 60 days	**39**	–
	166	139

The carrying amount of accounts receivable is considered a reasonable approximation of fair value as this financial asset, which is measured at amortised cost, is expected to be paid within a short timescale, such that the time value of money impact is not significant.

Accounts receivable, based on due date, which are past due are analysed as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Fully conformed with credit term	**166**	139
Past due but not impaired	**–**	–
	166	139

As at 31 December 2013, accounts receivable of approximately HK$166,000 (2012: HK$139,000) were neither past due nor impaired. These related to a number of customers for whom there was no recent history of default.

23. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	Group	
	2013	2012
	HK$'000	HK$'000
Deposits paid and prepayments	**13,961**	11,813
Other receivables	**33,582**	20,673
	47,543	32,486

The carrying amounts of deposits paid and other receivables approximate to their fair values. Other receivables were neither past due nor impaired and were related to a number of counterparties for whom there was no recent history of default.

24. ACCOUNTS PAYABLE

Based on the invoice dates, the ageing analysis of the Group's accounts payable is as follows:

		Group	
		2013	2012
	Notes	**HK$'000**	HK$'000
Within 30 days		**8**	75
31 – 60 days		**12**	9
61 – 90 days		**–**	–
91 – 365 days		**–**	91
Over 365 days		**1,420**	1,345
Rent received on behalf of landlords	*(a)*	**1,440**	1,520
Accrued construction cost and other project-related expenses	*(b)*	**110,739**	90,677
		112,179	92,197

All amounts are short term and hence the carrying values of the Group's accounts payable are considered to be a reasonable approximation of fair value.

Notes:

(a) Rent received on behalf of landlords comprised net rental received from tenants after netting off fee charged to them provided by external service providers.

(b) Included in the above amounts are construction cost and other project-related expenses payable amounting to approximately HK$110,739,000 as at 31 December 2013 (2012: HK$90,677,000) which were accrued based on the terms of the relevant agreements and the progress of the projects, and were not due for payment as at 31 December 2013.

25. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	Group	
	2013	2012
	HK$'000	HK$'000
Deposits received	**393,724**	106,455
Accruals and other payables	**22,521**	29,355
	416,245	135,810

All amounts are short term and hence the carrying values of the Group's accruals, deposits received and other payables are considered to be a reasonable approximation of their fair values.

26. BORROWINGS

	Group	
	2013	2012
	HK$'000	HK$'000
Current liabilities		
Portion of term loans from banks due for repayment within one year	**32,426**	77,782
Portion of term loans from banks due for repayment after one year which contain a repayment on demand clause	**26,465**	44,683
Loan from a related company	**–**	5,000
Loans from non-controlling shareholders	**26,282**	92,062
	85,173	219,527
Non-current liabilities		
Bank loans	**21,632**	–
Loans from non-controlling shareholders	**74,823**	19,771
	96,455	19,771
	181,628	239,298

The interest-bearing bank borrowings, including the term loans repayable on demand, are carried at amortised cost. None of the portion of term loans due for repayment after one year, which contain a repayment on demand clause and is classified as a current liability, is expected to be settled within one year.

Borrowings were repayable as follows:

		Group	
		2013	2012
	Notes	**HK$'000**	HK$'000
Within one year			
Term loans, unsecured	*(d)*	**14,854**	17,267
Term loans, secured	*(a),(d)*	**17,572**	60,515
Loan from a related company, unsecured	*(c)*	**–**	5,000
Loans from non-controlling shareholders, unsecured	*(b)*	**26,282**	92,062
In the second year			
Term loans, unsecured	*(d)*	**8,713**	9,855
Term loans, secured	*(a),(d)*	**14,646**	10,915
Loans from non-controlling shareholders, unsecured	*(b)*	**–**	19,771
In the third to fifth year			
Term loans, unsecured	*(d)*	**–**	6,160
Term loans, secured	*(a),(d)*	**24,738**	15,753
Loans from non-controlling shareholders, unsecured	*(b)*	**74,823**	–
After the fifth year			
Term loans, secured	*(a),(d)*	**–**	2,000
		181,628	239,298

Notes:

(a) Bank loans were secured by pledges of certain leasehold land and buildings and investment properties of the Group (notes 14 and 15).

(b) Loans from non-controlling shareholders are unsecured and interest-free. The loans were initially recognised at fair value and subsequently stated at amortised cost which was estimated by discounting the nominal value of the loans at effective interest rate. During the year ended 31 December 2013, the Group made partial repayment to non-controlling shareholders and renegotiated the terms of certain loans with non-controlling shareholders. The directors considered that such early repayment and renegotiation of terms represented a modification of the original loans and accordingly, the effective interest rates were adjusted at the date of modification.

During the year ended 31 December 2013, the effective interest rates of the loans were in the range of 2.08% to 4.55% (2012: 1.61% to 4.55%) per annum.

(c) Loan from a related company, Chong Lai (Panama) S.A. ("Chong Lai"), is unsecured, interest bearing at HIBOR plus 3% per annum and repayable on or before 14 December 2013 (note 35(b)). The effective interest rate of the loan was 3.28% (2012: 3.28%) per annum during the year.

(d) The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause. These borrowings bore floating interest rates.

The carrying amounts of the borrowings are denominated in the following currencies and have the following effective interest rates at the end of the reporting period:

	Group			
	2013		2012	
	HK$'000	**Effective interest rate per annum**	HK$'000	Effective interest rate per annum
Hong Kong dollars	**59,850**	**1.97% – 4.55%**	79,155	1.28% – 4.55%
United States dollars	**93,490**	**2.42% – 2.45%**	110,543	1.61% – 2.46%
Renminbi	**28,288**	**6.22%**	49,600	6.40%
	181,628		239,298	

The Group regularly monitors its compliance with the covenants of the banking facilities, is up to date with the scheduled repayments of the term loans and does not consider it probable that the banks will exercise their discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 39.4. As at 31 December 2013 and 2012, none of the covenants relating to drawn down facilities had been breached.

27. CONVERTIBLE NOTES

On 10 August 2007, the Company entered into a Convertible Notes Subscription Agreement (the "Agreement") with Asia Financial Holdings Limited ("AFH") and Asia Insurance Company, Limited ("AICL") (AICL is a subsidiary of AFH which is controlled by the associates of Mr. CHAN Bernard Charnwut, the non-executive director of the Company). Pursuant to the Agreement, AFH and AICL agreed to acquire the convertible notes (the "2007 Notes") at HK$50,000,000 and HK$25,000,000 respectively, in total of the principal amount of HK$75,000,000 at interest rate of 5% per annum, payable in arrears on a quarterly basis on 31 March, 30 June, 30 September and 31 December of each year between the date of issue of the 2007 Notes and the maturity date. The maturity date was 60 months from the date of issue of the 2007 Notes.

The 2007 Notes were not transferable and not allowed for redemption before the maturity date. Unless previously converted, the Company was obliged to redeem the 2007 Notes on the maturity date at the redemption price of 110% of the principal amount of the 2007 Notes outstanding together with accrued interest payables.

The principal amount of HK$35,000,000 (HK$25,000,000 for AFH and HK$10,000,000 for AICL) of the 2007 Notes should be compulsorily converted at the conversion price of HK$1.10 within seven business days if the closing price per share of the Company was HK$1.10 or higher for ten consecutive trading days during the period between the date of issue of the 2007 Notes and five business days prior to the maturity date.

In addition, the 2007 Notes could be converted by the holder into ordinary shares of the Company at any part of the principal amount of the 2007 Notes in the multiple of HK$25,000,000, at a conversion price of HK$1.10 per share, at any time during the period between the date of issue of the 2007 Notes and the maturity date.

68,181,818 was the maximum number of ordinary shares that could be converted.

Further details of the terms and conditions of the 2007 Notes were disclosed in the announcement and circular of the Company dated 17 August 2007 and 10 September 2007 respectively.

The 2007 Notes were issued to AFH and AICL on 15 October 2007.

The fair values of the 2007 Notes were determined by the directors of the Company with reference to the valuation performed by Norton Appraisals Limited, a firm of independent professional valuers with appropriate qualifications and recent experiences in the valuation of similar derivative instruments with reference to market values.

The methods and assumptions applied for the valuation of the 2007 Notes were as follows:

The fair value of the liability component was calculated based on the present value contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the market interest rate for an equivalent non-convertible notes and remaining time to maturity.

The residual amount, representing the value of the equity component, was included in the equity attributable to owners of the Company in convertible notes equity reserves, net of deferred tax.

On 5 July 2011, the Company entered into a subscription agreement with AFH and AICL in relation to the issue of the 2011 convertible notes (the "2011 Notes") at HK$50,000,000 and HK$25,000,000 respectively, in total of the principal amount of HK$75,000,000 at interest rate of 6% per annum, payable in-arrears on a quarterly basis on 31 March, 30 June, 30 September and 31 December of each year between the date of issue of the 2011 Notes and the maturity date. The maturity date is 36 months from the date of issue of the 2011 Notes. Pursuant to the Subscription Agreement, the Company, AFH and AICL acknowledged and confirmed that it was the intention of the parties that the proceeds to be obtained from the issue of the 2011 Notes should be applied towards the redemption of the 2007 Notes on the date of completion. Accordingly, notwithstanding that the 2007 Notes did not provide for any early redemption thereof, the Company, AFH and AICL agreed that, subject to the presentation of the original of the certificates for the 2007 Notes to the Company, all the 2007 Notes should be redeemed by the Company on the date of completion at the redemption amount. On 30 September 2011, the subscription price of the 2011 Notes payable by AFH and AICL was immediately applied by the Company to set-off part of the redemption amount for redemption of the 2007 Notes. A premium on a pro rata basis upon the actual holding period over the original period and the interest accrued thereon up to the redemption date amounting to HK$6,885,000 was paid to AFH and AICL. Upon redemption, the 2007 Notes were cancelled.

The 2011 Notes are not transferable and will not be allowed for redemption before the maturity date. Unless previously converted, the Company is obliged to redeem the 2011 Notes on the maturity date at the redemption price of 110% of the principal amount of the 2011 Notes outstanding together with accrued interest payables.

The principal amount of HK$35,000,000 (HK$25,000,000 for AFH and HK$10,000,000 for AICL) of the 2011 Notes shall be compulsorily converted at the conversion price of HK$1.10 within seven business days if the closing price per share of the Company is HK$1.10 or higher for ten consecutive trading days during the period between the date of issue of the 2011 Notes and five business days prior to the maturity date.

In addition, the 2011 Notes can be converted by the holder into ordinary shares of the Company at any part of the principal amount of the 2011 Notes in the multiple of HK$25,000,000, at a conversion price of HK$1.10 per share, at any time during the period between the date of issue of the 2011 Notes and the maturity date.

68,181,818 is the maximum number of ordinary shares that can be converted.

Further details of the terms and conditions of the 2011 Notes were disclosed in the announcement and circular of the Company dated 5 July 2011 and 25 July 2011 respectively.

The 2011 Notes were issued to AFH and AICL on 30 September 2011.

The difference between the redemption amount and the carrying amount of the liability component represented a loss on extinguishment of convertible notes of approximately HK$829,000 which was charged to profit or loss for the year ended 31 December 2011.

The extinguishment accounting was adopted to derecognise the 2007 Notes and the 2011 Notes are recognised at their fair value. The fair values of the liability component and the equity conversion component of the 2011 Notes were determined at the issuance of the 2011 Notes.

The fair values of the 2011 Notes of approximately HK$69,400,000 were determined with reference to the valuation performed by DTZ, a firm of independent qualified professional valuers with appropriate qualifications and recent experiences in the valuation of similar derivative instruments with reference to market values.

The methods and assumptions applied for the valuation of the 2011 Notes are as follows:

The fair value of the liability component of approximately HK$68,500,000 was calculated based on the present value contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the market interest rate for an equivalent non-convertible notes and remaining time to maturity.

The fair value of the equity component of approximately HK$900,000 was calculated based on the option pricing model, which was included in the equity attributable to owners of the Company in convertible notes equity reserves.

As detailed in the announcement dated 20 December 2013, principal amount of HK$35,000,000 (HK$25,000,000 for AFH and HK$10,000,000 for AICL) of the 2011 Notes has been compulsorily converted into shares of the Company according to the compulsory conversion clause. The conversion gave rise to the issue of 31,818,181 (2012: Nil) ordinary shares of HK$0.01 each of the Company and derecognition in carrying value of liability component and equity component by HK$36,795,000 (2012: Nil) and HK$420,000 (2012: Nil), respectively.

The convertible notes recognised in the statement of financial position are calculated as follows:

	Group and Company	
	2013	2012
	HK$'000	HK$'000
Net carrying amount as at 1 January	**74,350**	69,675
Interest expense *(Note 8)*	**9,010**	9,188
Interest paid	**(4,425)**	(4,513)
Conversion during the year	**(36,795)**	–
Net carrying amount as at 31 December	**42,140**	74,350

For the 2011 Notes, the liability component on initial recognition of approximately HK$68,500,000 represented the difference between the fair value of approximately HK$69,400,000 and equity component of approximately HK$900,000.

The effective interest rate of the liability component is 13.38% (2012: 13.38%) per annum. Interest expense on the convertible notes is calculated using the effective interest method by applying the effective interest rate to the liability component.

28. SHARE CAPITAL

	2013		2012	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**30,000,000,000**	**300,000**	30,000,000,000	300,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At 1 January	**1,285,398,465**	**12,854**	1,284,538,465	12,845
Arising from issue of ordinary shares on exercise of share options *(Note)*	**7,390,000**	**74**	860,000	9
Arising from issue of ordinary shares on compulsory conversion of convertible notes *(Note 27)*	**31,818,181**	**318**	–	–
At 31 December	**1,324,606,646**	**13,246**	1,285,398,465	12,854

Note:

For the year ended 31 December 2013, the Company issued 7,390,000 (2012: 860,000) ordinary shares of HK$0.01 each in relation to the exercise of the share options by certain employees of the Group at the subscription price of HK$0.235 per ordinary share (note 30). The difference between the subscription price and par value amounting to approximately HK$1,663,000 (2012: HK$194,000) was credited to share premium. In addition, the portion of share option reserves in relation to the exercise of the share options exercised during the year of 2013 amounted to approximately HK$656,000 (2012: HK$76,000) was transferred to the Company's share premium.

As detailed in note 27 to the financial statements, an aggregate number of 31,818,181 of new ordinary shares of par value of HK$0.01 each were issued at a conversion price of HK$1.10. The conversion gave rise to a credit to share capital of HK$318,000 (2012: Nil) and the remaining balance of HK$36,477,000 was credited to the share premium account.

29. GAIN ON DEREGISTRATION OF A SUBSIDIARY

On 28 January 2013, the Group deregistered a non wholly-owned subsidiary, namely Suzhou New Heritage Wuzhong Limited.

Net liabilities of the deregistered subsidiary at the date of deregistration were as follows:

	2013 HK'000
Net liabilities disposed of:	
Amount due to a group company	**(6,111)**
Waiver of amount due to a group company	**6,111**
Reclassification of exchange reserve	**(8,898)**
Gain on deregistration of a subsidiary *(note 16a)*	**8,898**
	–
Net cash outflow arising on deregistration	
Cash at bank disposed of	**–**

30. SHARE-BASED EMPLOYEE COMPENSATION

Pursuant to the written resolutions of all the then shareholders passed on 14 November 2005, the Company has conditionally adopted the Share Option Scheme (the "Scheme") for employee compensation.

The purpose of the Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants for their contributions to the Group and for such other purposes as the board of directors (the "Board") may approve from time to time.

Pursuant to the Scheme, the Board may, at its discretion, invite any executive or non-executive directors including independent non-executive directors or any employees (whether full-time or part-time) of the Company, its subsidiaries and associated companies; any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of each member of the Group or its associated companies; any consultants, professional and other advisers to each member of the Group or its associated companies (or persons, firms or companies proposed to be appointed for providing such services); any chief executives or substantial shareholders of the Company; any associates of any director, chief executive or substantial shareholder of the Company; and any employees (whether full-time or part-time) of substantial shareholders of the Company, provided that the Board may have absolute discretion to determine whether or not one falls within the above categories, (together, the "Participants" and each a "Participant"), to take up options ("Option(s)") to subscribe for shares at a price determined in accordance with the paragraph below.

In determining the basis of eligibility of each Participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

The Scheme shall be valid and effective for a period of 10 years commencing on the date on which the Scheme is adopted, after which period no further Options will be granted but in all other respects the provisions of the Scheme shall remain in full force and effect, and Options which are granted during the life of the Scheme may continue to be exercisable in accordance with their terms of grant.

The subscription price in respect of each share issued pursuant to the exercise of Options granted hereunder shall be a price solely determined by the Board and notified to a Participant and shall be at least the highest of:

(a) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the business day on which an offer is accepted by the grantee or if such date of acceptance by the grantee is not a business day, the immediately preceding business day;

(b) a price being the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date on which an offer is accepted by the grantee (provided that the new issue price shall be used as the closing price for any business day falling within the period before listing of the shares where the Company has been listed for less than 5 business days as at the date on which an offer is accepted by the grantee); and

(c) the nominal value of a Company's share.

The total number of shares, which may be issued upon exercise of all Options to be granted under the Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the total number of shares in issue on the date of commencement of dealings in the shares on the Stock Exchange ("Scheme Mandate Limit"), unless the Company obtains an approval from its shareholders. Options lapsed in accordance with the terms of the Scheme will not be counted for the purpose of calculating such 10% limit.

On 15 May 2012, an ordinary resolution regarding the refreshment of Scheme Mandate Limit was approved by the shareholders of the Company at the Annual General Meeting ("AGM"). Starting from 15 May 2012, further options to subscribe up to 128,453,846 ordinary shares of the Company, being 10% of the total number of shares in issue on the date of AGM are available to be granted under the Scheme.

Notwithstanding any other provisions of the Scheme, the maximum number of the shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of shares in issue from time to time.

Unless approved by the shareholders, the total number of shares issued and to be issued upon exercise of the Options granted to each participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

Offer of an option ("Offer") shall be deemed to have been accepted by any Participant (the "Grantee") who accepts an Offer in accordance with the terms of the Scheme and the option to which the Offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the Offer duly signed by the Grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the granting thereof is received by the Company within 14 days from the date upon which the Offer is made.

All share-based employee compensation will be settled in equity.

Details of the Options granted by the Company pursuant to the Scheme and the Options outstanding as at 31 December 2013 were as follows:

			Number of options					
	Date of grant (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Balance at 31 December 2012 and 1 January 2013	Granted during the year	Exercised during the year	Expired/ Lapsed during the year	Balance at 31 December 2013	Exercise price per share HK$
Executive directors								
Mr. Taochaifu Choofuang ("Mr. C.F. Tao")	04/09/2012	04/09/2012 – 03/09/2017	1,000,000	–	–	–	1,000,000	0.235
Mr. Tao Richard ("Mr. Richard Tao")	04/09/2012	04/09/2012 – 03/09/2017	1,000,000	–	–	–	1,000,000	0.235
Mr. Tao Paul ("Mr. Paul Tao")	04/09/2012	04/09/2012 – 03/09/2017	1,000,000	–	–	–	1,000,000	0.235
Mr. Kong Mui Sum Lawrence	04/09/2012	04/09/2012 – 03/09/2017	4,000,000	–	–	–	4,000,000	0.235
Mr. Yim Chun Leung	04/09/2012	04/09/2012 – 03/09/2017	9,000,000	–	–	–	9,000,000	0.235
Employees of the Group	04/09/2012	04/09/2012 – 03/09/2017	15,140,000	–	(7,390,000)	–	7,750,000	0.235
			31,140,000	–	(7,390,000)	–	23,750,000	

Details of the Options granted by the Company pursuant to the Scheme and the Options outstanding as at 31 December 2012 were as follows:

	Date of grant (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Number of options					Exercise price per share HK$
			Balance at 31 December 2011 and 1 January 2012	Granted during the year	Exercised during the year	Expired/ Lapsed during the year	Balance at 31 December 2012	
Executive directors								
Mr. Taochaifu Choofuang ("Mr. C.F. Tao")	04/09/2012	04/09/2012 – 03/09/2017	–	1,000,000	–	–	1,000,000	0.235
Mr. Tao Richard ("Mr. Richard Tao")	04/09/2012	04/09/2012 – 03/09/2017	–	1,000,000	–	–	1,000,000	0.235
Mr. Tao Paul ("Mr. Paul Tao")	04/09/2012	04/09/2012 – 03/09/2017	–	1,000,000	–	–	1,000,000	0.235
Mr. Kong Mui Sum Lawrence	04/09/2012	04/09/2012 – 03/09/2017	–	4,000,000	–	–	4,000,000	0.235
Mr. Yim Chun Leung	04/09/2012	04/09/2012 – 03/09/2017	–	9,000,000	–	–	9,000,000	0.235
Employees of the Group	04/09/2012	04/09/2012 – 03/09/2017	–	16,000,000	(860,000)	–	15,140,000	0.235
			–	32,000,000	(860,000)	–	31,140,000	

Options outstanding and weighted average exercise price for the reporting periods presented are as follows:

	2013		2012	
	Number	**Weighted average exercise price HK$**	Number	Weighted average exercise price HK$
Outstanding as at 1 January	**31,140,000**	**0.235**	–	–
Granted	**–**	**–**	32,000,000	0.235
Exercised	**(7,390,000)**	**0.235**	(860,000)	0.235
Expired	**–**	**–**	–	–
Outstanding as at 31 December	**23,750,000**	**0.235**	31,140,000	0.235
Exercisable as at 31 December	**23,750,000**		31,140,000	

For the year ended 31 December 2013, 7,390,000 options were exercised resulting in issue of 7,390,000 ordinary shares of HK$0.01 each and no options were expired pursuant to the Scheme. For the year ended 31 December 2012, 860,000 options were exercised pursuant to the Scheme. The exercise price of Options outstanding at the end of the year was HK$0.235 (2012: HK$0.235) and their weighted average remaining contractual life of the Options outstanding at 31 December 2013 was approximately 4 years (2012: 5 years).

Of the total number of Options outstanding at the end of the year, 23,750,000 (2012: 31,140,000) options had vested and were exercisable at the end of the year.

The weighted average share price at the date of exercise of options exercised during the year was HK$0.44 (2012: HK$0.42).

The fair value of services received in return for Options granted is determined by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Binomial Option Pricing Model. The following significant inputs were used to derive the fair values:

Date of grant	4 September 2012
Expected volatility	62.41%
Expected life of the options (in years)	5
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	0.264%
Expected dividend yield	1.98%
Share price on grant date	HK$0.22

The expected volatility was determined by using the historical volatility of the Company's share price over the past years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

Based on the fair values derived from the above pricing model, employee share-based payments of approximately HK$2,947,000 (note 9) has been included in the consolidated income statement for the year ended 31 December 2012 and the corresponding amount has been credited to share option reserves.

31. RESERVES

(a) Group

	Notes	**2013 HK$'000**	2012 HK$'000
Retained profits		**130,231**	143,580
Share premium	*(i)*	**528,150**	488,934
Share option reserves	*(ii)*	**2,215**	2,871
Convertible notes equity reserves	*(iii)*	**480**	900
Merger reserve	*(iv)*	**89,936**	89,936
Hotel property, plant and equipment revaluation reserve	*(v)*	**24,417**	23,290
Statutory reserve	*(vi)*	**32,745**	34,143
Exchange reserve	*(vii)*	**151,905**	131,888
		960,079	915,542
Proposed final dividend *(note 11)*		**–**	2,571
		960,079	918,113

The movements of the Group's reserves for the year are presented in the consolidated statement of changes in equity of the financial statements. The nature and purpose of the reserves are as follows:

(i) Under the Companies Law (2011 Revision) of the Cayman Islands, the share premium account is distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be paid, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) The share option reserves represents the value of the unexercised share options granted under the Company's share option scheme to the eligible participants recognised in accordance with the accounting policy set out in note 4(t).

(iii) The convertible notes equity reserves represents the value of the equity component of convertible notes recognised in accordance with the accounting policy set out in note 4(m).

(iv) The merger reserve of the Group represents the excess of the nominal value of the share capital of the subsidiaries acquired pursuant to the Group's reorganisation completed on 23 June 2005 over the nominal value of the Company's shares issued in exchange therefor.

(v) The hotel property, plant and equipment revaluation reserve represents accumulated gains and losses arising on the revaluation of the associate's hotel property, plant and equipment that has been recognised in other comprehensive income, net of amounts reclassified to profit or loss when the hotel property, plant and equipment are disposed of or are determined to be impaired.

(vi) As stipulated by the relevant laws and regulations in the PRC, certain subsidiaries and associate of the Company in the PRC are required to maintain a statutory reserve which is non-distributable other than upon the liquidation of the entity. Transfer to this reserve is made out of profit after taxation of the subsidiaries' and associate's PRC statutory financial statements which are prepared in accordance with the accounting principles generally accepted in the PRC.

(vii) The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of financial operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(d).

(viii) Of the consolidated loss attributable to owners of the Company of approximately HK$14,739,000 for the year (2012: profit approximately of HK$8,208,000), loss of approximately HK$9,156,000 (2012: HK$1,942,000) has been dealt with in the financial statements of the Company for the year.

(b) Company

	Share premium HK$'000 *(note)*	**Share option reserves** HK$'000 *(note)*	**Convertible notes equity reserves** HK$'000 *(note)*	**Contributed surplus** HK$'000 *(note)*	**Retained profits** HK$'000 *(note)*	**Proposed final dividend** HK$'000	**Total** HK$'000
Balance as at 1 January 2012	488,664	–	900	(22)	22,462	3,854	515,858
Loss for the year	–	–	–	–	(1,942)	–	(1,942)
Equity-settled employee share-based payment *(note 30)*	–	2,947	–	–	–	–	2,947
Arising from issue of ordinary shares on exercise of share options *(note 28)*	194	–	–	–	–	–	194
Transfer *(note 28)*	76	(76)	–	–	–	–	–
2011 final dividend paid	–	–	–	–	–	(3,854)	(3,854)
Proposed final dividend *(note 11)*	–	–	–	–	(2,571)	2,571	–
Balance as at 31 December 2012 and 1 January 2013	488,934	2,871	900	(22)	17,949	2,571	513,203
Loss for the year	–	–	–	–	(9,156)	–	(9,156)
Arising from issue of ordinary shares on exercise of share options *(note 28)*	1,663	–	–	–	–	–	1,663
Arising from issue of ordinary shares on compulsory conversion of convertible notes *(notes 27 and 28)*	36,477	–	–	–	–	–	36,477
Transfer *(notes 27 and 28)*	1,076	(656)	(420)	–	–	–	–
2012 final dividend paid	–	–	–	–	(8)	(2,571)	(2,579)
Balance as at 31 December 2013	528,150	2,215	480	(22)	8,785	–	539,608

Note: These reserve accounts comprise the Company's reserves of approximately HK$539,608,000 (2012: HK$510,632,000) in the statement of financial position of the Company.

The contributed surplus of the Company represents the excess of the net asset value of the subsidiaries acquired pursuant to the Group's reorganisation completed on 23 June 2005 over the nominal value of the Company's shares issued in exchange therefor.

32. RESTRICTED BANK DEPOSITS

		Group	
		2013	2012
	Notes	**HK$'000**	HK$'000
Analysis of restricted bank deposits:			
Deposits pledged against mortgage loans granted to the purchasers of properties	*(a)*	**27,497**	17,404
Restricted bank deposits	*(b)*	**8,733**	21,472
		36,230	38,876

Notes:

(a) The bank deposits were pledged as security in favour of banks and financial institutions in the PRC which provided mortgage loans to purchasers of properties for the period from the date of draw-down of mortgage loans to the date when the certificates for housing ownership and certificates of others' interest for housing ownership (collectively known as "Certificates") are granted to the property purchasers. Such charges would be released when the Certificates are granted to the property purchasers. These deposits earn interest at floating rates based on daily bank deposits rates.

(b) In accordance with the terms of the banking facilities and regulations issued by local government, certain property development companies of the Group are required to maintain certain amounts of cash at designated bank accounts for securing the repayment of bank loans and wages payments to contractors' workers for construction projects. These deposits earn interest at floating rates based on daily bank deposits rates.

33. CASH AND BANK BALANCES

Analysis of cash and cash equivalents is as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**435,782**	290,999	**4,890**	1,003
Less: Short-term time deposits with maturity beyond three months but within one year	**78,000**	–	**–**	–
Less: Structured bank deposit	**1,277**	–	**–**	–
Cash and cash equivalents	**356,505**	290,999	**4,890**	1,003

The structured bank deposit is principal-protected yield enhancement bank deposit carrying a minimum interest rate of 0.1% (2012: Nil) per annum and can be enhanced to a maximum interest rate of 7.1% (2012: Nil) per annum which is to be determined by reference to the market exchange rate of United States dollars ("USD")/Renminbi ("RMB") from the period of 30 July 2013 to 30 July 2014. The structured bank deposit contains embedded derivative representing a return which would vary with prevailing market exchange rate of USD/RMB. The directors of the Company consider that the fair value of the embedded derivative and the cap is minimal and hence no derivative financial instrument is recognised.

Included in cash and bank balances in the statement of financial position are the following amounts denominated in a currency other than the functional currency of the Group and the Company to which they relate:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi	**261,641**	269,676	**–**	–
United States dollars	**165,635**	5,126	**5**	5

Included in cash and bank balances of the Group is approximately HK$260,356,000 (2012: HK$269,669,000) of bank balances denominated in Renminbi and that are deposited with banks in the PRC. The conversion of these Renminbi denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The effective interest rate of cash at banks is in the range of 0.01% to 1.25% (2012: 0.01% to 2.86%) per annum and they have maturity within 90 days (2012: 90 days).

34. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

	Fees	Salaries, allowance and other benefits in kind	Gratuity and bonus	Contributions to retirement benefit scheme	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
2013					
Executive directors					
Mr. C.F. Tao	**–**	**1,300**	**326**	**64**	**1,690**
Mr. Richard Tao	**–**	**1,846**	**461**	**93**	**2,400**
Mr. Paul Tao	**–**	**1,846**	**461**	**93**	**2,400**
Mr. Kong Mui Sum Lawrence	**–**	**1,950**	**487**	**101**	**2,538**
Mr. Yim Chun Leung	**–**	**2,304**	**576**	**124**	**3,004**
	–	**9,246**	**2,311**	**475**	**12,032**
Non-executive director					
Mr. Chan Bernard Charnwut	**193**	**–**	**–**	**–**	**193**
Independent non-executive directors					
Mr. Wong Gary Ka Wai	**257**	**–**	**–**	**–**	**257**
Mr. Sun Leland Li Hsun	**193**	**–**	**–**	**–**	**193**
Mr. Chan Norman Enrique	**193**	**–**	**–**	**–**	**193**
	643	**–**	**–**	**–**	**643**
	836	**9,246**	**2,311**	**475**	**12,868**

No share option was granted to directors of the Company for the year ended 31 December 2013.

	Fees HK$'000	Salaries, allowance and other benefits in kind HK$'000	Gratuity and bonus HK$'000	Equity-settled share-based payments HK$'000	Contributions to retirement benefit scheme HK$'000	Total HK$'000
2012						
Executive directors						
Mr. C.F. Tao	–	1,300	326	95	106	1,827
Mr. Richard Tao	–	1,846	461	95	151	2,553
Mr. Paul Tao	–	1,846	461	95	151	2,553
Mr. Kong Mui Sum Lawrence	–	1,950	562	382	157	3,051
Mr. Yim Chun Leung	–	2,304	752	860	208	4,124
	–	9,246	2,562	1,527	773	14,108
Non-executive director						
Mr. Chan Bernard Charnwut	193	–	–	–	–	193
Independent non-executive directors						
Mr. Wong Gary Ka Wai	257	–	–	–	–	257
Mr. Sun Leland Li Hsun	193	–	–	–	–	193
Mr. Chan Norman Enrique	193	–	–	–	–	193
	643	–	–	–	–	643
	836	9,246	2,562	1,527	773	14,944

During the year ended 31 December 2012, five directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 30 to the financial statements. The fair value of these options which has been recognised in the income statement, was determined as at the date of grant, and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

No directors waived or agreed to waive any emoluments for the years ended 31 December 2013 and 2012.

(b) Senior management emoluments

The five highest paid individuals in the Group for the years ended 31 December 2013 and 2012 were all directors of the Company and details of their emoluments are reflected in the analysis presented above.

No emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group and as compensation for loss of office for the years ended 31 December 2013 and 2012.

35. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

The Group had the following transactions with related parties:

		Group	
		2013	2012
	Notes	**HK$'000**	HK$'000
Rental expenses to Fontwell Holdings Limited ("Fontwell")	*(i)*	**(114)**	(105)
Rental income from Clark Hatch Fitness Centers (Shanghai) Ltd. ("Clark Hatch")	*(ii)*	**635**	620
Membership fee to Clark Hatch	*(ii)*	**(151)**	(169)
Interest paid to Chong Lai	*(iii)*	**(6)**	(8)

Notes:

(i) Mr. C.F. Tao, Mr. Richard Tao and Mr. Paul Tao have beneficial interests in Fontwell. The charge by Fontwell was in accordance with the terms of the underlying agreements.

(ii) Mr. Richard Tao and Mr. Paul Tao are directors of Clark Hatch and Mr. Paul Tao has beneficial interests in Clark Hatch. The charge to Clark Hatch was in accordance with the terms of the underlying agreements. The membership fee was charged at terms mutually agreed by both parties.

(iii) Mr. C. F. Tao, Mr. Richard Tao and Mr. Paul Tao have beneficial interests in Chong Lai. The charge by Chong Lai was in accordance with the terms of the underlying agreements.

(b) Balances with related parties

As detailed in note 26(c) to the financial statements, the loan from Chong Lai in the amount of HK$5,000,000 (2012: HK$5,000,000) has been fully repaid during the year ended 31 December 2013.

(c) Key management personnel compensation

The directors are of the opinion that the key management personnel were solely the directors of the Company. Remuneration paid to the Company's directors is as follows:

	2013	2012
	HK$'000	HK$'000
Salaries, allowances and other benefits in kind	**12,394**	14,171
Contributions to retirement benefit scheme	**474**	773
	12,868	14,944

36. COMMITMENTS AND OPERATING LEASE ARRANGEMENTS

(a) Capital commitments

Capital commitments in respect of properties held under development for the Group are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Contracted but not provided for	**64,128**	194,744

As at 31 December 2013 and 2012, the Company did not have any significant capital commitments.

(b) Operating lease arrangements

(i) The Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings which are receivable as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**11,069**	10,634
In the second to fifth years	**10,036**	7,974
	21,105	18,608

The Group leases out its investment properties (note 15) under operating lease arrangements which run for initial periods of less than one year to five years (2012: less than one year to five years) or expire at dates as mutually agreed between the Group and the respective tenants, without an option to renew the lease terms at the expiry date. The terms of the leases generally also require the tenants to pay security deposits.

(ii) The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings which are payable as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**44**	110
In the second to fifth years	**–**	10
	44	120

The Group leases a number of properties under operating lease arrangements which run for initial periods of one to two years (2012: one to two years) or expire at dates as mutually agreed between the Group and the respective landlords, without an option to renew the lease terms at the expiry date.

At 31 December 2013 and 2012, the Group had no contingent rentals receivable or payable.

At 31 December 2013 and 2012, the Company had no operating lease commitments as lessor or lessee.

37. FINANCIAL GUARANTEE CONTRACTS – COMPANY

The Company provided corporate guarantees to certain banks for all unsecured term loans granted to subsidiaries (note 26).

The carrying amount of the financial guarantee contracts recognised in the Company's statement of financial position was approximately HK$1,017,000 (2012: HK$1,591,000) during the year ended 31 December 2013. The guarantee issued in prior years in respect of a term loan is measured at the higher of the amount determined under HKAS 37 Provisions, Contingent Liabilities and Contingent Assets (i.e. the loan amount when it is probable to be called upon to repay) and the amortised balance of that guarantee. Such financial guarantee contracts have terms of one to six years (2012: one to seven years)

38. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing properties commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristic of the underlying assets.

The Group monitors capital on the basis of the net debt to equity ratio. For this purpose the net debt is defined as borrowings less cash and bank balances. The Group's goal in capital management is to maintain a net debt to equity ratio at a reasonable level. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debts.

The Group's overall strategy in capital management remains unchanged during the year.

The net debt to equity ratio at the end of the reporting period was as follows:

	Group	
	As at 31 December	
	2013	2012
	HK$'000	HK$'000
Borrowings:		
– Current	**85,173**	219,527
– Non-current	**96,455**	19,771
Less: Cash and bank balances *(note 33)*	**(435,782)**	(290,999)
Net debt	**(254,154)**	(51,701)
Total equity	**1,070,937**	1,027,621
Net debt to equity ratio	**N/A**	N/A

39. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group is exposed to a variety of financial risks: currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management focuses on unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group currently does not have any written risk management policies and guidelines. However, the board of directors meets periodically and cooperates closely with key management to analyse and formulate strategies to manage and monitor financial risks.

The Group is not engaged in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed are described below. See also note 39.7 for a summary of financial assets and liabilities by category.

39.1 Currency risk

The Group reports its results in Hong Kong dollars. The Group's primary foreign currency exposure arises from its property development and investment activities in the PRC. The functional currency of these operations is Renminbi and most of the financial instruments are denominated in Renminbi. No foreign currency risk has been identified for the financial assets in the PRC as they were denominated in a currency same as the functional currencies of the group entities to which these transactions relate.

39.2 Interest rate risk

The Group's exposure to interest rate risk for changes in interest rates relates primarily to the Group's floating interest rate borrowings. The Group has not used any derivative contracts to hedge its exposure to interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The following table details the interest rate profile of the Group's and the Company's borrowings at the end of the reporting period.

	Group				**Company**			
	2013		2012		**2013**		2012	
	Effective interest rate	**HK$'000**	Effective interest rate	HK$'000	**Effective interest rate**	**HK$'000**	Effective interest rate	HK$'000
Fixed rate borrowings:								
Loans from non-controlling shareholders	**2.08%-4.55%**	**101,105**	1.61%-4.55%	111,833	**–**	**–**	–	–
Convertible notes	**13.38%**	**42,140**	13.38%	74,350	**13.38%**	**42,140**	13.38%	74,350
		143,245		186,183		**42,140**		74,350
Variable rate borrowings:								
Bank loans	**1.97%-6.22%**	**80,523**	1.28%-6.40%	122,465	**–**	**–**	–	–
Loan from a related company	**–**	**–**	3.28%	5,000	**–**	**–**	–	–
		80,523		127,465		**–**		–
Total borrowings		**223,768**		313,648		**42,140**		74,350

The following table indicates the instantaneous change in the Group's (loss)/profit after tax and retained profits that would arise if interest rates to which the group entities have significant exposure at the end of the reporting period had changes at that date, assuming all other risk variables remained constant.

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Increase in interest rate	**100 basis points**	100 basis points	**100 basis points**	100 basis points
(Increase)/Decrease in (loss)/profit for the year	**(648)**	1,022	**–**	–
Decrease in retained profits	**(648)**	(1,022)	**–**	–
Decrease in interest rate	**(100 basis points)**	(100 basis points)	**(100 basis points)**	(100 basis points)
(Decrease)/Increase in (loss)/profit for the year	**(648)**	1,022	**–**	–
Increase in retained profits	**648**	1,022	**–**	–

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence for the whole year. The 100 basis points increase or decrease represents management's assessment of reasonably possible change in interest rates over the period until the next annual reporting date. The same basis of analysis was also performed as at 31 December 2012.

39.3 Credit risk

The Group's credit risk is primarily attributable to accounts and other receivables, deposits paid and bank deposits. The Group's exposures to these credit risks are monitored on an ongoing basis.

The Group continuously monitors defaults of customers and other counterparties, identifies either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external reports on customers and other counterparties are obtained and used.

None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of accounts and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds is considered minimal, since the counterparties are reputable banks with high quality of external credit ratings.

The Company's maximum exposure to credit risk which will cause a financial loss to the Company due to financial guarantee contracts provided to its subsidiaries is approximately HK$52,235,000 (2012: HK$72,865,000), being the amount of contingent liabilities in relation to financial guarantee contracts issued.

39.4 Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In the opinion of the directors of the Company, the Group does not have any significant liquidity risk exposure.

The Group's policy is to regularly monitor its liquidity requirements to ensure that the Group maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term financial liabilities.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group and the Company's bank borrowings, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Company can be required to pay.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group and the Company can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

	Group						Company					
	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	On demand HK$'000	Less than 6 months HK$'000	6 to 12 months HK$'000	2 to 5 years HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	On demand HK$'000	Less than 6 months HK$'000	6 to 12 months HK$'000	
2013												
Accounts payable	**112,179**	**112,179**	**112,179**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Accruals, deposits received and other payables	**20,934**	**20,934**	**20,934**	**-**	**-**	**-**	**5,009**	**5,009**	**5,009**	**-**	**-**	
Term loans subject to repayment on demand clause	**52,235**	**52,235**	**52,235**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Other bank loans	**28,288**	**32,247**	**-**	**4,182**	**4,078**	**23,987**	**-**	**-**	**-**	**-**	**-**	
Loans from non-controlling shareholders	**101,105**	**101,283**	**-**	**26,460**	**-**	**74,823**	**-**	**-**	**-**	**-**	**-**	
Convertible notes	**42,140**	**45,788**	**-**	**1,190**	**44,598**	**-**	**42,140**	**45,788**	**-**	**1,190**	**44,598**	
	356,881	**364,666**	**185,348**	**31,832**	**48,676**	**98,810**	**47,149**	**50,797**	**5,009**	**1,190**	**44,598**	
Financial guarantees issued:												
Maximum amount guaranteed	**-**	**-**	**-**	**-**	**-**	**-**	**1,017**	**52,235**	**52,235**	**-**	**-**	

	Group						Company					
	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	On demand HK$'000	Less than 6 months HK$'000	6 to 12 months HK$'000	2 to 5 years HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	On demand HK$'000	Less than 6 months HK$'000	6 to 12 months HK$'000	2 to 5 years HK$'000
2012												
Accounts payable	92,197	92,197	92,197	-	-	-	-	-	-	-	-	-
Accruals, deposits received and other payables	28,073	28,073	28,073	-	-	-	4,898	4,898	4,898	-	-	-
Amount due to a subsidiary	-	-	-	-	-	-	181	181	181	-	-	-
Term loans subject to repayment on demand clause	72,865	72,865	72,865	-	-	-	-	-	-	-	-	-
Other bank loans	49,600	49,723	-	49,723	-	-	-	-	-	-	-	-
Loan from a related company	5,000	5,006	-	5,006	-	-	-	-	-	-	-	-
Loans from non-controlling shareholders	111,833	113,103	-	92,603	-	20,500	-	-	-	-	-	-
Convertible notes	74,350	90,366	-	2,250	2,250	85,866	74,350	90,366	-	2,250	2,250	85,866
	433,918	451,333	193,135	149,582	2,250	106,366	79,429	95,445	5,079	2,250	2,250	85,866
Financial guarantees issued:												
Maximum amount guaranteed	-	-	-	-	-	-	1,591	72,865	72,865	-	-	-

The table that follows summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained as above. Taking into account the Group's and the Company's financial position, the directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Maturity analysis of term loans subject to a repayment on demand clause based on scheduled repayments is as follows:

	Group					
	Total undiscounted cash flows	**On demand**	**Less than 6 months**	**6 to 12 months**	**2 to 5 years**	**Over 5 years**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2013	**54,420**	**–**	**14,148**	**12,832**	**27,440**	**–**
31 December 2012	76,629	–	18,212	11,705	44,665	2,047

The Company did not have any term loans subject to repayment on demand clause as at 31 December 2013 and 2012.

39.5 Fair value

The directors of the Company consider that the fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments. The fair values of non-current financial assets and liabilities were not disclosed because these are not materially different from their carrying amounts.

39.6 Fair value measurement recognised in the statement of financial position

The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

As at 31 December 2013 and 2012, no financial assets and liabilities were measured at fair value. Accordingly, the hierarchy for fair value measurement disclosures have not been presented.

39.7 Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at the end of the reporting period may be categorised as follows. See notes 4(j) and 4(m) for explanations about how the classification of financial instruments affects their subsequent measurement.

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Loans and receivables:				
Accounts receivable	**166**	139	**–**	–
Deposits paid and other receivables	**33,658**	20,748	**–**	–
Amounts due from subsidiaries	**–**	–	**461,762**	471,811
Restricted bank deposits	**36,230**	38,876	**–**	–
Cash and bank balances	**435,782**	290,999	**4,890**	1,003
	505,836	350,762	**466,652**	472,814
Financial liabilities				
Financial liabilities measured at amortised cost:				
Accounts payable	**112,179**	92,197	**–**	–
Accruals and other payables	**20,934**	28,073	**5,009**	4,898
Amount due to a subsidiary	**–**	–	**–**	181
Borrowings	**181,628**	239,298	**–**	–
Convertible notes	**42,140**	74,350	**42,140**	74,350
Financial guarantee contracts	**–**	–	**1,017**	1,591
	356,881	433,918	**48,166**	81,020

40. EVENT AFTER THE END OF REPORTING DATE

On 21 January 2014, China LVGEM Property Holdings Limited, an independent third party (the "Purchaser") and Belbroughton Limited, Mr. TAOCHAIFU Choofuang, Mr. TAO Richard, Mr. TAO Paul and Tian Xiang Business Limited (together, the "Vendors") had entered into a conditional sale and purchase agreement for the disposal of an aggregate of 858,800,792 shares of HK$0.01 each (the "Disposal Shares") in the share capital of the Company by the Vendors to the Purchaser (the "Share Disposal"). The Disposal Shares represent approximately 64.83% of the issued share capital of the Company as at the date of this Report. If all the conditions precedent are fulfilled and completed, the Share Disposal would trigger an obligation on the part of the Purchaser to make mandatory unconditional general offers for all the issued Shares and other outstanding securities of the Company under Rule 26 of The Hong Kong Code on Takeovers and Mergers (other than those already owned by or agreed to be acquired by the Purchaser and parties acting in concert with it). Further details of the Share Disposal and the possible offers are disclosed in the announcements dated 13 February 2014 and 25 March 2014 jointly issued by the Company and the Purchaser.

On 28 February 2014, the Group had entered into the following conditional sale and purchase agreements:

i. The Group as purchaser entered into a conditional sale and purchase agreement (the "NHDL Acquisition Agreement") with Onsite Investment Limited as vendor in respect of the sale and purchase of 15 shares in the capital of New Heritage Development Limited and the shareholder's loan due and owing by New Heritage Development Limited to Onsite Investment Limited as at the date of the NHDL Acquisition Agreement at a consideration of HK$72,919,000 in aggregate (apportioned as to HK$46,459,000 for the sale shares and as to HK$26,460,000 for the shareholder's loan).

ii. The Group as vendor entered into a conditional sale and purchase agreement (the "Accordcity Disposal Agreement") with Highmind Limited as purchaser in respect of the sale and purchase of the entire issued share capital of Accordcity Limited and the shareholder's loan due and owing by Accordcity Limited to the Group at completion of the Accordcity Disposal Agreement, which was estimated to be HK$76,100,000, at a consideration of HK$170,252,000 in aggregate (apportioned as to HK$94,152,000 for the sale shares and as to HK$76,100,000 for the shareholder's loan), subject to a dollar-to-dollar adjustment to the consideration for the shareholder's loan such that the consideration for the shareholder's loan shall be equal to the face value of the actual shareholder's loan at the completion date.

iii. The Group as vendor entered into a conditional sale and purchase agreement (the "NHML Disposal Agreement") with Gavett Limited as purchaser in respect of the sale and purchase of the entire issued share capital of New Heritage Management Limited and the shareholder's loan due and owing by New Heritage Management Limited to the Group at completion of the NHML Disposal Agreement, which was estimated to be HK$9,000,000, at a consideration of HK$23,210,000 in aggregate (apportioned as to HK$14,210,000 for the sale shares and as to HK$9,000,000 for the shareholder's loan), subject to a dollar-to-dollar adjustment to the consideration for the shareholder's loan such that the consideration for the shareholder's loan shall be equal to the face value of the actual shareholder's loan at the completion date.

Completion of each of the NHDL Acquisition Agreement, the Accordcity Disposal Agreement and the NHML Disposal Agreement is subject to the satisfaction of all the conditions precedent to the respective agreements. Further details of the NHDL Acquisition Agreement, the Accordcity Disposal Agreement and the NHML Disposal Agreement are disclosed in the announcements of the Company dated 13 March 2014 and 25 March 2014.

Independent Auditor's Report

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永安中心25樓

To the shareholders of New Heritage Holdings Ltd.
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of New Heritage Holdings Ltd. ("the Company") and its subsidiaries (together "the Group") set out on pages 39 to 123, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit 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. An audit also includes 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 consolidated financial statements.

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

BDO Limited
香港立信德豪會計師事務所有限公司

BDO Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Yu Tsui Fong
Practising Certificate Number: P05440

Hong Kong, 21 March 2013

Consolidated Statement of Profit or Loss

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	7	**272,102**	375,182
Cost of sales		**(223,202)**	(318,494)
Gross profit		**48,900**	56,688
Other income	7	**4,736**	10,990
Selling expenses		**(10,154)**	(13,848)
Administrative expenses		**(55,548)**	(43,523)
Fair value adjustments on investment properties	15	**22,337**	8,400
Gain on disposal of investment properties		**2,477**	835
Finance costs	8	**(1,937)**	(6,205)
Share of results of associates		**20,417**	18,500
Loss on extinguishment of convertible notes	27	**–**	(829)
Profit before income tax	9	**31,228**	31,008
Income tax expense	10	**(15,730)**	(20,131)
Profit for the year		**15,498**	10,877
Profit (loss) for the year attributable to:			
Owners of the Company		**8,208**	12,163
Non-controlling interests		**7,290**	(1,286)
		15,498	10,877
Earnings per share attributable to the owners of the Company during the year	12	**HK cents**	HK cents
– Basic		**0.64**	0.95
– Diluted		**0.64**	0.95

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
Profit for the year	**15,498**	10,877
Other comprehensive income		
Exchange gain on translation of financial statements of foreign operations	**8,148**	38,611
Share of exchange gain on translation of financial statements of an associate	**908**	5,499
Share of revaluation surplus of an associate's hotel property	**4,014**	2,465
Other comprehensive income for the year, net of tax	**13,070**	46,575
Total comprehensive income for the year	**28,568**	57,452
Total comprehensive income attributable to:		
Owners of the Company	**19,631**	50,768
Non-controlling interests	**8,937**	6,684
	28,568	57,452

Consolidated Statement of Financial Position

At 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Goodwill	*13*	**37,048**	37,048
Property, plant and equipment	*14*	**49,359**	60,904
Investment properties	*15*	**304,594**	297,340
Interests in associates	*17*	**137,402**	134,306
Deferred tax assets	*18*	**167**	2,011
		528,570	531,609
Current assets			
Properties held under development	*19*	**418,816**	446,056
Properties held for sale	*20*	**294,334**	284,086
Inventories	*21*	**65**	74
Accounts receivable	*22*	**139**	84
Deposits paid, prepayments and other receivables	*23*	**32,486**	48,952
Tax recoverable		**12,338**	1,294
Restricted bank deposits	*31*	**38,876**	92,860
Cash and cash equivalents	*32*	**290,999**	265,725
		1,088,053	1,139,131
Total assets		**1,616,623**	1,670,740
Current liabilities			
Accounts payable	*24*	**92,197**	89,865
Accruals, deposits received and other payables	*25*	**135,810**	89,484
Borrowings	*26*	**219,527**	187,247
		447,534	366,596
Net current assets		**640,519**	772,535
Total assets less current liabilities		**1,169,089**	1,304,144
Non-current liabilities			
Borrowings	*26*	**19,771**	190,654
Convertible notes	*27*	**74,350**	69,675
Deferred tax liabilities	*18*	**47,347**	40,691
		141,468	301,020
TOTAL LIABILITIES		**589,002**	667,616
NET ASSETS		**1,027,621**	1,003,124
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	*8*	**12,854**	12,845
Reserves	*30(a)*	**915,542**	895,341
Proposed final dividend	*11*	**2,571**	3,854
		930,967	912,040
Non-current liabilities		**96,654**	91,084
Total equity		**1,027,621**	1,003,124

TAO Richard
Director

TAO Paul
Director

Statement of Financial Position

At 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	*16(a)*	**133,936**	132,483
Current assets			
Prepayments		**327**	390
Amounts due from subsidiaries	*16(b)*	**471,811**	469,616
Cash and cash equivalents	*32*	**1,003**	5,353
		473,141	475,359
Total assets		**607,077**	607,842
Current liabilities			
Accruals and other payables		**4,898**	8,205
Amount due to a subsidiary	*16(b)*	**181**	–
Financial guarantee contracts	*36*	**1,591**	1,259
		6,670	9,464
Net current assets		**466,471**	465,895
Total assets less current liabilities		**600,407**	598,378
Non-current liability			
Convertible notes	*27*	**74,350**	69,675
		74,350	69,675
Total Liabilities		**81,020**	79,139
NET ASSETS		**526,057**	528,703
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	*28*	**12,854**	12,845
Reserves	*30(b)*	**510,632**	512,004
Proposed final dividend	*11*	**2,571**	3,854
Total equity		**526,057**	528,703

TAO Richard
Director

TAO Paul
Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
Cash flows from operating activities		
Profit before income tax	**31,228**	31,008
Adjustments for:		
Depreciation	**3,289**	4,722
Loss on disposal of property, plant and equipment	**8,174**	15
Gain on disposal of investment properties	**(2,477)**	(835)
Fair value adjustments on investment properties	**(22,337)**	(8,400)
Equity-settled employee share-based payments	**2,947**	–
Share of results of associates	**(20,417)**	(18,500)
Loss on extinguishment of convertible notes	**–**	829
Impairment loss on amount due from an associate	**192**	–
Impairment loss on other receivables	**1,602**	–
Impairment loss on properties held for sales	**759**	1,507
Interest income	**(3,325)**	(6,005)
Interest expenses	**1,937**	6,205
Operating profit before working capital changes	**1,572**	10,546
Decrease/(increase) in properties held under development and properties held for sale	**42,196**	(15,444)
Decrease in inventories	**9**	4
Increase in accounts receivable	**(55)**	(43)
Decrease/(increase) in deposits paid, prepayments and other receivables	**14,864**	(16,617)
Increase in accounts payable, accruals, deposits received and other payables	**48,658**	19,484
Cash generated from/(used in) operations	**107,244**	(2,070)
Interest paid	**(10,598)**	(15,938)
Income taxes paid	**(18,636)**	(23,943)
Net cash generated from/(used in) operating activities	**78,010**	(41,951)

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

		2012 HK$'000	2011 HK$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(295)**	(292)
Proceeds from disposal of property, plant and equipment		**173**	75
Proceeds from sale of investment properties		**20,017**	10,771
Dividends received from an associate		**22,051**	16,915
Interest received		**3,325**	6,005
Decrease/(increase) in restricted bank deposits		**53,984**	(74,148)
Net cash generated from/(used in) investing activities		**99,255**	(40,674)
Cash flows from financing activities			
Proceeds from issuance of share capital		**203**	1,129
Proceeds from new borrowings		**32,000**	56,077
Repayments of borrowings		**(173,074)**	(122,791)
Interest paid on convertible notes		**(4,513)**	(3,940)
Transaction costs on issue of convertible notes		**–**	(6,555)
Dividends paid to Company's owners		**(3,854)**	(6,393)
Dividends paid to a non-controlling shareholder of a subsidiary		**(3,367)**	–
Net cash used in financing activities		**(152,605)**	(82,473)
Net increase/(decrease) in cash and cash equivalents		**24,660**	(165,098)
Effect of exchange rate changes on cash and cash equivalents		**614**	8,715
Cash and cash equivalents at 1 January		**265,725**	422,108
Cash and cash equivalents at 31 December	*32*	**290,999**	265,725

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Share option reserves HK$'000	Convertible notes equity reserves HK$'000	Merger reserve HK$'000	Hotel property, plant and equipment revaluation reserve HK$'000	Exchange reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance as at 1 January 2011	12,786	487,337	1,968	3,011	89,936	16,811	88,339	28,173	131,782	6,393	866,536	82,759	949,295
2010 final dividend paid	–	–	–	–	–	–	–	–	–	(6,393)	(6,393)	–	(6,393)
Fair value adjustment on initial recognition of loans from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	1,641	1,641
Arising from issue of ordinary shares on exercise of share options *(note 28)*	59	1,070	–	–	–	–	–	–	–	–	1,129	–	1,129
Transfer *(note 28)*	–	257	(257)	–	–	–	–	–	–	–	–	–	–
	59	1,327	(257)	–	–	–	–	–	–	(6,393)	(5,264)	1,641	(3,623)
Profit for the year	–	–	–	–	–	–	–	–	12,163	–	12,163	(1,286)	10,877
Other comprehensive income													
Exchange gain on translation of financial statements of foreign operations	–	–	–	–	–	–	30,641	–	–	–	30,641	7,970	38,611
Share of exchange gain on translation of financial statements of an associate	–	–	–	–	–	–	5,499	–	–	–	5,499	–	5,499
Share of revaluation surplus of an associate's hotel property	–	–	–	–	–	2,465	–	–	–	–	2,465	–	2,465
Redemption of convertible notes	–	–	–	(2,111)	–	–	–	–	2,111	–	–	–	–
Total comprehensive income for the year	–	–	–	(2,111)	–	2,465	36,140	–	14,274	–	50,768	6,684	57,452
Transfer	–	–	–	–	–	–	–	486	(486)	–	–	–	–
Share of an associate's statutory reserve	–	–	–	–	–	–	–	2,410	(2,410)	–	–	–	–
Release upon expiry of vested share options	–	–	(1,711)	–	–	–	–	–	1,711	–	–	–	–
Proposed final dividend *(note 11)*	–	–	–	–	–	–	–	–	(3,854)	3,854	–	–	–
Balance as at 31 December 2011	12,845	488,664	–	900	89,936	19,276	124,479	31,069	141,017	3,854	912,040	91,084	1,003,124

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Share option reserves HK$'000	Convertible notes equity reserves HK$'000	Merger reserve HK$'000	Hotel property, plant and equipment revaluation reserve HK$'000	Exchange reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance as at 1 January 2012	**12,845**	**488,664**	**–**	**900**	**89,936**	**19,276**	**124,479**	**31,069**	**141,017**	**3,854**	**912,040**	**91,084**	**1,003,124**
2011 final dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,854)**	**(3,854)**	**–**	**(3,854)**
Dividend paid to a non-controlling shareholder	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,367)**	**(3,367)**
Equity-settled employee share-based payments *(note 29)*	**–**	**–**	**2,947**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,947**	**–**	**2,947**
Arising from issue of ordinary shares on exercise of share options *(note 28)*	**9**	**194**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**203**	**–**	**203**
Transfer *(note 28)*	**–**	**76**	**(76)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	9	**270**	**2,871**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,854)**	**(704)**	**(3,367)**	**(4,071)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8,208**	**–**	**8,208**	**7,290**	**15,498**
Other comprehensive income													
Exchange gain on translation of financial statements of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**6,501**	**–**	**–**	**–**	**6,501**	**1,647**	**8,148**
Share of exchange gain on translation of financial statements of an associate	**–**	**–**	**–**	**–**	**–**	**–**	**908**	**–**	**–**	**–**	**908**	**–**	**908**
Share of revaluation surplus of an associate's hotel property	**–**	**–**	**–**	**–**	**–**	**4,014**	**–**	**–**	**–**	**–**	**4,014**	**–**	**4,014**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**4,014**	**7,409**	**–**	**8,208**	**–**	**19,631**	**8,937**	**28,568**
Transfer	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**388**	**(388)**	**–**	**–**	**–**	**–**
Share of an associate's statutory reserve	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,686**	**(2,686)**	**–**	**–**	**–**	**–**
Proposed final dividend *(note 11)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,571)**	**2,571**	**–**	**–**	**–**
Balance as at 31 December 2012	**12,854**	**488,934**	**2,871**	**900**	**89,936**	**23,290**	**131,888**	**34,143**	**143,580**	**2,571**	**930,967**	**96,654**	**1,027,621**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The address of the Company's registered office and principal place of business are Clifton House, 75 Fort Street, P.O. Box 1350 GT, George Town, Grand Cayman, Cayman Islands and Room 2301, 23/F, Fortis Tower, 77–79 Gloucester Road, Wanchai, Hong Kong respectively.

The principal activity of the Company is investment holding and the principal activities of the subsidiaries are set out in note 16(a) to the financial statements.

The financial statements for the year ended 31 December 2012 were approved for issue by the board of directors on 21 March 2013.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

(a) Adoption of amendments to HKFRSs – first effective on 1 January 2012

In the current year, the Group has applied for the first time the following amendments issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are relevant to and effective for the Group's financial statements for the annual year beginning on 1 January 2012:

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

As explained below, the adoption of these amendments to HKFRSs has no material impact on the Group's financial statements.

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

The Group did not have any transfer of financial assets in the current year. Therefore, the adoption of the amendments does not have any impact on the current year's results and financial position.

Amendments to HKAS 12 – Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property which is stated at fair value under HKAS 40 "Investment Property" is recovered entirely through sale. The measurement of the deferred tax liability or deferred tax asset reflects the tax consequences of recovering the carrying amount of the investment property entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If this presumption is rebutted, the amount of deferred tax is measured based on the expected manner in which the carrying amount of the investment property would be recovered, using the appropriate tax rates enacted or substantially enacted at the reporting date (see note 4(v)). The amendment will be applied retrospectively.

The Group has investment property measured at fair value of approximately HK$304,594,000 as at 31 December 2012 (2011: HK$297,340,000) as disclosed in note 15. The Group has assessed that the presumption in the amendments to HKAS 12 should be adopted in respect of certain investment properties of the Group located in the People's Republic of China (the "PRC") with carrying amounts of approximately HK$77,674,000 (2011: HK$79,679,000). Accordingly, the associated deferred tax of these investment properties has been re-measured on the presumption that they are recovered entirely through sale. The Group has rebutted the presumption in respect of its other investment properties located in the PRC with carrying amounts of approximately HK$226,920,000 (2011: HK$217,661,000) as they are assessed to be depreciable and are held by subsidiaries with a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time rather than through sale. Deferred tax in relation to these investment properties has not been re-measured.

This change in accounting policy has been applied retrospectively. However, the management concludes that the adoption of amendments to HKAS 12 does not have any significant impact on the current and prior years' results and on the financial position as at 31 December 2011, accordingly, the comparative figures have not been restated.

(b) New or revised HKFRSs that have been issued but are not yet effective

The Group has not applied the following new or revised HKFRSs that have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009–2011 Cycle[2]
Amendments to HKAS 1 (Revised)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 10, HKFRS 12 and HKFRS 27 (2011)	Investment Entities[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]
HK(IFRIC) – Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

Amendments to HKAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify:

– the meaning of "currently has a legally enforceable right of set-off"; and

– that some gross settlement systems may be considered equivalent to net settlement.

The amendments will be applied retrospectively.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non- financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as 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 (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of these new or revised HKFRSs and the directors so far concluded that the application of these new or revised HKFRSs will have no material impact on the Group's financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the HKICPA and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis except for the investment properties and hotel properties, which are measured at fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

The financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interest that represent present ownership interest in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

(b) Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In consolidated financial statements, acquisition of subsidiaries (other than those under common control) is accounted for by applying the acquisition method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the end of the reporting period. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

(c) Associates

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investment in a joint venture.

In consolidated financial statements, investment in associates is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the period includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on the investment in associates recognised for the year.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Where unrealised losses on assets sales between the Group and its associates are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. At the end of the reporting period, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs to sell) of the associate and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate, including cash flows arising from the operations of the associate and the proceeds on ultimate disposal of the investment.

(d) Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the end of the reporting period retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the end of the reporting period. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

(e) Property, plant and equipment

(i) Depreciation

Depreciation is provided to write off the cost or valuation of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	2% – 5%
Leasehold improvements	10% – 20%
Motor vehicles	20%
Operating and office equipment	5% – 20%
Furniture and fixtures	20%
Hotel properties	Period of the lease terms

The asset's depreciation methods, residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of the reporting period.

(ii) Measurement bases

Property, plant and equipment, other than hotel properties, are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to the profit or loss during the financial period in which they are incurred.

Hotel properties held by an associate of the Group are stated at valuation determined by external professional valuers less accumulated depreciation and impairment losses.

Changes in the value of hotel properties are dealt with as movements in the hotel property, plant and equipment revaluation reserve. If the balance of this reserve is insufficient to cover a deficit, the excess of the deficit is charged to the profit or loss.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any revaluation surplus remaining in equity is transferred to retained profits on the disposal of hotel properties and certain buildings that have been transferred as investment properties.

(f) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it was held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value, unless it is still in the course of construction or development at the end of the reporting period and its fair value cannot be reliably determined at that time. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised at the end of the reporting period reflect the prevailing market conditions at the end of the reporting period.

Gains or losses arising from either changes in the fair value or the sale of an investment property are included in profit or loss in the period in which they arise.

(g) Goodwill

Goodwill represents the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The consideration transferred is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 4(s)).

Any excess of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the aggregate of the consideration transferred and the amount recognised for non- controlling interests is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

(h) Properties held under development

Properties held under development for future sale are included in current assets and comprise land held under operating lease (note 4(o)) and aggregate cost of development, materials and supplies, wages, borrowing costs capitalised for qualifying assets and other expenses ("Development costs"). Development costs are stated at the lower of cost and net realisable value. Other expenses included (i) those costs that are incurred in bringing the properties held under development to their present location and condition and (ii) a systematic allocation of fixed overheads that are incurred on development of properties. Fixed overheads are indirect costs which remain relatively constant regardless of the size or volume of the development.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated selling expenses.

(i) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses.

The cost of properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the properties to their present location and condition.

(j) Financial assets

The Group's accounting policies for the financial assets other than investments in subsidiaries and associates are set out below.

The Group classified its financial assets as loans and receivables. Management determines the classification of the financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at the end of the reporting period.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At the end of the reporting period, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

At the end of the reporting period, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial asset includes observable data that comes to the attention of the Group about one or more of the following loss events:

– Significant financial difficulty of the debtor;

– A breach of contract, such as a default or delinquency in interest or principal payments;

– It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

(k) Inventories

Inventories comprise consumable stores for own consumption which are stated at cost. Cost is determined using the weighted average method.

(l) Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand which are subject to an insignificant risk of changes in value.

(m) Financial liabilities

The Group's financial liabilities include borrowings, accounts and other payables, accruals, deposits received and convertible notes.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 4(u)).

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

Where 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 the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

Convertible notes

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Convertible notes issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The fair value of the equity component is determined using the binomial option pricing model.

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the notes.

When the notes are converted, the convertible notes equity reserves and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the notes are redeemed, the convertible notes equity reserves are released directly to retained profits.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to their respective fair values. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Accounts and other payables, accruals and deposits received

Accounts and other payables, accruals and deposits received are recognised initially at their fair values and subsequently measured at amortised cost, using the effective interest method.

(n) Financial guarantee issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within financial guarantee contracts. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in the profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in the profit or loss over the term of the guarantee as income from financial guarantee issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount, i.e. the amount initially recognised less accumulated amortisation, where appropriate.

(o) Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

Leasehold interest in land is up-front payments to acquire the land use rights. The payments are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis to write off the up-front payments over the lease terms.

Leasehold interest in land included in properties held under development and properties held for sale, of which the amortisation of prepaid land lease is capitalised as part of the building costs during the development period but charged to the profit or loss for completed properties.

Properties leased out under operating leases are included in investment properties in the consolidated statement of financial position. The recognition of rental income is set out in note 4(r).

(ii) Operating lease charges as the lessee

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(p) Provisions, contingent liabilities and contingent assets

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

All provisions are reviewed at the end of the reporting period and adjusted to reflect the current best estimate.

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

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

Probable inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

(q) Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issue of shares are deducted from share premium (net of any related income tax benefits) to the extent that they are incremental costs directly attributable to the equity transaction.

(r) Revenue recognition

Revenue arising from sale of properties held for sale is recognised when the significant risks and rewards of ownership of these properties held for sale have been transferred to the purchasers and the Group retains neither continuing involvement to the degree usually associated with ownership nor effective control over properties held for sale. The transfer of risks and rewards of ownership is evidenced by the passing of possession of properties to the purchaser when the property hand-over confirmation is executed by the Group and the purchaser. Deposits and instalments received from purchasers prior to this stage and pre- sale are included in current liabilities and are not recognised as revenue.

Rental income receivable under operating leases is recognised in equal instalments over the accounting periods covered by the lease terms. Lease incentives granted are recognised as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the period in which they are earned.

Interest income is recognised on a time proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

(s) Impairment of non-financial assets

Goodwill, property, plant and equipment, investments in subsidiaries and interests in associates are subject to impairment testing.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

(s) Impairment of non-financial assets (Cont'd)

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflow independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash- generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

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

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the reporting period to which the interim period relates.

(t) Employee benefits

(i) Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operate in PRC are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a fixed percentage of its payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligation under these schemes is limited to the fixed percentage contributions payable.

(ii) Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(iii) Employee share-based payment compensation

The Group operates an equity-settled, share-based compensation plan.

All employee services received in exchange for the grant of any share-based compensation are measured at fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the share option reserves in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in share option reserves will be transferred to share premium. After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserves will be transferred to retained profits.

(u) Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

The Group capitalises borrowing costs for all eligible assets where construction was commenced on or after 1 January 2009. The Group continues to expense borrowing costs relating to construction projects that commenced prior to 1 January 2009.

(v) Income taxes

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of the reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(w) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group has identified the following reportable segments:

Property development	:	Property development and sale of properties held for sale
Property investment and leasing	:	Property leasing and sale of investment properties

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm length prices.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

– share of results of associates accounted for using the equity method;

– loss on extinguishment of convertible notes;

– income tax expense;

– corporate income and expenses which are not directly attributable to the business activities of any operating segment; and

– equity-settled employee share-based payments

are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but exclude goodwill and interests in associates. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities information is not reported or used by the Group's executive directors.

No asymmetrical allocations have been applied to reportable segments.

(x) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Estimated fair value of investment properties

The investment properties of the Group were stated at fair value in accordance with the accounting policy stated in note 4(f). The fair value of the investment properties are determined by a firm of independent qualified professional valuers and the fair value of investment properties as at the end of the reporting period are set out in note 15. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

In making the judgement, consideration has been given to assumptions that are mainly based on market conditions existing at the end of the reporting period and appropriate capitalisation rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

(ii) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 4(s). The recoverable amounts of cash- generating unit have been determined based on value in use calculations. These calculations require the use of estimates. Details of the assumptions used are set out in note 13.

(iii) Net realisable value of properties held for sale and properties held under development

Management determines the net realisable value of completed properties held for sale by using prevailing market data such as most recent sale transactions and market survey reports available from independent qualified professional valuers, and internal estimates of costs based on quotes by suppliers.

Management's assessment of net realisable value of properties held under development requires the estimates of future cash flows to be derived from these properties. These estimates requires judgement as to the anticipated sale prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions.

(iv) Impairment of accounts receivable

The Group's management assesses the collectability of accounts receivable. This estimate is based on the credit history of the Group's customers and the current market condition.

Management reassesses the impairment provision at the end of the reporting period.

(v) Valuation for convertible notes

The management uses their judgement in selecting an appropriate valuation technique for the Group's and the Company's convertible notes at initial recognition which are not quoted in the active market. Valuation techniques commonly used by market practitioners are applied. The fair value of convertible notes at initial recognition is estimated by DTZ Debenham Tie Leung Limited ("DTZ"), a firm of independent qualified professional valuers, based on actual transactions of the financial instruments in the market or transactions of similar financial instruments which generally represent the best estimate of the market value. The fair value of convertible notes at initial recognition varies with different variable and certain subjective assumptions. Any changes in these variables so adopted may materially affect the estimation of the fair value of convertible notes. Details of the fair value of convertible notes at initial recognition are disclosed in note 27.

(b) Critical judgements in applying the entity's accounting policies

(i) Revenue recognition

The Group has recognised revenue from sale of properties held for sale during the year as disclosed in note 7. The assessment of when an entity has transferred the significant risks and rewards of ownership to a buyer requires examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the transfer of the legal title or the passing of possession to the buyer. The Group believes that its recognition basis of sales as set out in note 4(r) is appropriate and is in line with the current practice adopted in the PRC.

(ii) Income tax

The Group is subject to income tax in various jurisdictions. Significant judgement is required in determining the amount of the provision of tax and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in periods in which such determination are made.

The Group is subject to land appreciation tax ("LAT") in the PRC. However, the implementation and settlement of this tax varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised for certain LAT calculation and payments with local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount on the appreciation of land value and its related LAT. The Group recognised LAT based on management's best estimates according to the understanding of the tax rules.

During the year, the Group incurred LAT of approximately HK$6,273,000 (2011: HK$11,741,000) which was charged to the consolidated income statement as income tax expense. During the year, the Group reversed LAT as a result of over-provision of LAT in previous years of approximately HK$7,380,000. The directors considered the amount charged to the consolidated income statement to be adequate as this is calculated according to the method which is in compliance with the existing rules and interpretation of LAT.

(iii) Deferred taxation on investment properties

For the purposes of measuring deferred taxation liabilities or deferred taxation assets arising from investment properties that are measured using the fair value model, the management have reviewed the Group's investment properties portfolio and concluded that certain investment properties of the Group are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on these investment properties, the management have determined that the presumption set out in Amendments to HKAS 12 "Deferred Tax – Recovery of Underlying Assets" that investment properties measured using the fair value model are recovered through sale is rebutted.

6. SEGMENT INFORMATION

In identifying its operating segments, management generally follows the Group's service lines, which represents the main products and services provided by the Group. The Group has identified the following reportable segments.

Property development	:	Property development and sale of properties held for sale
Property investment and leasing	:	Property leasing and sale of investment properties

Each of these operating segments is managed separately as each of these product and service lines requires different resources as well as marketing approaches.

For the year ended 31 December 2012, there have been no changes from prior years in the measurement methods used to determine operating segments and reported segment profit or loss.

Inter-segment sales are charged at prevailing market prices.

The revenue and profit generated by the Group's operating segments are summarised as follows:

	2012			
	Property development HK$'000	**Property investment and leasing HK$'000**	**Elimination HK$'000**	**Total HK$'000**
Revenue:				
From external customers	**258,937**	**13,165**	**–**	**272,102**
Inter-segment revenue	**–**	**–**	**–**	**–**
Total segment revenue	**258,937**	**13,165**	**–**	**272,102**
Reportable segment profit	**22,420**	**16,400**	**–**	**38,820**
Interest income	**2,694**	**619**	**–**	**3,313**
Depreciation of property, plant and equipment	**(491)**	**(1,866)**	**–**	**(2,357)**
Gain on disposal of investment properties	**–**	**2,477**	**–**	**2,477**
Impairment loss on properties held for sale	**(759)**	**–**	**–**	**(759)**
Fair value adjustments on investment properties	**–**	**22,337**	**–**	**22,337**
Finance costs	**–**	**(1,937)**	**–**	**(1,937)**
Reportable segment assets	**1,034,068**	**348,629**	**–**	**1,382,697**
Additions to non-current segment assets during the year	**5**	**79**	**–**	**84**

	2012			
	Property development HK$'000	Property investment and leasing HK$'000	Elimination HK$'000	Total HK$'000
Revenue:				
From external customers	362,763	12,419	–	375,182
Inter-segment revenue	6,481	122	(6,603)	–
Total segment revenue	369,244	12,541	(6,603)	375,182
Reportable segment profit	28,763	6,556	–	35,319
Interest income	5,245	675	–	5,920
Depreciation of property, plant and equipment	(547)	(2,860)	–	(3,407)
Gain on disposal of investment properties	–	835	–	835
Impairment loss on properties held for sale	(1,507)	–	–	(1,507)
Fair value adjustments on investment properties	–	8,400	–	8,400
Finance costs	(3,452)	(2,753)	–	(6,205)
Reportable segment assets	1,063,784	363,863	–	1,427,647
Additions to non-current segment assets during the year	29	262	–	291

The total presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2012	2011
	HK$'000	HK$'000
Total segment profit	**38,820**	35,319
Share of results of associates	**20,417**	18,500
Loss on extinguishment of convertible notes	**–**	(829)
Equity-settled employee share-based payments	**(2,947)**	–
Corporate overheads	**(25,235)**	(23,903)
Other unallocated income	**173**	1,921
Profit before income tax	**31,228**	31,008
Reportable segment assets	**1,382,697**	1,427,647
Goodwill	**37,048**	37,048
Interests in associates	**137,402**	134,306
	59,476	71,739
Total assets	**1,616,623**	1,670,740

No geographical information is presented as the operations, major customers and assets of the Group are substantially located in the PRC.

The Group has a large number of customers and there was no significant revenue derived from specific external customers for the years ended 31 December 2012 and 2011.

7. REVENUE AND OTHER INCOME

	2012	2011
	HK$'000	HK$'000
Revenue, which also represents the Group's turnover		
Rental income	**13,165**	12,419
	272,102	375,182
Other income		
Interest income	**3,325**	6,005
Exchange gain, net	**233**	2,937
Others	**1,178**	2,048
	4,736	10,990

8. FINANCE COSTS

	2012	2011
	HK$'000	HK$'000
Interest charges on borrowings which are repayable within five years:		
Bank loans	**10,093**	13,022
Other loan	**8**	–
Imputed interest expense on loans from non-controlling shareholders	**2,071**	2,315
	12,172	15,337
Interest charges on borrowings which are repayable after five years:		
Bank loans	**497**	2,916
	12,669	18,253
Interest charge on convertible notes *(Note 27)*	**9,188**	5,669
Total interest expense on financial liabilities not at fair value through profit or loss	**21,857**	23,922
Less: amount capitalised in properties held under development *	**(19,920)**	(17,717)
	1,937	6,205

* The finance costs have been capitalised at a rate of 3.29% (2011: 3.15%) per annum.

The analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayment dates set out in the loan agreements. For the years ended 31 December 2012 and 2011, the interest on bank borrowings which contain a repayment on demand clause amounted to approximately HK$1,811,000 and HK$1,634,000 respectively.

9. PROFIT BEFORE INCOME TAX

	2012 HK$'000	2011 HK$'000
Profit before income tax is arrived at after charging/ (crediting):		
Cost of properties held for sale recognised as expense	**220,115**	315,423
Depreciation of property, plant and equipment	**3,581**	4,758
Less: am ount capitalised in properties held under development	**(292)**	(36)
	3,289	4,722
Outgoings in respect of investment properties that generated rental income during the year	**3,087**	3,071
Operating lease charges in respect of land and buildings	**309**	336
Auditor's remuneration		
– Audit services	**1,280**	1,200
– Other services	**634**	150
Staff costs (including directors' emoluments)		
– Directors' fee	**836**	788
– Salaries and other benefit in kind	**33,378**	34,238
– Amount recognised as expense for retirement benefit costs	**2,549**	1,362
– Equity-settled employee share-based payments	**2,947**	–
Less: amount capitalised in properties held under development	**(13,276)**	(11,497)
	26,434	24,891
Loss on disposal of property, plant and equipment	**8,174**	15
Loss on extinguishment of convertible notes (note 27)	**–**	829
Impairment loss on amount due from an associate	**192**	–
Impairment loss on other receivables	**1,602**	–
Impairment loss on properties held for sales	**759**	1,507
Gain on disposal of investment properties	**(2,477)**	(835)
Exchange gain, net	**(233)**	(2,937)

10. INCOME TAX EXPENSE

	Notes	2012 HK$'000	2011 HK$'000
Current tax – the PRC			
Corporate income tax	*(a)*	**8,699**	5,270
LAT	*(b)*		
– current year		**6,273**	11,741
– over-provision in prior years		**(7,380)**	–
		7,592	17,011
Deferred taxation *(note 18)*		**8,138**	3,120
Total income tax charge		**15,730**	20,131

Notes:

(a) The PRC corporate income tax is computed according to relevant laws and regulations in the PRC. The applicable income tax rate was 25% for the years ended 31 December 2012 and 2011.

No Hong Kong profits tax has been provided for as the Group had no estimated assessable profits for the year (2011: Nil).

(b) Under the Provisional Rules on LAT Implementation Rules of the PRC implemented on 27 January 1995, all gains from the sales or transfer of land use rights, buildings and their attached facilities in the PRC are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

The income tax expense for the year can be reconciled to the profit before income tax per the consolidated income statement as follows:

	2012	2011
	HK$'000	HK$'000
Profit before income tax	**31,228**	31,008
Tax on profit before income tax, calculated at the rates applicable in the tax jurisdiction concerned	**11,608**	9,316
Tax effect of non-deductible expenses	**10,701**	8,922
Tax effect of non-taxable revenue	**(13,755)**	(15,307)
Tax effect of temporary difference arising from withholding tax for undistributed profits	**1,798**	1,826
Tax effect of unused tax losses not recognised	**5,023**	–
LAT (credit)/charge	**(1,107)**	11,741
Others	**1,462**	3,633
Income tax expense for the year	**15,730**	20,131

11. DIVIDENDS

Dividends attributable to the year:

	2012	2011
	HK$'000	HK$'000
Proposed 2012 final dividend of 0.2 HK cents (2011: 0.3 HK cents) per ordinary share	**2,571**	3,854

The final dividend proposed after the years ended 31 December 2012 and 2011 had not been recognised as a liability at the end of the reporting period, but reflected as an appropriation of retained profits for the year.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company of approximately HK$8,208,000 (2011: HK$12,163,000) and on weighted average of 1,284,780,869 (2011: 1,279,169,644) ordinary shares in issue during the year.

In the calculation of diluted earnings per share attributable to the owners of the Company for the year ended 31 December 2012, the potential shares arising from the conversion of the Company's convertible notes would increase the earnings per share attributable to the owners of the Company and was not taken into account as they had an anti-dilutive effect. Therefore, the diluted earnings per share attributable to the owners of the Company is based on the profit attributable to the owners of the Company of approximately HK$8,208,000 and on weighted average of 1,286,858,075 ordinary shares outstanding during the year ended 31 December 2012, being the weighted average number of ordinary shares of 1,284,780,869 used in basic earnings per share calculation adjusted for the effect of share options issued of 2,077,206.

In the calculation of diluted earnings per share attributable to the owners of the Company for the year ended 31 December 2011, the potential shares arising from the conversion of the Company's convertible notes would increase the earnings per share attributable to the owners of the Company and was not taken into account as they had an anti-dilutive effect. Therefore, the diluted earnings per share attributable to the owners of the Company is based on the profit attributable to the owners of the Company of approximately HK$12,163,000 and on weighted average of 1,280,795,438 ordinary shares outstanding during the year ended 31 December 2011, being the weighted average number of ordinary shares of 1,279,169,644 used in basic earnings per share calculation adjusted for the effect of share options issued of 1,625,794.

13. GOODWILL

	Group	
	2012	2011
	HK$'000	HK$'000
Gross amount		
Balance as at 1 January and 31 December	**37,048**	37,048

The goodwill as at 31 December 2012 comprises mainly goodwill arising from the acquisition of New Heritage Investments Limited of approximately HK$33,672,000 in 2005.

The recoverable amount for the cash-generating units, the underlying hotel and property operations, in relation to New Heritage Investments Limited was determined based on value in use calculation, covering a detailed 5-year cash flow projection followed by an extrapolation of expected cash flows with a nil growth rate. The pre-tax discount rate for value in use calculation is 12.90% (2011: 5.71%).

The management's key assumptions for the Group have been determined based on past performance and their expectations for the market development. The pre-tax discount rate reflects specific risks relating to the relevant cash-generating unit.

Management also believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of goodwill to exceed its recoverable amount.

Apart from the considerations described above in determining the value in use of the cash-generating units, the management is not currently aware of any other probable changes that would necessitate changes in their key assumptions.

14. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Operating and office equipment HK$'000	Furniture and fixtures HK$'000	Total HK$'000
At 1 January 2011						
Cost	61,533	9,903	3,138	7,168	2,616	84,358
Accumulated depreciation	(5,090)	(6,882)	(968)	(5,212)	(1,684)	(19,836)
Net book amount	56,443	3,021	2,170	1,956	932	64,522
Year ended 31 December 2011						
Opening net book amount	56,443	3,021	2,170	1,956	932	64,522
Additions	–	41	–	75	176	292
Disposals	–	(15)	–	(36)	(39)	(90)
Depreciation	(1,848)	(1,453)	(571)	(546)	(340)	(4,758)
Exchange differences	674	91	73	71	29	938
Closing net book amount	55,269	1,685	1,672	1,520	758	60,904
At 31 December 2011 and 1 January 2012						
Cost	62,439	10,235	3,250	7,195	2,762	85,881
Accumulated depreciation	(7,170)	(8,550)	(1,578)	(5,675)	(2,004)	(24,977)
Net book amount	55,269	1,685	1,672	1,520	758	60,904
Year ended 31 December 2012						
Opening net book amount	**55,269**	**1,685**	**1,672**	**1,520**	**758**	**60,904**
Additions	**–**	**–**	**–**	**24**	**271**	**295**
Disposals	**(7,641)**	**(55)**	**–**	**(524)**	**(127)**	**(8,347)**
Depreciation	**(856)**	**(1,052)**	**(517)**	**(842)**	**(314)**	**(3,581)**
Exchange differences	**69**	**5**	**9**	**1**	**4**	**88**
Closing net book amount	**46,841**	**583**	**1,164**	**179**	**592**	**49,359**
At 31 December 2012						
Cost	**51,082**	**9,866**	**3,270**	**4,668**	**2,668**	**71,554**
Accumulated depreciation	**(4,241)**	**(9,283)**	**(2,106)**	**(4,489)**	**(2,076)**	**(22,195)**
Net book amount	**46,841**	**583**	**1,164**	**179**	**592**	**49,359**

Depreciation expenses have been included in:

	2012	2011
	HK$'000	HK$'000
Consolidated statement of financial position		
– capitalised in properties held under development	**292**	36
Consolidated income statement		
– cost of sales	**343**	242
– administrative expenses	**2,946**	4,480
	3,581	4,758

Net book amount of the Group's leasehold land and buildings shown above comprises:

	2012	2011
	HK$'000	HK$'000
Properties in Hong Kong held under long leases (not less than 50 years)	**38,286**	39,089
Properties outside Hong Kong held under long leases (not less than 50 years)	**8,555**	16,180
	46,841	55,269

As at 31 December 2012, certain leasehold land and buildings of approximately HK$38,286,000 (2011: HK$39,089,000) were pledged to secure certain bank loans granted to the Group (note 26(a)).

15. INVESTMENT PROPERTIES

	Group	
	2012	2011
	HK$'000	HK$'000
Carrying amount at 1 January	**297,340**	286,764
Disposals	**(17,540)**	(9,936)
Fair value adjustments	**22,337**	8,400
Exchange differences	**2,457**	12,112
Carrying amount at 31 December	**304,594**	297,340

As at 31 December 2011, certain investment properties of approximately HK$158,670,000 were pledged to secure certain bank loans granted to the Group. The related bank loans have been fully repaid during the year ended 31 December 2012 and the pledged investment properties have been released.

Investment properties included leasehold interests in land located in the PRC with lease terms expiring from 2061 to 2065.

The fair value of the investment properties at 31 December 2012 was based on the valuation by DTZ, a firm of independent qualified professional valuers. Valuations were based on the properties' open market value on 31 December 2012. The properties have been valued by direct comparison method by making reference to comparable sales evidence as available in the relevant market and where appropriate, by capitalising the net rental income derived from the existing tenancies with due allowance for the reversionary potential of the respective properties as at the end of the reporting period.

16. INTERESTS IN SUBSIDIARIES

(a) Investments in subsidiaries

	Company	
	2012	2011
	HK$'000	HK$'000
Unlisted, at cost	**112,893**	112,147
Capital contribution to a subsidiary	**11,700**	11,700
Financial guarantees granted to subsidiaries	**9,343**	8,636
	133,936	132,483

Particulars of the principal subsidiaries, each of which is a limited liability company, as at 31 December 2012 are as follows:

Company name	Place of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Attributable equity interest Directly	Indirectly	Principal activities (Place of operations)
New Heritage Corporation Limited*	British Virgin Islands ("BVI")	347 shares of US$1 each	100%	–	Investment holding (HK)
New Heritage Development Limited	Hong Kong ("HK")	156 shares of HK$1 each	–	90%#	Investment holding (HK)
New Heritage Investments Limited	HK	6,260,000 shares of HK$10 each	–	100%	Investment holding (HK)
New Heritage (IP) Limited*	BVI	1 share of US$1 each	–	100%	Holding of trademark of the Group (HK)
New Heritage Land Limited	HK	1 share of HK$1 each	–	100%	Investment holding (HK)
New Heritage Management Limited	HK	1 share of HK$1 each	–	100%	Administration vehicle of the Group (HK)
New Heritage Properties Limited	HK	1 share of HK$1 each	–	100%	Investment holding (HK)
Prosper View Group Limited**	HK	10,000 shares of HK$1 each	–	46%#	Investment holding (HK)
World Margin Limited	HK	800,000 shares of HK$1 each	–	100%	Treasury vehicle of the Group (HK)
Suzhou Garden Villa Development & Management Co., Ltd.*	PRC *(Note (a))*	US$20,550,000	–	86%#	Properties development and investment (PRC)
Suzhou New Heritage GF Limited*	PRC *(Note (b))*	US$26,600,000	–	55%#	Properties development and investment (PRC)
Suzhou New Heritage Wuzhong Limited*	PRC *(Note (b))*	US$3,000,000	–	54%#	Properties development and investment (PRC)***
Suzhou New Heritage WZA Limited*	PRC *(Note (b))*	US$7,000,000	–	100%	Properties development and investment (PRC)
New Heritage WJA Limited*	PRC *(Note (b))*	US$33,000,000	–	94%#	Properties development and investment (PRC)

* The statutory financial statements of these subsidiaries are not audited by BDO Limited.

** The Group has an effective interest of 46% in Prosper View Group Limited ("PVGL"). In the opinion of the directors, the Group has the power to control over the financial and operating policies of PVGL and PVGL is consolidated in the financial statements accordingly.

*** On 14 September 2011, the company applied for deregistration at the Suzhou Bureau of Commerce which has subsequently approved the deregistration of the company on 28 January 2013.

Approximate percentage.

Notes:

(a) This subsidiary is registered as a Sino-foreign cooperative joint venture under the PRC law.

(b) These subsidiaries are registered as wholly foreign owned enterprises under the PRC law.

(c) None of the subsidiaries had issued any debt securities at the end of the reporting period.

(b) Amounts due from/(to) subsidiaries

The amounts due are unsecured, interest-free and repayable on demand.

17. INTERESTS IN ASSOCIATES

		Group	
		2012	2011
	Notes	**HK$'000**	HK$'000
Share of net assets	*(a)*	**137,158**	133,870
Amount due from an associate		**436**	436
Impairment loss	*(b)*	**(192)**	–
		244	436
		137,402	134,306

Notes:

(a) Particulars of associates as at 31 December 2012 are as follows:

Company name	**Place of incorporation/ establishment and operation**	**Percentage of interest held**	**Principal activities**
Beijing Landmark Towers Co., Ltd.*	PRC	30.05%	Hotel ownership and property investment
Art Shine Limited*	HK	40%	Investment holding

* The statutory financial statements of these associates are not audited by BDO Limited.

(b) The amount due is unsecured, interest-free and not repayable within twelve months from the end of the reporting period.

(c) Summarised financial information of associates:

	2012 HK$'000	2011 HK$'000
Revenue	**362,404**	329,730
Profit after income tax	**67,513**	*61,553*
Non-current assets	**448,502**	*472,437*
Current assets	**142,640**	*93,827*
Current liabilities	**108,176**	*91,469*
Non-current liabilities	**27,058**	*29,398*

18. DEFERRED TAXATION

The movement in deferred tax assets/(liabilities) arising from temporary differences are as follows:

	Group					Company
	Fair value adjustments on investment properties HK$'000	In respect of provision for LAT HK$'000	In respect of withholding tax for undistributed profits HK$'000	Convertible notes equity reserves HK$'000	Total HK$'000	Convertible notes equity reserves HK$'000
Balance as at 1 January 2011	(33,750)	1,929	(2,068)	(220)	(34,109)	(220)
Deferred tax (charged)/credited to the profit or loss *(note 10)*	(1,514)	–	(1,826)	220	(3,120)	220
Exchange differences	(1,468)	82	(65)	–	(1,451)	–
Balance as at 31 December 2011 and 1 January 2012	**(36,732)**	**2,011**	**(3,959)**	**–**	**(38,680)**	**–**
Deferred tax charged to the profit or loss *(note 10)*	**(4,495)**	**(1,845)**	**(1,798)**	**–**	**(8,138)**	**–**
Exchange differences	**(335)**	**1**	**(28)**	**–**	**(362)**	**–**
Balance as at 31 December 2012	**(41,562)**	**167**	**(5,785)**	**–**	**(47,180)**	**–**

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign- invested enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries and an associate established in the PRC in respect of earnings generated from 1 January 2008. The deferred tax liabilities in respect of temporary differences attributable to undistributed profits of the PRC subsidiaries and associate have been recognised in profit or loss.

The following is the analysis of the deferred taxation balances for financial reporting purposes:

	Group		Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Deferred tax assets	**167**	2,011	**–**	–
Deferred tax liabilities	**(47,347)**	(40,691)	**–**	–
	(47,180)	(38,680)	**–**	–

The amount of the deferred tax asset not recognised during the year is as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Tax effect of:				
– unused tax losses	**31,112**	786	**30,286**	–

Deferred tax asset in respect of tax losses has not been recognised in the financial statements due to the unpredictability of future profit streams against which the tax losses can be utilised. The tax losses of the subsidiaries operating in the PRC can be carried forward for 5 years and tax losses of the subsidiaries operating in Hong Kong will not expire under the current tax legislation.

19. PROPERTIES HELD UNDER DEVELOPMENT – GROUP

	2012	2011
	HK$'000	HK$'000
Amounts comprise:		
Construction costs	**234,314**	112,147
Land use rights	**175,004**	266,676
Interest capitalised	**9,498**	3,321
	418,816	446,056

The capitalisation rate used to determine the amount of interest incurred eligible for capitalisation in 2012 was 3.29% (2011: 3.15%).

Properties held under development included leasehold interests in land located in the PRC with lease terms expiring from 2047 to 2077.

As at 31 December 2012, certain leasehold interests in land of approximately HK$71,597,000 (2011: HK$210,978,000) were pledged to secure certain bank loans granted to the Group (note 26(a)).

20. PROPERTIES HELD FOR SALE – GROUP

Properties held for sale included leasehold interests in land located in the PRC with lease terms expiring from 2061 to 2077.

As at 31 December 2012, the carrying value of the leasehold interests in land amounted to approximately HK$74,808,000 (2011: HK$77,998,000).

21. INVENTORIES – GROUP

Inventories represent low value consumables carried at cost.

22. ACCOUNTS RECEIVABLE

	Group	
	2012	2011
	HK$'000	HK$'000
Accounts receivable	**139**	84
Less: Provision for impairment	**–**	–
	139	84

Accounts receivable represents rental income from leasing properties. Monthly rents are normally received in advance and sufficient rental deposits are held to minimise credit risk. Accounts receivable generally have credit terms of 30 to 60 days (2011: 30 to 60 days) and no interest is charged. All accounts receivable are denominated in Renminbi. The ageing analysis of the Group's accounts receivable, based on invoice dates, is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within 30 days	**139**	63
31–60 days	**–**	–
61–90 days	**–**	–
91–120 days	**–**	–
121-365 days	**–**	21
	139	84

The carrying amount of accounts receivable is considered a reasonable approximation of fair value as this financial asset, which is measured at amortised cost, is expected to be paid within a short timescale, such that the time value of money impact is not significant.

Accounts receivable, based on due dates, which are past due are analysed as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Fully conformed with credit term	**139**	63
Past due but not impaired	**–**	21
	139	84

Past due but not impaired receivables represent rental income. The directors consider that these receivables would be recovered and no provision was made against past due as at 31 December 2012 and 2011.

As at 31 December 2012, accounts receivable of approximately HK$139,000 (2011: HK$63,000) were neither past due nor impaired. These related to a number of customers for whom there was no recent history of default.

23. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	Group	
	2012	2011
	HK$'000	HK$'000
Deposits paid and prepayments	**11,813**	18,955
Other receivables	**20,673**	29,997
	32,486	48,952

During the year, the Group's other receivable of approximately HK$1,602,000 (2011: Nil) was individually determined to be impaired. In the opinion of the Group's management, the amount was considered irrecoverable and an impairment of approximately HK$1,602,000 (2011: Nil) has been recognised in profit or loss for the year.

The carrying amounts of deposits paid and other receivables approximate to their fair values. Other receivables, other than the balance of approximately HK$1,602,000 which has been provided for impairment, were neither past due nor impaired and were related to a number of counterparties for whom there was no recent history of default.

24. ACCOUNTS PAYABLE

Based on the invoice dates, the ageing analysis of the Group's accounts payable is as follows:

		Group	
		2012	2011
	Notes	**HK$'000**	HK$'000
Within 30 days		**75**	171
31–60 days		**9**	64
61–90 days		**–**	–
91–365 days		**91**	70
Over 365 days		**1,345**	1,253
Rent received on behalf of landlords	*(a)*	**1,520**	1,558
Accrued construction cost and other project–related expenses	*(b)*	**90,677**	88,307
		92,197	89,865

All amounts are short term and hence the carrying values of the Group's accounts payable are considered to be a reasonable approximation of fair value.

Notes:

(a) Rent received on behalf of landlords comprised net rental received from tenants after netting off fee charged to them provided by external service providers.

(b) Included in the above amounts are construction cost and other project- related expenses payable amounted to approximately HK$90,677,000 (2011: HK$88,307,000) as at 31 December 2012 which were accrued based on the terms of the relevant agreements and the progress of the projects, and were not due for payment as at 31 December 2012.

25. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	Group	
	2012	2011
	HK$'000	HK$'000
Deposits received	**106,455**	41,556
Accruals and other payables	**29,355**	47,928
	135,810	89,484

All amounts are short term and hence the carrying values of the Group's accruals, deposits received and other payables are considered to be a reasonable approximation to their fair values.

26. BORROWINGS

	Group	
	2012	2011
	HK$'000	HK$'000
Current liabilities		
Portion of term loans from banks due for repayment within one year	**77,782**	135,384
Portion of term loans from banks due for repayment after one year which contain a repayment on demand clause	**44,683**	51,863
Loan from a related company	**5,000**	–
Loans from non-controlling shareholders	**92,062**	–
	219,527	187,247
Non-current liabilities		
Bank loans	**–**	77,982
Loans from non-controlling shareholders	**19,771**	112,672
	19,771	190,654
	239,298	377,901

The interest-bearing bank borrowings, including the term loans repayable on demand, are carried at amortised cost. None of the portion of term loans due for repayment after one year, which contain a repayment on demand clause and is classified as a current liability, is expected to be settled within one year.

Borrowings were repayable as follows:

		Group	
		2012	2011
	Notes	**HK$'000**	HK$'000
Within one year			
Term loans, unsecured	*(d)*	**17,267**	9,833
Term loans, secured	*(a),(d)*	**60,515**	125,551
Loan from a related company, unsecured	*(c)*	**5,000**	–
Loans from non-controlling shareholders, unsecured	*(b)*	**92,062**	–
In the second year			
Term loans, unsecured	*(d)*	**9,855**	6,266
Term loans, secured	*(a),(d)*	**10,915**	66,512
Loans from non-controlling shareholders, unsecured	*(b)*	**19,771**	92,748
In the third to fifth year			
Term loans, unsecured	*(d)*	**6,160**	6,014
Term loans, secured	*(a),(d)*	**15,753**	43,855
Loans from non-controlling shareholders, unsecured	*(b)*	**–**	19,924
After the fifth year			
Term loans, secured	*(a),(d)*	**2,000**	7,198
		239,298	377,901

Notes:

(a) Bank loans were secured by pledge of certain leasehold land and buildings and properties held under development of the Group (notes 14 and 19).

(b) Loans from non-controlling shareholders are unsecured and interest- free. The loans were initially recognised at fair value and subsequently stated at amortised cost which was estimated by discounting the nominal value of the loans at effective interest rate. During the year ended 31 December 2012, the Group has made partial repayment of certain loans to non-controlling shareholders. The directors considered that such early repayment represented a modification of the original loans and accordingly, the effective interest rates were adjusted at the date of modification.

For the year ended 31 December 2011, the Group renegotiated the terms of certain loans with non-controlling shareholders. The directors considered that such revision did not represent a modification of the original loans and accordingly, the extinguishment accounting was adopted to derecognise these existing loans and new loans were recognised at their fair values. The resulting adjustment of approximately HK$1,641,000 was recognised in the consolidated statement of changes in equity as a capital contribution from the non-controlling shareholders.

During the year ended 31 December 2012, the effective interest rates of the loans were in the range of 1.61% to 4.55% (2011: 1.60% to 4.10%) per annum.

(c) Loan from a related company, Chong Lai (Panama) S.A. ("Chong Lai"), is unsecured, interest bearing at HIBOR plus 3% per annum (2011: Nil) and repayable on or before 14 December 2013 (note 34(b)). The effective interest rate of the loan was 3.28% per annum during the year.

(d) The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause. These borrowings bore floating interest rates.

The carrying amounts of the borrowings are denominated in the following currencies and have the following effective interest rates at the end of the reporting period:

	Group			
	2012		2011	
	HK$'000	**Effective interest rate per annum**	HK$'000	Effective interest rate per annum
Hong Kong dollars	**79,155**	**1.28% – 4.55%**	64,941	1.33% – 4.10%
United States dollars	**110,543**	**1.61% – 2.46%**	120,342	1.60% – 2.53%
Renminbi	**49,600**	**6.40%**	192,618	5.56% – 6.90%
	239,298		377,901	

The Group regularly monitors its compliance with the covenants of the banking facilities, is up to date with the scheduled repayments of the term loans and does not consider it probable that the banks will exercise their discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 38.4. As at 31 December 2012 and 2011, none of the covenants relating to drawn down facilities had been breached.

27. CONVERTIBLE NOTES

On 10 August 2007, the Company entered into a Convertible Notes Subscription Agreement (the "Agreement") with Asia Financial Holdings Limited ("AFH") and Asia Insurance Company, Limited ("AICL") (AICL is a subsidiary of AFH which is controlled by the associates of Mr. CHAN Bernard Charnwut, the non-executive director of the Company). Pursuant to the Agreement, AFH and AICL agreed to acquire the convertible notes (the "2007 Notes") at HK$50,000,000 and HK$25,000,000 respectively, in total of the principal amount of HK$75,000,000 at interest rate of 5% per annum, payable in arrears on a quarterly basis on 31 March, 30 June, 30 September and 31 December of each year between the date of issue of the 2007 Notes and the maturity date. The maturity date was 60 months from the date of issue of the 2007 Notes.

The 2007 Notes were not transferable and not allowed for redemption before the maturity date. Unless previously converted, the Company was obliged to redeem the 2007 Notes on the maturity date at the redemption price of 110% of the principal amount of the 2007 Notes outstanding together with accrued interest payables.

The principal amount of HK$35,000,000 (HK$25,000,000 for AFH and HK$10,000,000 for AICL) of the 2007 Notes should be compulsorily converted at the conversion price of HK$1.10 within seven business days if the closing price per share of the Company was HK$1.10 or higher for ten consecutive trading days during the period between the date of issue of the 2007 Notes and five business days prior to the maturity date.

In addition, the 2007 Notes could be converted by the holder into ordinary shares of the Company at any part of the principal amount of the 2007 Notes in the multiple of HK$25,000,000, at a conversion price of HK$1.10 per share, at any time during the period between the date of issue of the 2007 Notes and the maturity date.

68,181,818 was the maximum number of ordinary shares that could be converted.

Further details of the terms and conditions of the 2007 Notes were disclosed in the announcement and circular of the Company dated 17 August 2007 and 10 September 2007 respectively.

The 2007 Notes were issued to AFH and AICL on 15 October 2007.

The fair values of the 2007 Notes were determined by the directors of the Company with reference to the valuation performed by Norton Appraisals Limited, a firm of independent professional valuers with appropriate qualifications and recent experiences in the valuation of similar derivative instruments with reference to market values.

The methods and assumptions applied for the valuation of the 2007 Notes were as follows:

The fair value of the liability component was calculated based on the present value contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the market interest rate for an equivalent non-convertible notes and remaining time to maturity.

The residual amount, representing the value of the equity component, was included in the equity attributable to owners of the Company in convertible notes equity reserves, net of deferred tax.

On 5 July 2011, the Company entered into a subscription agreement with AFH and AICL in relation to the issue of the 2011 convertible notes (the "2011 Notes") at HK$50,000,000 and HK$25,000,000 respectively, in total of the principal amount of HK$75,000,000 at interest rate of 6% per annum, payable in-arrears on a quarterly basis on 31 March, 30 June, 30 September and 31 December of each year between the date of issue of the 2011 Notes and the maturity date. The maturity date is 36 months from the date of issue of the 2011 Notes. Pursuant to the Subscription Agreement, the Company, AFH and AICL acknowledged and confirmed that it was the intention of the parties that the proceeds to be obtained from the issue of the 2011 Notes should be applied towards the redemption of the 2007 Notes on the date of completion. Accordingly, notwithstanding that the 2007 Notes did not provide for any early redemption thereof, the Company, AFH and AICL agreed that, subject to the presentation of the original of the certificates for the 2007 Notes to the Company, all the 2007 Notes should be redeemed by the Company on the date of completion at the redemption amount. On 30 September 2011, the subscription price of the 2011 Notes payable by AFH and AICL was immediately applied by the Company to set-off part of the redemption amount for redemption of the 2007 Notes. A premium on a pro rata basis upon the actual holding period over the original period and the interest accrued thereon up to the redemption date amounting to HK$6,885,000 was paid to AFH and AICL. Upon redemption, the 2007 Notes were cancelled.

The 2011 Notes are not transferable and will not be allowed for redemption before the maturity date. Unless previously converted, the Company is obliged to redeem the 2011 Notes on the maturity date at the redemption price of 110% of the principal amount of the 2011 Notes outstanding together with accrued interest payables.

The principal amount of HK$35,000,000 (HK$25,000,000 for AFH and HK$10,000,000 for AICL) of the 2011 Notes shall be compulsorily converted at the conversion price of HK$1.10 within seven business days if the closing price per share of the Company is HK$1.10 or higher for ten consecutive trading days during the period between the date of issue of the 2011 Notes and five business days prior to the maturity date.

In addition, the 2011 Notes can be converted by the holder into ordinary shares of the Company at any part of the principal amount of the 2011 Notes in the multiple of HK$25,000,000, at a conversion price of HK$1.10 per share, at any time during the period between the date of issue of the 2011 Notes and the maturity date.

68,181,818 is the maximum number of ordinary shares that can be converted.

Further details of the terms and conditions of the 2011 Notes were disclosed in the announcement and circular of the Company dated 5 July 2011 and 25 July 2011 respectively.

The 2011 Notes were issued to AFH and AICL on 30 September 2011.

The difference between the redemption amount and the carrying amount of the liability component represented a loss on extinguishment of convertible notes of approximately HK$829,000 which was charged to profit or loss for the year ended 31 December 2011.

The extinguishment accounting was adopted to derecognise the 2007 Notes and the 2011 Notes are recognised at their fair value. The fair values of the liability component and the equity conversion component of the 2011 Notes were determined at the issuance of the 2011 Notes.

The fair values of the 2011 Notes of approximately HK$69,400,000 were determined with reference to the valuation performed by DTZ, a firm of independent qualified professional valuers with appropriate qualifications and recent experiences in the valuation of similar derivative instruments with reference to market values.

The methods and assumptions applied for the valuation of the 2011 Notes are as follows:

The fair value of the liability component of approximately HK$68,500,000 was calculated based on the present value contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the market interest rate for an equivalent non-convertible notes and remaining time to maturity.

The fair value of the equity component of approximately HK$900,000 was calculated based on the option pricing model, which was included in the equity attributable to owners of the Company in convertible notes equity reserves.

The convertible notes recognised in the statement of financial position are calculated as follows:

	Group and Company	
	2012	2011
	HK$'000	HK$'000
Net carrying amount as at 1 January	**69,675**	73,672
Interest expense *(Note 8)*	**9,188**	5,669
Interest paid	**(4,513)**	(3,940)
Redemption during the year	**–**	(74,226)
Issue of the 2011 Notes at fair value	**–**	68,500
Net carrying amount as at 31 December	**74,350**	69,675

The effective interest rate of the liability component is 13.38% (2011: 13.38%) per annum. Interest expense on the convertible notes is calculated using the effective interest method by applying the effective interest rate to the liability component. As at 31 December 2012 and 2011, the 2011 Notes were not converted into ordinary shares of the Company.

28. SHARE CAPITAL

	2012		2011	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**30,000,000,000**	**300,000**	30,000,000,000	300,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At 1 January	**1,284,538,465**	**12,845**	1,278,639,685	12,786
Issue of ordinary shares on exercise of share options *(Note)*	**860,000**	**9**	5,898,780	59
At 31 December	**1,285,398,465**	**12,854**	1,284,538,465	12,845

Note:

For the year ended 31 December 2012, the Company issued 860,000 ordinary shares of HK$0.01 each in relation to the exercise of the share options by certain employees of the Group at the subscription price of HK$0.2350 per ordinary share (note 29). The difference between the subscription price and par value amounting to approximately HK$194,000 was credited to share premium. In addition, the portion of share option reserves in relation to the exercise of the share options exercised during the year of 2012 amounted to approximately HK$76,000 was transferred to the Company's share premium.

For the year ended 31 December 2011, the Company issued 5,898,780 ordinary shares of HK$0.01 each in relation to the exercise of the share options by certain directors and employees of the Group at the subscription price of HK$0.1915 per ordinary share (note 29). The difference between the subscription price and par value amounting to approximately HK$1,070,000 was credited to share premium. In addition, the portion of share option reserves in relation to the exercise of the share options exercised during the year of 2011 amounted to approximately HK$257,000 was transferred to the Company's share premium.

29. SHARE-BASED EMPLOYEE COMPENSATION

Pursuant to the written resolutions of all the then shareholders passed on 14 November 2005, the Company has conditionally adopted the Share Option Scheme (the "Scheme") for employee compensation.

The purpose of the Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants for their contributions to the Group and for such other purposes as the board of directors (the "Board") may approve from time to time.

Pursuant to the Scheme, the Board may, at its discretion, invite any executive or non-executive directors including independent non- executive directors or any employees (whether full-time or part- time) of the Company, its subsidiaries and associated companies; any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of each member of the Group or its associated companies; any consultants, professional and other advisers to each member of the Group or its associated companies (or persons, firms or companies proposed to be appointed for providing such services); any chief executives or substantial shareholders of the Company; any associates of any director, chief executive or substantial shareholder of the Company; and any employees (whether full-time or part-time) of substantial shareholders of the Company, provided that the Board may have absolute discretion to determine whether or not one falls within the above categories, (together, the "Participants" and each a "Participant"), to take up options ("Option(s)") to subscribe for shares at a price determined in accordance with the paragraph below.

In determining the basis of eligibility of each Participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

The Scheme shall be valid and effective for a period of 10 years commencing on the date on which the Scheme is adopted, after which period no further Options will be granted but in all other respects the provisions of the Scheme shall remain in full force and effect, and Options which are granted during the life of the Scheme may continue to be exercisable in accordance with their terms of grant.

The subscription price in respect of each share issued pursuant to the exercise of Options granted hereunder shall be a price solely determined by the Board and notified to a Participant and shall be at least the highest of:

(a) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the business day on which an offer is accepted by the grantee or if such date of acceptance by the grantee is not a business day, the immediately preceding business day;

(b) a price being the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date on which an offer is accepted by the grantee (provided that the new issue price shall be used as the closing price for any business day falling within the period before listing of the shares where the Company has been listed for less than 5 business days as at the date on which an offer is accepted by the grantee); and

(c) the nominal value of a Company's share.

The total number of shares, which may be issued upon exercise of all Options to be granted under the Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the total number of shares in issue on the date of commencement of dealings in the shares on the Stock Exchange ("Scheme Mandate Limit"), unless the Company obtains an approval from its shareholders. Options lapsed in accordance with the terms of the Scheme will not be counted for the purpose of calculating such 10% limit.

On 15 May 2012, an ordinary resolution regarding the refreshment of Scheme Mandate Limit was approved by the shareholders of the Company at the Annual General Meeting ("AGM"). Starting from 15 May 2012, further options to subscribe up to 128,453,846 ordinary shares of the Company, being 10% of the total number of shares in issue on the date of AGM are available to be granted under the Scheme.

Notwithstanding any other provisions of the Scheme, the maximum number of the shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of shares in issue from time to time.

Unless approved by the shareholders, the total number of shares issued and to be issued upon exercise of the Options granted to each participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

Offer of an option ("Offer") shall be deemed to have been accepted by any Participant (the "Grantee") who accepts an Offer in accordance with the terms of the Scheme and the option to which the Offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the Offer duly signed by the Grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the granting thereof is received by the Company within 14 days from the date upon which the Offer is made.

All share-based employee compensation will be settled in equity.

Details of the Options granted by the Company pursuant to the Scheme and the Options outstanding as at 31 December 2012 were as follows:

			Number of options					
	Date of grant (dd/mm/yyyy)	**Exercisable period** (dd/mm/yyyy)	**Balance at 31 December 2011 and 1 January 2012**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Expired/ Balance at 31 December 2012**	**Exercise price per share** HK$
Executive directors								
Mr. Taochaifu Choofuang ("Mr. C.F. Tao")	04/09/2012	04/09/2012 – 03/09/2017	–	1,000,000	–	–	**1,000,000**	0.2350
Mr. Tao Richard ("Mr. Richard Tao")	04/09/2012	04/09/2012 – 03/09/2017	–	1,000,000	–	–	**1,000,000**	0.2350
Mr. Tao Paul ("Mr. Paul Tao")	04/09/2012	04/09/2012 – 03/09/2017	–	1,000,000	–	–	**1,000,000**	0.2350
Mr. Kong Mui Sum Lawrence	04/09/2012	04/09/2012 – 03/09/2017	–	4,000,000	–	–	**4,000,000**	0.2350
Mr. Yim Chun Leung	04/09/2012	04/09/2012 – 03/09/2017	–	9,000,000	–	–	**9,000,000**	0.2350
Employees of the Group	04/09/2012	04/09/2012 – 03/09/2017	–	16,000,000	(860,000)	–	**15,140,000**	0.2350
			–	32,000,000	(860,000)	–	**31,140,000**	

Details of the Options granted by the Company pursuant to the Scheme and the Options outstanding as at 31 December 2011 were as follows:

			Number of options					
	Date of grant dd/mm/yyyy	**Exercisable period** dd/mm/yyyy	**Balance at 31 December 2010 and 1 January 2011**	**Expired/ Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Balance at 31 December 2011**	**Exercise price per share** HK$
Executive directors								
Mr. Kong Mui Sum Lawrence	29/04/2008	29/04/2008 – 28/04/2011	3,200,000	–	–	(3,200,000)	–	0.3750
	21/07/2008	21/07/2008 – 20/07/2011	4,571,000	–	–	(4,571,000)	–	0.3000
	19/11/2008	19/11/2008 – 18/11/2011	3,744,000	–	(1,999,780)	(1,744,220)	–	0.1915
			11,515,000	–	(1,999,780)	(9,515,220)	–	
Mr. Yim Chun Leung	29/04/2008	29/04/2008 – 28/04/2011	3,200,000	–	–	(3,200,000)	–	0.3750
	21/07/2008	21/07/2008 – 20/07/2011	4,571,000	–	–	(4,571,000)	–	0.3000
	19/11/2008	19/11/2008 – 18/11/2011	3,744,000	–	(3,744,000)	–	–	0.1915
			11,515,000	–	(3,744,000)	(7,771,000)	–	
Employees of the Group	29/04/2008	29/04/2008 – 28/04/2011	3,300,000	–	–	(3,300,000)	–	0.3750
	21/07/2008	21/07/2008 – 20/07/2011	5,211,000	–	–	(5,211,000)	–	0.3000
	19/11/2008	19/11/2008 – 18/11/2011	800,000	–	(155,000)	(645,000)	–	0.1915
			9,311,000	–	(155,000)	(9,156,000)	–	
			32,341,000	–	(5,898,780)	(26,442,220)	–	

Options outstanding and weighted average exercise price for the reporting periods presented are as follows:

	2012		2011	
	Number	**Weighted average exercise price HK$**	Number	Weighted average exercise price HK$
Outstanding as at 1 January	**–**	**32,000,000**	–	0.24
Granted	**32,341,000**	**–**	0.29	–
Exercised	**(860,000)**	**0.24**	(5,898,780)	0.19
Expired	**–**	**–**	(26,442,220)	0.32
Outstanding as at 31 December	**31,140,000**	**0.24**	–	–
Exercisable as at 31 December	**31,140,000**	**–**		

For the year ended 31 December 2012, 860,000 options were exercised resulting in issue of 860,000 ordinary shares of HK$0.01 each and no Options were expired pursuant to the Scheme. For the year ended 31 December 2011, 5,898,780 options were exercised and 26,442,220 options were expired pursuant to the Scheme. The exercise price of Options outstanding at the end of the year was HK$0.24 (2011: Nil) and their weighted average remaining contractual life of the Options outstanding at 31 December 2012 was approximately 5 years (2011: Nil).

Of the total number of Options outstanding at the end of the year, 31,140,000 options (2011: Nil) had vested and were exercisable at the end of the year.

The weighted average share price at the date of exercise of options exercised during the year was HK$0.42 (2011: HK$0.25).

The fair value of services received in return for Options granted is determined by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Binomial Option Pricing Model. The following significant inputs were used to derive the fair values:

Date of grant	4 September 2012
Expected volatility	62.41%
Expected life of the options (in years)	5
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	0.264%
Expected dividend yield	1.98%
Share price on grant date	HK$0.22

The expected volatility was determined by using the historical volatility of the Company's share price over the past years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

Based on the fair values derived from the above pricing model, employee share-based payments of approximately HK$2,947,000 (2011: Nil) (note 9) has been included in the consolidated income statement for the year ended 31 December 2012 and the corresponding amount has been credited to share option reserves.

30. RESERVES

(a) Group

	Notes	**2012 HK$'000**	2011 HK$'000
Retained profits		**143,580**	141,017
Share premium	*(i)*	**488,934**	488,664
Share option reserves	*(ii)*	**2,871**	–
Convertible notes equity reserves	*(iii)*	**900**	900
Merger reserve	*(iv)*	**89,936**	89,936
Hotel property, plant and equipment revaluation reserve	*(v)*	**23,290**	19,276
Statutory reserve	*(vi)*	**34,143**	31,069
Exchange reserve	*(vii)*	**131,888**	124,479
		915,542	895,341
Proposed final dividend *(note 11)*		**2,571**	3,854
		918,113	899,195

The movements of the Group's reserves for the year are presented in the consolidated statement of changes in equity of the financial statements. The nature and purpose of the reserves are as follows:

(i) Under the Companies Law (2011 Revision) of the Cayman Islands, the share premium account is distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be paid, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) The share option reserves represents the value of the unexercised share option granted under the Company's-share option scheme to the eligible participants recognised in accordance with the accounting policy set out in note 4(t).

(iii) The convertible notes equity reserves represents the value of the equity component of convertible notes recognised in accordance with the accounting policy set out in note 4(m).

(iv) The merger reserve of the Group represents the excess of the nominal value of the share capital of the subsidiaries acquired pursuant to the Group's reorganisation completed on 23 June 2005 over the nominal value of the Company's shares issued in exchange therefor.

(v) The hotel property, plant and equipment revaluation reserve represents accumulated gains and losses arising on the revaluation of the associate's hotel property, plant and equipment that has been recognised in other comprehensive income, net of amounts reclassified to profit or loss when the hotel property, plant and equipment are disposed of or are determined to be impaired.

(vi) As stipulated by the relevant laws and regulations in the PRC, certain subsidiaries and associate of the Company in the PRC are required to maintain a statutory reserve which is non-distributable other than upon the liquidation of the entity. Transfer to this reserve is made out of profit after taxation of the subsidiaries and associate's PRC statutory financial statements which are prepared in accordance with the accounting principles generally accepted in the PRC.

(vii) The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of financial operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(d).

(viii) Of the consolidated profit attributable to the owners of the Company of approximately HK$8,208,000 for the year (2011: HK$12,163,000), loss of approximately HK$1,942,000 (2011: HK$19,609,000) has been dealt with in the financial statements of the Company for the year.

(b) Company

	Share premium HK$'000 *(note)*	Share option reserves HK$'000 *(note)*	Convertible notes equity reserves HK$'000 *(note)*	Contributed surplus HK$'000 *(note)*	Retained profits HK$'000 *(note)*	Proposed final dividend HK$'000	Total HK$'000
Balance as at 1 January 2011	487,337	1,968	3,011	(22)	42,103	6,393	540,790
Loss for the year	–	–	–	–	(19,609)	–	(19,609)
Arising from issue of ordinary shares on exercise of share options *(note 28)*	1,070	–	–	–	–	–	1,070
Transfer *(note 28)*	257	(257)	–	–	–	–	–
Release upon expiry of vested share options	–	(1,711)	–	–	1,711	–	–
Redemption of convertible notes	–	–	(2,111)	–	2,111	–	–
2010 final dividend paid	–	–	–	–	–	(6,393)	(6,393)
Proposed final dividend *(note 11)*	–	–	–	–	(3,854)	3,854	–
Balance as at 31 December 2011 and 1 January 2012	488,664	–	900	(22)	22,462	3,854	515,858
Loss for the year	–	–	–	–	(1,942)	–	(1,942)
Employee share-based compensation *(note 29)*	–	2,947	–	–	–	–	2,947
Arising from issue of ordinary shares on exercise of share options *(note 28)*	194	–	–	–	–	–	194
Balance as at 31 December 2012	488,934	2,871	900	(22)	17,949	2,571	513,203

Note: These reserve accounts comprise the Company's reserves of approximately HK$510,632,000 (2011: HK$512,004,000) in the statement of financial position of the Company.

The contributed surplus of the Company represents the excess of the net asset value of the subsidiaries acquired pursuant to the Group's reorganisation completed on 23 June 2005 over the nominal value of the Company's shares issued in exchange therefor.

31. RESTRICTED BANK DEPOSITS

		Group	
		2012	2011
	Notes	**HK$'000**	HK$'000
Analysis of restricted bank deposits:		**143,580**	141,017
Deposit pledged against mortgage loans granted to the purchasers of properties	*(a)*	**17,404**	22,304
Restricted bank deposits	*(b)*	**21,472**	70,556
		38,876	92,860

Notes:

(a) The bank deposits were pledged as security in favour of banks and financial institutions in the PRC which provided mortgage loan to purchasers of properties for the period from the date of draw-down of mortgage loans to the date when the certificates for housing ownership and certificates of others' interest for housing ownership (collectively known as "Certificates") are granted to the property purchasers. Such charges would be released when the Certificates are granted to the property purchasers. This deposit earns interest at floating rates based on daily bank deposits rates.

(b) In accordance with terms of banking facilities and regulation issued by local government, certain property development companies of the Group are required to maintain certain amount of cash at designated bank accounts for securing the repayment of bank loans and wages payments to contractors' workers for construction projects. The deposits earn interest at floating rates based on daily bank deposits rates.

32. CASH AND CASH EQUIVALENTS

Analysis of cash and cash equivalents is as follows:

	Group		**Company**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks and in hand	**290,999**	265,725	**1,003**	5,353

Included in cash and cash equivalents in the statement of financial position are the following amounts denominated in a currency other than the functional currency of the Group and the Company to which they relate:

	Group		**Company**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi	**269,676**	237,729	**–**	–
United States dollars	**5,126**	12,243	**5**	5

Included in cash and cash equivalents of the Group is approximately HK$269,669,000 (2011: HK$232,988,000) of bank balances denominated in Renminbi are deposited with banks in the PRC. The conversion of these Renminbi denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The effective interest rate of cash at banks is in the range of 0.01% to 2.86% (2011: 0.01% to 3.10%) per annum and they have maturity within 90 days (2011: 90 days).

33. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

	Fees HK$'000	Salaries, allowance and other benefit in kind HK$'000	Gratuity and bonus HK$'000	Equity-settled share-based payments HK$'000	Contribution to retirement benefit scheme HK$'000	Total HK$'000
2012						
Executive directors						
Mr. C.F. Tao	–	1,300	326	95	106	1,827
Mr. Richard Tao	–	1,846	461	95	151	2,553
Mr. Paul Tao	–	1,846	461	95	151	2,553
Mr. Kong Mui Sum Lawrence	–	1,950	562	382	157	3,051
Mr. Yim Chun Leung	–	2,304	752	860	208	4,124
	–	9,246	2,562	1,527	773	14,108
Non-executive director						
Mr. Chan Bernard Charnwut	193	–	–	–	–	193
Independent non-executive directors						
Mr. Wong Gary Ka Wai	257	–	–	–	–	257
Mr. Sun Leland Li Hsun	193	–	–	–	–	193
Mr. Chan Norman Enrique	193	–	–	–	–	193
	643	–	–	–	–	643
	836	9,246	2,562	1,527	773	14,944

During the year ended 31 December 2012, five directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 29 to the financial statements. The fair value of these options which has been recognised in the income statement, was determined as at the date of grant, and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

	Fees HK$'000	Salaries, allowance and other benefit in kind HK$'000	Gratuity and bonus HK$'000	Contribution to retirement benefit scheme HK$'000	Total HK$'000
2011					
Executive directors					
Mr. C.F. Tao	–	1,252	503	88	1,843
Mr. Richard Tao	–	1,808	727	127	2,662
Mr. Paul Tao	–	1,808	727	127	2,662
Mr. Kong Mui Sum Lawrence	–	1,808	724	127	2,659
Mr. Yim Chun Leung	–	2,087	1,317	170	3,574
	–	8,763	3,998	639	13,400
Non-executive director					
Mr. Chan Bernard Charnwut	182	–	–	–	182
Independent non-executive directors					
Mr. Wong Gary Ka Wai	242	–	–	–	242
Mr. Sun Leland Li Hsun	182	–	–	–	182
Mr. Chan Norman Enrique	182	–	–	–	182
	606	–	–	–	606
	788	8,763	3,998	639	14,188

No share options were granted to the directors of the Company for the year ended 31 December 2011 (note 29).

No directors waived or agreed to waive any emoluments for the years ended 31 December 2012 and 2011.

(b) Senior management emoluments

The five highest paid individuals in the Group for the years ended 31 December 2012 and 2011 were all directors of the Company and details of their emoluments are reflected in the analysis presented above.

No emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group and as compensation for loss of office for the years ended 31 December 2012 and 2011.

34. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

The Group has the following transactions with related parties:

		Group	
		2012	2011
	Notes	**HK$'000**	HK$'000
Rental expenses to Fontwell Holdings Limited ("Fontwell")	*(i)*	**(105)**	–
Rental income from Clark Hatch Fitness Centers (Shanghai) Ltd. ("Clark Hatch")	*(ii)*	**620**	605
Membership fee to Clark Hatch	*(iii)*	**(169)**	(81)
Interest paid to Chong Lai	*(iii)*	**(8)**	–

Notes:

(i) Mr. C.F. Tao, Mr. Richard Tao and Mr. Paul Tao have beneficial interests in Fontwell. The charge by Fontwell was in accordance with the terms of the underlying agreements.

(ii) Mr. Richard Tao and Mr. Paul Tao are directors of Clark Hatch and Mr. Paul Tao has beneficial interests in Clark Hatch. The charge to Clark Hatch was in accordance with the terms of the underlying agreements. The membership fee was charged at terms mutually agreed by both parties.

(iii) Mr. C.F. Tao, Mr. Richard Tao and Mr. Paul Tao have beneficial interests in Chong Lai. The charge by Chong Lai was in accordance with the terms of the underlying agreements.

(b) Balances with related parties

As at 31 December 2012, the loan from Chong Lai of HK$5,000,000 bears interest at HIBOR plus 3% per annum, is unsecured and repayable on or before 14 December 2013 (note 26(c)). The effective interest rate of the loan was 3.28% per annum during the year. As at 31 December 2011, the Group did not have outstanding balances with related parties.

(c) Key management personnel compensation

The directors are of the opinion that the key management personnel were solely the directors of the Company. Remuneration paid to the Company's directors is as follows:

	2012	2011
	HK$'000	HK$'000
Salaries, allowances and other benefit in kind	**14,171**	13,549
Contribution to retirement benefit scheme	**773**	639
	14,944	14,188

35. COMMITMENTS AND OPERATING LEASE ARRANGEMENTS

(a) Capital commitments

Capital commitments in respect of properties held under development for the Group are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Contracted but not provided for	**194,744**	91,143

As at 31 December 2012 and 2011, the Company did not have any significant capital commitments.

(b) Operating lease arrangements

(i) The Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings which are receivable as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**10,634**	10,137
In the second to fifth years	**7,974**	9,605
	18,608	19,742

The Group leases out its investment properties (note 15) under operating lease arrangements which run for initial periods of less than one year to five years (2011: less than one year to five years) or expire at dates as mutually agreed between the Group and the respective tenants, without an option to renew the lease terms at the expiry date. The terms of the leases generally also require the tenants to pay security deposits.

(ii) The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings which are payable as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**110**	42
In the second to fifth years	**10**	–
	120	42

The Group leases a number of properties under operating lease arrangements which run for initial periods of one to two years (2011: one to two years) or expire at dates as mutually agreed between the Group and the respective landlords, without an option to renew the lease terms at the expiry date.

At 31 December 2012 and 2011, the Group had no contingent rentals receivable or payable.

At 31 December 2012 and 2011, the Company had no operating lease commitments as lessor or lessee.

36. FINANCIAL GUARANTEE CONTRACTS – COMPANY

The Company provided corporate guarantees to certain banks for all unsecured term loans granted to subsidiaries (note 26).

The carrying amount of the financial guarantee contracts recognised in the Company's statement of financial position was approximately HK$1,591,000 (2011: HK$1,259,000) during the year ended 31 December 2012. The guarantee issued in prior years in respect of a term loan is measured at the higher of the amount determined under HKAS 37 Provisions, Contingent Liabilities and Contingent Assets (i.e. the loan amount when it is probable to be called upon to repay) and the amortised balance of that guarantee. The fair value of new financial guarantee contracts is estimated by Peak Vision Appraisals Limited by applying the Binomial Option Pricing Model. Such financial guarantee contracts have terms of one to seven years (2011: one to seven years).

37. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing properties commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristic of the underlying assets.

The Group monitors capital on the basis of the net debt to equity ratio. For this purpose the net debt is defined as borrowings less cash and cash equivalents. The Group's goal in capital management is to maintain a net debt to equity ratio at a reasonable level. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debts.

The Group's overall strategy in capital management remains unchanged during the year.

The net debt to equity ratio at the end of the reporting period was as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Borrowings:	**112,893**	112,147
– Current	**219,527**	187,247
– Non-current	**19,771**	190,654
Less: Cash and cash equivalents *(note 32)*	**(290,999)**	(265,725)
Net debt	**(51,701)**	112,176
Total equity	**1,027,621**	1,003,124
Net debt to equity ratio	**N/A**	11%

38. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group is exposed to a variety of financial risks: currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management focuses on unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group currently does not have any written risk management policies and guidelines. However, the board of directors meets periodically and cooperates closely with key management to analyse and formulate strategies to manage and monitor financial risks.

The Group is not engaged in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed are described below. See also note 38.7 for a summary of financial assets and liabilities by category.

38.1 Currency risk

The Group reports its results in Hong Kong dollars. The Group's primary foreign currency exposure arises from its property development and investment activities in the PRC. The functional currency of these operations is Renminbi and most of the financial instruments are denominated in Renminbi. No foreign currency risk has been identified for the financial assets in the PRC as they were denominated in a currency same as the functional currencies of the group entities to which these transactions relate.

38.2 Interest rate risk

The Group's exposure to interest rate risk for changes in interest rates relates primarily to the Group's floating interest rate borrowings. The Group has not used any derivative contracts to hedge its exposure to interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The following table details the interest rate profile of the Group's and the Company's borrowings at the end of the reporting period.

	Group				**Company**			
	2012		2011		**2012**		2011	
	Effective interest rate	**HK$'000**	Effective interest rate	HK$'000	**Effective interest rate**	**HK$'000**	Effective interest rate	HK$'000
Fixed rate borrowings:								
Loans from non-controlling shareholders	**1.61%–4.55%**	**111,833**	1.60%–4.10%	112,672	**–**	**–**	–	–
Convertible notes	**13.38%**	**74,350**	13.38%	69,675	**13.38%**	**74,350**	13.38%	69,675
		186,183		182,347		**74,350**		69,675
Variable rate borrowings:								
Bank loans	**1.28%–6.40%**	**122,465**	1.33%–6.90%	265,229	**–**	**–**	–	–
Loan from a related company	**3.28%**	**5,000**	–	–	**–**	**–**	–	–
		127,465		265,229		**–**		–
Total borrowings		**313,648**		447,576		**74,350**		69,675

The following table indicates the instantaneous change in the Group's profit after tax and retained profits that would arise if interest rates to which the group entities have significant exposure at the end of the reporting period had changes at that date, assuming all other risk variables remained constant.

	Group		**Company**	
	2012	2011	**2012**	2011
	HK$000	HK$000	**HK$000**	HK$000
Increase in interest rate	**100 basis points**	100 basis points	**100 basis points**	100 basis points
Decrease in profit for the year	**(1,022)**	(2,051)	**–**	–
Decrease in retained profits	**(1,022)**	(2,051)	**–**	–
Decrease in interest rate	**(100 basis points)**	(100 basis points)	**(100 basis points)**	(100 basis points)
Increase in profit for the year	**1,022**	2,051	**–**	–
Increase in retained profits	**1,022**	2,051	**–**	–

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence for the whole year. The 100 basis points increase or decrease represents management's assessment of reasonably possible change in interest rates over the period until the next annual reporting date. The same basis of analysis was also performed as at 31 December 2011.

38.3 Credit risk

The Group's credit risk is primarily attributable to accounts and other receivables, deposits paid and bank deposits. The Group's exposures to these credit risks are monitored on an ongoing basis.

The Group continuously monitors defaults of customers and other counterparties, identifies either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external reports on customers and other counterparties are obtained and used.

None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of accounts and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds is considered minimal, since the counterparties are reputable banks with high quality of external credit ratings.

The Company's maximum exposure to credit risk which will cause a financial loss to the Company due to financial guarantee contracts provided to its subsidiaries is approximately HK$72,865,000 (2011: HK$72,611,000), being the amount of contingent liabilities in relation to financial guarantee contracts issued.

38.4 Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In the opinion of the directors of the Company, the Group does not have any significant liquidity risk exposure.

The Group's policy is to regularly monitor its liquidity requirements to ensure that the Group maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term financial liabilities.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group and the Company's bank borrowings, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Company can be required to pay.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group and the Company can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

	Group							Company					
	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	On demand HK$'000	Less than 6 months HK$'000	6 to 12 months HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	On demand HK$'000	Less than 6 months HK$'000	6 to 12 months HK$'000	2 to 5 years HK$'000
2012													
Accounts payable	**92,197**	**92,197**	**92,197**	–	–	–	–	–	–	–	–	–	–
Accruals, deposits received and other payables	**28,073**	**28,073**	**28,073**	–	–	–	–	**4,898**	**4,898**	**4,898**	–	–	–
Amount due to a subsidiary	–	–	–	–	–	–	–	**181**	**181**	**181**	–	–	–
Term loans subject to repayment on demand clause	**72,865**	**72,865**	**72,865**	–	–	–	–	–	–	–	–	–	–
Other bank loans	**49,600**	**49,723**	–	**49,723**	–	–	–	–	–	–	–	–	–
Loan from a related company	**5,000**	**5,006**	–	**5,006**	–	–	–	–	–	–	–	–	–
Loan from non-controlling shareholders	**111,833**	**113,103**	–	**92,603**	–	**20,500**	–	–	–	–	–	–	–
Convertible notes	**74,350**	**90,366**	–	**2,250**	**2,250**	**85,866**	–	**74,350**	**90,366**	–	**2,250**	**2,250**	**85,866**
	433,918	**451,333**	**193,135**	**149,582**	**2,250**	**106,366**	–	**79,429**	**95,445**	**5,079**	**2,250**	**2,250**	**85,866**
Financial guarantees issued: Maximum amount guaranteed	–	–	–	–	–	–	–	**1,591**	**72,865**	**72,865**	–	–	–

	Group							Company					
	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	On demand HK$'000	Less than 6 months HK$'000	6 to 12 months HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	On demand HK$'000	Less than 6 months HK$'000	6 to 12 months HK$'000	2 to 5 years HK$'000
2011													
Accounts payable	89,865	89,865	89,865	–	–	–	–	–	–	–	–	–	–
Accruals, deposits received and other payables	43,144	43,144	43,144	–	–	–	–	8,205	8,205	8,205	–	–	–
Term loans subject to repayment on demand clause	72,611	72,611	72,611	–	–	–	–	–	–	–	–	–	–
Other bank loans	192,618	207,793	–	33,867	90,446	80,202	3,278	–	–	–	–	–	–
Loan from non-controlling shareholders	112,672	116,013	–	–	–	116,013	–	–	–	–	–	–	–
Convertible notes	69,675	94,866	–	2,250	2,250	90,366	–	69,675	94,866	–	2,250	2,250	90,366
	580,585	624,292	205,620	36,117	92,696	286,581	3,278	77,880	103,071	8,205	2,250	2,250	90,366
Financial guarantees issued:													
Maximum amount guaranteed	–	–	–	–	–	–	–	1,259	72,611	72,611	–	–	–

The table that follows summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained in page 121. Taking into account the Group's and the Company's financial position, the directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Maturity analysis of term loans subject to a repayment on demand clause based on scheduled repayments is as follows:

	Group					
	Total undiscounted cash flows HK$'000	**Less than On demand HK$'000**	**6 to 6 months HK$'000**	**2 to 12 months HK$'000**	**Over 5 years HK$'000**	**5 years HK$'000**
31 December 2012	**76,629**	**–**	**18,212**	**11,705**	**44,665**	**2,047**
31 December 2011	77,353	–	11,297	11,210	50,677	4,169

The Company did not have any term loans subject to repayment on demand clause as at 31 December 2012 and 2011.

38.5 Fair value

The directors of the Company consider the fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short- term maturity of these financial instruments. The fair values of non-current financial assets and liabilities were not disclosed because these are not materially different from their carrying amounts.

38.6 Fair value measurement recognised in the statement of financial position

The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

As at 31 December 2012 and 2011, no financial assets and liabilities were measured at fair value. Accordingly, the hierarchy for fair value measurement disclosures have not been presented.

38.7 Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at the end of the reporting period may be categorised as follows. See notes 4(j) and 4(m) for explanations about how the classification of financial instruments affects their subsequent measurement.

	Group		Company	
	2012	2011	**2012**	2011
	HK$000	HK$000	**HK$000**	HK$000
Financial assets				
Loans and receivables:				
Accounts receivable	**139**	84	**–**	–
Deposits paid and other receivables	**20,748**	30,073	**–**	–
Amounts due from subsidiaries	**–**	–	**471,811**	–
Restricted bank deposits	**38,876**	92,860	**–**	469,616
Cash and cash equivalents	**290,999**	265,725	**1,003**	5,353
	350,762	388,742	**472,814**	474,969
Financial liabilities				
Financial liabilities measured at amortised cost:				
Accounts payable	**92,197**	89,865	**–**	–
Accruals and other payables	**28,073**	43,144	**4,898**	8,205
Amount due to a subsidiary	**–**	–	**181**	–
Borrowings	**239,298**	377,901	**–**	–
Convertible notes	**74,350**	69,675	**74,350**	69,675
Financial guarantee contracts	**–**	–	**1,591**	1,259
	433,918	580,585	**81,020**	79,139

MANAGEMENT DISCUSSION AND ANALYSIS OF HISTORICAL RESULTS OF OPERATIONS

Set out below is the management discussion and analysis of the Group's operations for the year ended 31 December 2014, 31 December 2013 and 31 December 2012, and for the six months ended 30 June 2015, respectively. The information set out below is principally extracted from the "Management Discussion and Analysis" section of the relevant annual reports of the Company to provide further information relating to the financial condition and results of operations of the Group during the periods stated. These extracted materials were prepared prior to the Acquisition and speak as of the date they were originally published. The Company's prospects and intentions will have changed since that date, and the reader should therefore not place undue reliance on this information, particularly the information consisting of or relating to forward-looking or future statements.

For the six months ended 30 June 2015

Review of Operations

During the period under review, in addition to continuing the property development and investment businesses in Suzhou, the Group also acquired 75% equity interest in a property project company in Shenzhen and continued to actively seek for business opportunities in Shenzhen and other cities in southern China.

Property Development

During the first half of 2015, the real estate market in Suzhou went through from a period of sluggishness into a heated one. After the difficult period in 2014, the real estate market remained at a modest state in January and February and entered a stable period in March and April in which some over-priced housing projects started to cut selling price. Meanwhile, flats at a bargain price flooded the market, leading to the commencement of price adjustment in the market. Also, driven by a series of national favorable policies and local bail-out policies, especially the reduction in interest rate by the central bank and the "330 New Policy", the real estate market started to bloom in May and recorded a remarkable growth in June, showing a good overall performance.

Property Investment

The Group's investment properties in Suzhou are located in the prime business district of Suzhou New District, and have benefited from the ongoing implementation of development strategy by the government of the Suzhou New District. However, investment revenue has been affected to a certain extent by the weak retail market and a reduction of customer traffic resulting from successive construction and completion of surrounding complexes.

During the period under review, the Group acquired certain investment properties in Shenzhen through the acquisition of HongKong Jiatian International Trading Development Limited ("HongKong Jiatian") which holds 75% of the equity interest in a project company that holds land with an aggregate area of approximately 22,892 sq.m. located at Baoan District in Shenzhen, the PRC. During the period, rental income from the aforesaid property was approximately HK$2.6 million from the date of completion of the acquisition by the Group.

Property Management

For the six months ended 30 June 2015, the Group continued its outsourcing policy. In the process of identifying and appointing local property management companies, the Group exercised careful due diligence to ensure these property companies are fully licensed and qualified. The Group coordinated with government authorities for the establishment of owner's association or property management committee in accordance with the applicable local rules and regulations.

Acquisitions

On 30 April 2015, Xingfu (China) Limited, an indirect wholly-owned subsidiary of the Company, as purchaser and Crown Profit (HK) Industrial Limited as vendor, among others, entered into a sale and purchase agreement (the "Sale and Purchase Agreement"), pursuant to which the purchaser conditionally agreed to purchase, and the vendor conditionally agreed to sell and transfer the entire issued share capital of HongKong Jiatian, at a consideration of RMB145,200,000 (equivalent to approximately HK$183,066,000). HongKong Jiatian holds 75% of the equity interest in a project company that holds land with an aggregate area of approximately 22,892 sq.m. located at Baoan District in Shenzhen, the PRC. The Sale and Purchase agreement was completed on 4 May 2015.

On 2 June 2015, Urban Thrive Holdings Limited, a wholly-owned subsidiary of the Company, as purchaser entered into an agreement with Mr. WONG Hong King ("Mr. WONG"), the controlling shareholder of the Company, as vendor in respect of the conditional sale and purchase of the entire issued share capital of Green View Holding Company Limited (the "Target Company") at a consideration of HK$13,785,000,000. The consideration for the acquisition will be settled by either (a) if the proposed placing of new shares or other financial instruments to be conducted by the Company to raise fund has not been completed at the time of completion, the Company will allot and issue to Mr. WONG (or to his nominee as he may direct in writing) at the issue price set out in the agreement of 109,342,511 consideration shares and 6,582,405,062 convertible preference shares; or (b) if the placing has been completed at the time of completion, the Company will allot and issue to Mr. WONG (or to his nominee as he may direct in writing) at the issue price of not more than 5,046,146,308 consideration shares and/or by cash, and/or by the allotment and issue of the convertible preference shares at the issue price.

The Target Company and its subsidiaries focus on the development of urban boutique residences, community-based shopping centers and urban complexes in the prime locations of Shenzhen and the Pearl River Delta Region. Completion of the agreement is subject to the satisfaction (or waiver as the case may be) of the conditions set out in the agreement, which include, among others, the independent shareholders of the Company having approved the agreement and the issue of the consideration shares, the convertible preference shares and the conversion shares upon the exercise of the conversion rights of the convertible preference shares, the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") having granted approval for the listing of such shares stated above, and approval having been obtained from the Listing Committee of the Stock Exchange for the new listing application of the Company pursuant to Rule 14.54 of the Rules Governing the Listing of Securities (the "Listing Rules") in relation to the Agreement. As at the date of the 2015 interim report, completion of the acquisition has not yet taken place.

On 30 July 2015, Jianmai Limited, an indirect 75%-owned subsidiary of the Company, as purchaser entered into an acquisition agreement with Hanison Construction Holdings (BVI) Limited as vendor and Sanney Limited as vendor's guarantor pursuant to which Jianmai Limited conditionally agreed to acquire from the vendor the entire issued share capital of Wisdom Concept Development Limited ("Wisdom Concept") and the full benefits of the loan extended by the vendor to Wisdom Concept for an aggregate consideration of HK$710,000,000. 10% of the consideration, equivalent to HK$71,000,000, was paid upon the signing of the acquisition agreement, with the remaining balance of the consideration payable at completion. As at the date of the 2015 interim report, completion of this acquisition has not yet taken place. The principal assets of Wisdom Concept are parcels of land in Lau Fau Shan, Yuen Long, New Territories, Hong Kong.

Financial Review

Revenue

The Group's revenue mainly comprised of revenue from sales of properties held for sale and leasing of investment properties. The Group's revenue for the six months ended 30 June 2015 was approximately HK$91.1 million (six months ended 30 June 2014: HK$44.7 million), representing an increase of 104% as compared with the same period last year. The increase in the Group's revenue was mainly due to the increase in revenue from sales of properties held for sale.

Revenue from leasing of investment properties for the six months ended 30 June 2015 was approximately HK$9.9 million (six months ended 30 June 2014: HK$7.0 million).

Operating Results

For the six months ended 30 June 2015, the Group's gross profit amounted to approximately HK$24.7 million (six months ended 30 June 2014: HK$16.4 million). The gross profit margin for the six months ended 30 June 2015 was approximately 27% as compared to approximately 37% for the same period last year.

Administrative expenses decreased significantly from approximately HK$60.5 million for the six months ended 30 June 2014 to approximately HK$30.8 million for the period under review. It was primarily attributable to the compensation to directors, employees in Hong Kong and Suzhou, the PRC and professional expenses incurred as a result of mandatory general offers made by China LVGEM Property Holdings Limited for all the securities of the Company for the six months ended 30 June 2014. No such expenses were incurred for the period under review.

The valuation on the Group's investment properties as at 30 June 2015 was conducted by an independent property valuer. There was no fair value changes for the period ended 30 June 2015 (six months ended 30 June 2014: negative fair value changes of approximately HK$3.7 million).

For the six months ended 30 June 2014, gain on disposal of subsidiaries amounted to approximately HK$39.2 million resulting from the disposal of Accordcity Limited and its subsidiary and New Heritage Management Limited and its subsidiaries in the amount of approximately HK$27.4 million and HK$11.8 million, respectively.

For the six months ended 30 June 2014, share of results of associates was mainly attributable to the profit contributed by Beijing Landmark Towers Co., Ltd., an associate of Accordcity Limited, for the period up to the date of disposal of Accordcity Limited, of approximately HK$7.0 million.

For the six months ended 30 June 2015, the loss attributable to owners of the Company was approximately HK$9.9 million (six months ended 30 June 2014: HK$2.4 million).

Liquidity, Financial Resources and Gearing

Bank balances and cash as at 30 June 2015 amounted to approximately HK$374.6 million (31 December 2014: HK$483.1 million).

The Group had total bank borrowings of approximately HK$55.4 million as at 30 June 2015 (31 December 2014: HK$23.7 million). Borrowings classified as current liabilities were approximately HK$118.8 million (31 December 2014: HK$9.1 million) and the Group's gearing ratio as at 30 June 2015 was approximately 5% (31 December 2014: 2%), which was based on total bank borrowings to total equity.

Charge on Assets

As at 30 June 2015, bank loans of approximately HK$55.4 million (31 December 2014: approximately HK$21.1 million) were secured by investment properties of the Group of approximately HK$434.2 million (31 December 2014: approximately HK$160.5 million). The increase in bank loans secured by investment properties of the Group at 30 June 2015 was mainly attributable to the inclusion of the bank loans of the subsidiary of HongKong Jiatian, which was acquired by the Group during the period under review.

Contingent Liabilities

The directors of the Company considered that there were no material contingent liabilities as at 30 June 2015.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's monetary assets, loans and transactions are principally denominated in Renminbi, Hong Kong dollars and United States dollars. During the period under review, there was no significant fluctuation in the exchange rates of these three currencies. The Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its statement of financial position exposure for the six months ended 30 June 2015 and in the year 2014.

Treasury Policies and Capital Structure

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group.

Employees

As at 30 June 2015, the Group had a staff roster of 89 (30 June 2014: 88), of which 72 (30 June 2014: 72) employees were based in the Mainland China and 17 (30 June 2014: 16) employees in Hong Kong. The remuneration of employees was in line with the market trends and commensurate to the levels of pay in the industry. Remuneration of the Group's employees includes basic salaries, bonuses and long-term incentives such as the granting of share options within an approved scheme.

For the twelve months ended 31 December 2014

Review of Operations

During the year under review, the Group continued its focus on property development and investment businesses in Suzhou and persistently sought business opportunities in Shenzhen and other cities in southern China.

Property Development

In the first half of 2014, the real estate market in Suzhou was subject to the constraints from the Government's austerity policies until the second half when they were eased; the Home Purchase Restriction was withdrawn, and the benchmark lending rate was lowered by the People's Bank of China by late 2014. These measures have promoted the market confidence to some extent. The wait-and-see approach attitude was given up by certain potential homebuyers.

Property Investment

During the year under review, Suzhou Government continued to actively adjust the economic structure and the economy has a steady development accordingly.

The Group's investment properties are located in the prime business district of Suzhou New District, and are benefited from the ongoing implementation of development strategy by the Government in Suzhou New District.

Property Management

The Group continued its outsourcing policy. In the process of identifying and appointing local property management companies, the Group exercised careful due diligence to ensure these property companies are fully licensed and qualified. The Group coordinated with government authorities for the establishment of owner's association or property management committee in accordance with local rules and regulations.

Major Corporate Events

On 21 January 2014, China LVGEM Property Holdings Limited ("China LVGEM") as purchaser and Belbroughton Limited, Mr. TAOCHAIFU Choofuang, Mr. TAO Richard, Mr. TAO Paul and Tian Xiang Business Limited (together, the "Vendors") had entered into a conditional sale and purchase agreement for

the disposal of an aggregate of 858,800,792 shares in the Company ("Shares") of HK$0.01 each (the "Disposal Shares") in the share capital of the Company by the Vendors to China LVGEM (the "Share Disposal"). The Disposal Shares represented approximately 64.83% of the then issued share capital of the Company. Immediately after completion of the Share Disposal on 8 May 2014, China LVGEM became the controlling shareholder of the Company. The Share Disposal triggered an obligation on the part of China LVGEM to make mandatory unconditional general offers for the then issued Shares and other outstanding securities of the Company under Rule 26 of The Hong Kong Code on Takeovers and Mergers (other than those already owned by or acquired by China LVGEM and parties acting in concert with it) (the "Offers"). The Offers were closed on 5 June 2014.

Financial Review

Revenue

The Group's revenue mainly comprised of revenue from sales of properties held for sale and leasing of investment properties. The Group's revenue for the year ended 31 December 2014 was approximately HK$524.3 million (2013: HK$212.4 million), representing an increase of approximately 147% when compared with last year. The increase in the Group's revenue was mainly due to the increase in revenue from sales of properties held for sale.

Revenue from leasing of investment properties for the year ended 31 December 2014 was approximately HK$14.5 million (2013: HK$12.9 million).

Operating Results

For the year ended 31 December 2014, the Group's gross profit amounted to approximately HK$108.5 million (2013: HK$31.7 million). The gross profit margin for the year ended 31 December 2014 was approximately 21% as compared to approximately 15% last year.

Administrative expenses increased significantly from approximately HK$39.9 million for the year ended 31 December 2013 to approximately HK$96.9 million for the year under review. It was primarily attributable to the amounts payable to directors, employees in Hong Kong and Suzhou, PRC and professional expenses incurred of approximately HK$39.0 million in total as a result of the acquisition of controlling shareholdings of the Company by China LVGEM during the year and the subsequent mandatory general offers made by China LVGEM for all the securities of the Company, the closing of which took place in June 2014.

The valuation on the Group's investment properties as of 31 December 2014 was conducted by an independent property valuer which resulted in a negative fair value adjustment of approximately HK$9.8 million for the year ended 31 December 2014 (2013: positive fair value adjustment of approximately HK$11.1 million).

During the year under review, none of the investment properties was sold (2013: Total consideration of investment properties sold was approximately HK$7.3 million).

During the year under review, gain on disposal of subsidiaries of approximately HK$39.2 million was resulted from disposal of Accordcity Limited and its subsidiary and New Heritage Management Limited and its subsidiaries.

For the year ended 31 December 2014, share of results of associates mainly represented the profit contributed by Beijing Landmark, an associate of Accordcity Limited for the period up to the date of disposal of Accordcity Limited of approximately HK$7.0 million (2013: HK$19.8 million).

For the year ended 31 December 2014, the profit attributable to the owners of the Company was approximately HK$16.3 million (2013: loss of HK$14.7 million).

Liquidity, Financial Resources and Gearing

Bank balances and cash as of 31 December 2014 amounted to approximately HK$483.1 million (2013: HK$435.8 million).

The Group had total bank borrowings of approximately HK$23.7 million as of 31 December 2014 (2013: HK$80.5 million). Borrowings classified as current liabilities were approximately HK$9.1 million (2013: HK$85.2 million) and the Group's gearing ratio as of 31 December 2014 was approximately 2% (2013: 8%), which was based on total bank borrowings to total equity.

Charge on Assets

As of 31 December 2014, bank loans of approximately HK$21.1 million were secured by investment properties of the Group of approximately HK$160.5 million.

As of 31 December 2013, bank loans of approximately HK$57.0 million were secured by certain land and buildings and investment properties of the Group of approximately HK$37.5 million and HK$167.7 million respectively.

Contingent Liabilities

The Directors considered that there were no material contingent liabilities as of 31 December 2014.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's monetary assets, loans and transactions are principally denominated in Renminbi, Hong Kong dollars and United States dollars. During the year under review, there was no significant fluctuation in the exchange rates of these three currencies apart from the depreciation of currency of Renminbi against United States dollars and Hong Kong dollars. The Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its statement of financial position exposure for the years ended 31 December 2014 and 2013.

Treasury Policies and Capital Structure

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group.

Employees

As of 31 December 2014, the Group had a staff roster of 69 (2013: 99), of which 53 (2013: 72) employees were based in the mainland China and 16 (2013: 27) employees in Hong Kong SAR. The remuneration of employees was in line with the market trends and commensurate to the levels of pay in the industry. Remuneration of the Group's employees includes basic salaries, bonuses and long-term incentives such as the granting of share options within an approved scheme.

For the twelve months ended 31 December 2013

Review of Operations

During the year under review, the Group continued its focus on property development and investment businesses in Suzhou and Beijing.

Property Development

In 2013, our TGC townhouse project in the Wuzhong district of Suzhou was still affected by the continuing Home Purchase Restriction ("HPR") measures which were absent in Wujiang district where our LGC project is situated. During the year, our Wujiang project enjoyed a less restrictive environment and benefited from the deepening amalgamation with the Suzhou municipality, and these together with the Group's launch of pre-sales programmes for Phase 4 of LGC, achieved satisfactory results.

Property Investment

During the year under review, the Group's investment properties, situated in the prime central business district of Suzhou New District ("SND"), reflected the benefits gained from the development planning strategy set by the SND government.

Property Management

The Group continued its outsourcing policy and exercised careful due diligence in the process of identifying and shortlisting fully licensed and qualified local property management companies in Suzhou. Owners' associations for completed projects were established in accordance with local rules and regulations and thus, the selection of the property management company has become the associations' collective responsibility.

Major Corporate Event

On 5 July 2011, the Company entered into a subscription agreement with Asia Financial Holdings Limited and Asia Insurance Company, Limited (collectively the "CN Subscribers") in relation to the issue of the 6% convertible notes in an aggregate principal amount of HK$75 million (the "2011 Convertible Notes").

Pursuant to the terms and conditions of the 2011 Convertible Notes, there is a compulsory conversion clause ("Compulsory Conversion Clause") whereby if the closing price per share is HK$1.10 or higher for ten consecutive trading days during the period from the issue date of the 2011 Convertible Notes up to the five business days prior to the maturity date, the whole (but not part) of the principal amount of HK$35,000,000 of the 2011 Convertible Notes shall be compulsorily converted at the Conversion Price of HK$1.10 within seven business days, provided always that the shares in issue shall be not more than 1,705,000,000 shares. The Compulsory Conversion Clause was triggered on 18 December 2013 and the Company duly allotted and issued an aggregate of 31,818,181 Conversion Shares to the CN Subscribers on 20 December 2013.

Financial Review

Revenue

The Group's revenue mainly comprised of recognized property development sales and leasing revenue from investment properties. The Group's revenue for the year ended 31 December 2013 was approximately HK$212.4 million (2012: HK$272.1 million), representing a decrease of 22% when compared with last year. The decrease in the Group's revenue was mainly due to decrease in revenue from recognized property development sales.

Leasing revenue from investment properties for the year ended 31 December 2013 was approximately HK$12.9 million (2012: HK$13.2 million).

Operating Results

For the year ended 31 December 2013, the Group's gross profit amounted to approximately HK$31.7 million (2012: HK$48.9 million). The gross profit margin for the year ended 31 December 2013 was approximately 15% as compared to approximately 18% for last year. The decrease in gross profit margin was caused by the impairment loss on car parks under properties held for sale of HK$14.8 million (2012: Nil).

The valuation on the Group's investment properties as of 31 December 2013 was conducted by an independent property valuer which resulted in a positive fair value adjustment of approximately HK$11.1 million for the year ended 31 December 2013 (2012: HK$22.3 million).

During the year, certain investment properties were sold for a total consideration of approximately HK$7.3 million (2012: HK$21.9 million).

Gain on deregistration of a subsidiary of approximately HK$8.9 million during the year (2012: Nil) resulted from the voluntary liquidation of Suzhou New Heritage Wuzhong Limited.

During the year, impairment loss on goodwill of approximately HK$7.8 million (2012: Nil) was recognized mainly due to the recoverable amount of certain subsidiaries of the Company, for which the goodwill is attributable to, being lower than its carrying value.

Finance costs for the year amounted to approximately HK$1.8 million as compared to HK$1.9 million last year.

Share of results of associates mainly represented the profit contributed by Beijing Landmark to the Group for the year of approximately HK$19.8 million (2012: HK$20.4 million).

For the year ended 31 December 2013, the loss attributable to the owners of the Company was approximately HK$14.7 million (2012: profit of HK$8.2 million).

Liquidity, Financial Resources and Gearing

Cash and bank balances as of 31 December 2013 amounted to approximately HK$435.8 million (2012: HK$291.0 million).

The Group had total bank borrowings of approximately HK$80.5 million as of 31 December 2013 (2012: HK$122.5 million). Borrowings classified as current liabilities were approximately HK$85.2 million (2012: HK$219.5 million) and the Group's gearing ratio as of 31 December 2013 was approximately 8% (2012: 12%), which was based on total bank borrowings to total equity.

Charge on Assets

As of 31 December 2013, bank loans of approximately HK$57.0 million were secured by certain of the Group's land and buildings and investment properties of approximately HK$37.5 million and HK$167.7 million respectively. As of 31 December 2012, bank loans of approximately HK$89.2 million were secured by certain of the Group's land and buildings and properties held under development of approximately HK$38.3 million and HK$71.6 million respectively.

Contingent Liabilities

The Directors considered that there were no material contingent liabilities as of 31 December 2013.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's monetary assets, loans and transactions are principally denominated in Renminbi, Hong Kong dollars and US dollars. During the year under review, there was no significant fluctuation in the exchange rates of these three currencies apart from the appreciation of currency of Renminbi against US dollars and Hong Kong dollars. The Group did not engage in any derivative activities and did not commit to

any financial instruments to hedge its statement of financial position exposure for the years ended 31 December 2013 and 2012. Nevertheless, any appreciation in the currency value of Renminbi against Hong Kong dollars will contribute positively to the Group's results.

Treasury Policies and Capital Structure

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group.

Employees

As of 31 December 2013, the Group had a staff roster of 99 (2012: 103), of which 72 (2012: 75) employees were based in the mainland China and 27 (2012: 28) employees in Hong Kong SAR. The remuneration of employees was in line with the market trends and commensurate to the levels of pay in the industry. Remuneration of the Group's employees includes basic salaries, bonuses and long-term incentives such as the granting of share options within an approved scheme.

For the twelve months ended 31 December 2012

Review of Operations

During the year under review, the Group continued its focus on property development and investment businesses in Suzhou and Beijing. The Group continued to explore prudently sites within and outside the Province of Jiangsu with high growth potential to capture opportunities for profitable development or investment prospects.

Property Development

For the year 2012, the Central Government of the PRC started easing lending to the sector from the middle of the year. HPR however, continued to be imposed to curb speculation and investment. Townhouses and high-grade residential property markets still suffered due to such austerity measures.

During the year under review, HPR were still not applicable in Wujiang District. This coupled with the administrative amalgamation of the former Wujiang City to the Suzhou municipality as Wujiang District in September 2012, resulted in homebuyers and investors increased expectations for a much more prosperous Wujiang, thereby creating a buoyant market with soaring transaction volumes and some increases in property prices. The Group had taken the bold and intuitive step during the previous year's downturn and earlier in the year to start construction of new phases and so captured such opportunities to expedite the pre-sales of Phases 3 and 4 of our project LGC in Shengze Town, Wujiang before other projects were ready to come onto the market.

Property Investment

During the year under review, the Group's investment properties, situated in the prime central business district ("CBD") of Suzhou New District ("SND"), continued to benefit from the development strategy set by the SND government. The gradual increase in traffic of Suzhou Metro Line 1 and the progressive commercialization of the region attracted more qualified residential buyers who showed interest in purchasing the Group's remaining SGV high-rise apartments.

Property Management

The Group continues its outsourcing policy to exercise careful due diligence in the process of appointing fully licensed and qualified local property management companies in Suzhou. Owners' associations for completed projects were established in accordance with local rules and regulations.

Financial Review

Revenue

The Group's revenue mainly comprised of recognized property development sales and leasing revenue from investment properties. The Group's revenue for the year ended 31 December 2012 was approximately HK$272.1 million (2011: HK$375.2 million), representing a decrease of about 27% when compared with last year. The decrease in the Group's revenue was mainly due to decrease in revenue from recognized property development sale.

Leasing revenue from investment properties for the year ended 31 December 2012 was approximately HK$13.2 million (2011: HK$12.4 million).

Operating Results

For the year ended 31 December 2012, the Group's gross profit amounted to approximately HK$48.9 million (2011: HK$56.7 million). The gross profit margin for the year ended 31 December 2012 was approximately 18% as compared to approximately 15% last year.

Finance costs for the year amounted to approximately HK$1.9 million as compared to approximately HK$6.2 million last year. The decrease was mainly due to the increase in finance costs capitalized to properties held under development.

The valuation on the Group's investment properties as of 31 December 2012 was conducted by an independent property valuer which resulted in a positive fair value adjustment of approximately HK$22.3 million for the year ended 31 December 2012 (2011: HK$8.4 million).

During the year, certain investment properties were sold for a total consideration of approximately HK$21.9 million (2011: HK$11.9 million).

Share of results of associates mainly represented the profit contributed by Beijing Landmark to the Group for the year of approximately HK$20.4 million (2011: HK$18.5 million).

For the year ended 31 December 2012, the profit attributable to the owners of the Company was approximately HK$8.2 million (2011: HK$12.2 million).

Liquidity, Financial Resources and Gearing

Cash and cash equivalents as of 31 December 2012 amounted to approximately HK$291.0 million (2011: HK$265.7 million).

The Group had total bank borrowings of approximately HK$122.5 million as of 31 December 2012 (2011: HK$265.2 million). Borrowings classified as current liabilities were approximately HK$219.5 million (2011: HK$187.2 million) and the Group's gearing ratio as of 31 December 2012 was approximately 12% (2011: 26%), which was based on total bank borrowings to total equity.

Charge on Assets

As of 31 December 2012, bank loans of approximately HK$89.2 million were secured by certain of the Group's land and buildings and properties held under development of approximately HK$38.3 million and approximately HK$71.6 million respectively.

As of 31 December 2011, bank loans of approximately HK$243.1 million were secured by certain of the Group's land and buildings, investment properties and properties held under development of approximately HK$39.1 million, approximately HK$158.7 million and approximately HK$211.0 million respectively.

Contingent Liabilities

The Directors considered that there were no material contingent liabilities as of 31 December 2012.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's monetary assets, loans and transactions are principally denominated in Renminbi, Hong Kong dollars and US dollars. During the year under review, there was no significant fluctuation in the exchange rates of these three currencies apart from the appreciation of currency of Renminbi against US dollars and Hong Kong dollars. The Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its statement of financial position exposure for the years ended 31 December 2012 and 2011. Nevertheless, any appreciation in the currency value of Renminbi against Hong Kong dollars will contribute positively to the Group's result.

Treasury Policies and Capital Structure

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group.

Employees

As of 31 December 2012, the Group had a staff roster of 103 (2011: 106), of which 75 (2011: 78) employees were based in the mainland China and 28 (2011: 28) employees in Hong Kong SAR. The remuneration of employees was in line with the market trends and commensurate to the levels of pay in the industry. Remuneration of the Group's employees includes basic salaries, bonuses and long-term incentives such as the granting of share options within an approved scheme.

MATERIAL CHANGES

The Directors confirm that there has been no material change in the business development, financial or trading position or outlook of the Group since 31 December 2014 (being the date to which the last audited financial statements of the Group were prepared as set out in this appendix to this circular) up to and including the Latest Practicable Date, save for (a) the Acquisition, and (b) the indebtedness position of the Group as detailed in the paragraph headed "Indebtedness of the Group" in this appendix to this circular.

INDEBTEDNESS OF THE GROUP

Borrowings

At the close of business on 31 August 2015, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had in aggregate outstanding borrowings of approximately HK$110,823,000.

The following table illustrates the Group's borrowings and loans from non-controlling shareholders as at 31 August 2015:

	HK$'000
Borrowings	
Bank loans secured by investment properties – Not guaranteed	36,000
Unsecured loans from non-controlling shareholders of a subsidiary – Not Guaranteed	74,823
	110,823

Contingent liabilities

Apart from intra-group liabilities and normal trade payables in the normal course of business, as at the close of business on 31 August 2015, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as of 31 July 2015 of the property interests held by the Reorganized Target Group.



Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

30 October 2015

The Board of Directors
LVGEM (China) Real Estate Investment Company Limited
Suites 1701-1703
17/F., Dah Sing Financial Centre
108 Gloucester Road
Wanchai
Hong Kong

Dear Sirs,

In accordance with your instructions to value the property interests held by Green View Holding Company Limited (the "**Target Company**") and its subsidiaries (hereinafter together referred to as the "**Reorganized Target Group**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as of 31 July 2015 (the "**valuation date**").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the property interest in Group I which is held and operated by the Reorganized Target Group, it is valued as fully operated entity by discounted cash flow analysis ("**DCF**"). The market value is derived by discounting the future net incomes generated from the hotel with regard to the trading potential, operation revenues and expenses during the assumed holding period with an appropriate discount rate. The terminal value at the end of the holding period is estimated by capitalizing the estimated net incomes by an appropriate terminal capitalization rate for the remaining tenure of the property. Then the terminal value is discounted to its present value as of the valuation date.

We have valued the property interests in Group II which are held by the Reorganized Target Group for sale and property interests in Group V which are held by the Reorganized Target Group for future development by direct comparison approach assuming sale of the property interests in their existing state

with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. Appropriate adjustments and analysis are considered given the differences in location, size and other characters between the comparable properties and the subject properties.

For the purpose of our valuation, real estate developments for sale are those the Construction Work Completion and Inspection Certificate/Tables or Building Ownership Certificates/Real Title Certificates thereof are issued for by the relevant local authorities, this also includes those property interests which have been contracted to be sold, but the formal assignment procedures of which have not yet been completed; and real estate developments for future development are those the Construction Work Commencement Permits are not issued while the State-owned Land Use Rights Certificates have been obtained.

In valuing the property interests in Group III which are held for investment by the Reorganized Target Group, we have adopted the income approach by taking into account the net rental income of property interests derived from their existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the fair value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market.

In valuing the property interests in Group IV which are currently under development, we have assumed that they will be developed and completed in accordance with the latest development proposals provided to us by the Reorganized Target Group. In arriving at our opinion of values, we have adopted the comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as of the valuation date and the remainder of the cost and fees expected to be incurred for completing the development. We have relied on the accrued construction cost and professional fees information provided by the Reorganized Target Group according to the different stages of construction of the subject properties as at the valuation date and we did not find any material inconsistency from those of other similar developments.

For the purpose of our valuation, real estate developments under development are those the Construction Work Commencement Permits have been issued while the Construction Work Certified Report or Certificates of Completion of the buildings thereof are not issued.

For the property interest in Group VI which is to be redeveloped by the Reorganized Target Group, the property will be redeveloped into a new industrial complex, the existing building will be demolished in the future 1 to 2 years and the designated urban redeveloper cannot be altered during the redevelopment procedure as advised by the Reorganized Target Group. Applications in respect of the redevelopment planning and construction works of the property have been submitted to the relevant authorities and are subject to further official approvals, although the redevelopment complies with the urban regeneration of the industrial zone. Therefore, we have attributed no commercial value to this property as the final approval has not been obtained, the existing buildings will be demolished and the designated urban redeveloper cannot be altered during the redevelopment procedure.

For the property interest in Group VII which is to be acquired by the Reorganized Target Group, the Reorganized Target Group has entered into agreement with the relevant parties. Since the Reorganized Target Group has not yet obtained the State-owned Land Use Rights Certificates and/or the payment of the land premium has not yet been fully settled as of the valuation date, we have attributed no commercial value to the property interest.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense 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 value.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Reorganized Target Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisors – Global Law Office, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in the period between April 2015 and September 2015 by about 10 professional staff including Mr. Tony Yang, Mr. Michael Yu, Mr. Legend Zhan, Ms. Kay Liao, Ms. Viola Liu, Ms. Lizzy Zheng, Ms. Liz Yang and etc. They are Chartered Surveyors/China Real Estate Appraisers and have more than 3 to 5 years' experience in the valuation of properties in the PRC and possess academic background in subjects relating to real estate valuation.

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

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Director

Note: Eddie T. W. Yiu is a Chartered Surveyor who has 21 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Group I – Property interest held and operated by the Reorganized Target Group in the PRC

No.	Property	Market value in existing state as of 31 July 2015 *RMB*	Interest attributable to the Reorganized Target Group	Market value attributable to the Reorganized Target Group as of 31 July 2015 *RMB*
1.	LVGEM Hotel located at the western side of Xinzhou Road and the northern side of Xinzhou Sixth Road Futian District Shenzhen City Guangdong Province The PRC (中城天邑花園酒店自持部分)	711,000,000	100%	711,000,000
	Sub-total:	**711,000,000**		**711,000,000**

Group II – Property interests held for sale by the Reorganized Target Group in the PRC

No.	Property	Market value in existing state as of 31 July 2015 *RMB*	Interest attributable to the Reorganized Target Group	Market value attributable to the Reorganized Target Group as of 31 July 2015 *RMB*
2.	16 unsold residential units of LVGEM 1866 Garden located at the eastern side of Meilong Road and the southern side of Zhongmei Road Bao'an District Shenzhen City Guangdong Province The PRC (公館1866花園)	117,000,000	100%	117,000,000
3.	A unsold residential unit of LVGEM Chanson Garden located at the western side of Minzhi Road Minzhi Community Bao'an District Shenzhen City Guangdong Province The PRC (綠景香頌花園)	2,370,000	100%	2,370,000
4.	10 unsold residential units of City Garden located at the western side of Longxiang Avenue and the eastern side of Huangge Road Longgang District Shenzhen City Guangdong Province The PRC (城市立方花園)	50,000,000	100%	50,000,000

No.	Property	Market value in existing state as of 31 July 2015 *RMB*	Interest attributable to the Reorganized Target Group	Market value attributable to the Reorganized Target Group as of 31 July 2015 *RMB*
5.	4 unsold residential units of Zhongcheng Tianyi Garden located at the western side of Xinzhou Road and the northern side of Xinzhou Sixth Road Futian District Shenzhen City Guangdong Province The PRC (中城天邑花園)	16,000,000	100%	16,000,000
6.	2 unsold residential units of Lanwan Peninsula Community located at the northern side of Furong Road Futian District Shenzhen City Guangdong Province The PRC (藍灣半島)	15,030,000	100%	15,030,000
7.	Unit 3201 Block C of Phase II of LVGEM Garden located at the western side of Xinzhou Road and the northern side of Fuqiang Road Futian District Shenzhen City Guangdong Province The PRC (綠景花園二期)	31,600,000	100%	31,600,000
8.	2 unsold residential units of LVGEM Garden Estate located at No. 1185 Jin Dao Tian Road Luohu District Shenzhen City Guangdong Province The PRC (綠景山莊)	4,256,000	100%	4,256,000

No.	Property	Market value in existing state as of 31 July 2015 *RMB*	Interest attributable to the Reorganized Target Group	Market value attributable to the Reorganized Target Group as of 31 July 2015 *RMB*
9.	Block A1 of LVGEM International Garden located at the north western side of Juzhou Park, Hexi Road Huazhou County Maoming City Guangdong Province The PRC (綠景國際花城A1區)	292,000,000	100%	292,000,000
10.	2 unsold residential units and a commercial unit of Phase I of Zhonghe Tixiang Famous Garden located at the junction of Longzhou South Road and Haitang Road Yiyang City Hunan Province The PRC (中核緹香名苑一期)	28,000,000	100%	28,000,000
	Sub-total:	**556,256,000**		**556,256,000**

Group III – Property interests held for investment by the Reorganized Target Group in the PRC

No.	Property	Market value in existing state as of 31 July 2015 *RMB*	Interest attributable to the Reorganized Target Group	Market value attributable to the Reorganized Target Group as of 31 July 2015 *RMB*
11.	1866-Zoll Center and various car parking spaces located at the eastern side of Meilong Road and the southern side of Zhongmei Road Bao'an District Shenzhen City Guangdong Province The PRC (1866佐玲薈購物中心、車位)	1,342,000,000	100%	1,342,000,000
12.	Chanson Zoll Center and various car parking spaces located at the western side of Minzhi Road Minzhi Community Bao'an District Shenzhen City Guangdong Province The PRC (佐玲香頌購物中心、車位)	839,000,000	100%	839,000,000
13.	Various commercial units and car parking spaces of LVGEM Chanson Meilu Garden located at the western side of Minzhi Road Minzhi Community Bao'an District Shenzhen City Guangdong Province The PRC (香頌美廬園商業、車位)	24,100,000	100%	24,100,000

No.	Property	Market value in existing state as of 31 July 2015 *RMB*	Interest attributable to the Reorganized Target Group	Market value attributable to the Reorganized Target Group as of 31 July 2015 *RMB*
14.	Various commercial units and car parking spaces of City Garden located at the western side of Longxiang Avenue and the eastern side of Huangge Road Longgang District Shenzhen City Guangdong Province The PRC (城市立方花園商業、車位)	215,000,000	100%	215,000,000
15.	Various commercial units of LVGEM Hotel and various car parking spaces of Zhongcheng Tianyi Garden located at the western side of Xinzhou Road and the northern side of Xinzhou Sixth Road Futian District Shenzhen City Guangdong Province The PRC (中城天邑花園酒店商業、中城天邑花園車位)	179,300,000	100%	179,300,000
16.	Various commercial units and various car parking spaces of Phase I and II of LVGEM New Garden located at the eastern side of Xinzhou 2nd Street and the northern side Xinzhou Ninth Street Futian District Shenzhen City Guangdong Province The PRC (綠景新苑一期、二期商業、車位)	155,800,000	100%	155,800,000

No.	Property	Market value in existing state as of 31 July 2015 *RMB*	Interest attributable to the Reorganized Target Group	Market value attributable to the Reorganized Target Group as of 31 July 2015 *RMB*
17.	Various commercial units and car parking spaces of Lanwan Peninsula Community located at the northern side of Furong Road Futian District Shenzhen City Guangdong Province The PRC (藍灣半島商業、車位)	247,000,000	100%	247,000,000
18.	Various commercial units, office units and car parking spaces of Tower A and various commercial units and car parking spaces of Tower B and Tower C of NEO Urban Commercial Complex located at the junction of Shennan Boulevard and Xiangmihu Road Futian District Shenzhen City Guangdong Province The PRC (綠景紀元大厦商業、辦公、車位；綠景廣場商業、車位)	6,110,000,000	100%	6,110,000,000

No.	Property	Market value in existing state as of 31 July 2015 *RMB*	Interest attributable to the Reorganized Target Group	Market value attributable to the Reorganized Target Group as of 31 July 2015 *RMB*
19.	Various commercial units and car parking spaces of Phase II of LVGEM Garden located at the western side of Xinzhou Road and the northern side of Fuqiang Road Futian District Shenzhen City Guangdong Province The PRC (綠景花園二期商業、車位)	488,400,000	100%	488,400,000
20.	Various commercial units, ancillary units and car parking spaces of LVGEM Garden Estate located at No. 1185 Jin Dao Tian Road Luohu District Shenzhen City Guangdong Province The PRC (綠景山莊商業、車位)	82,500,000	100%	82,500,000
	Sub-total:	**9,683,100,000**		**9,683,100,000**

Group IV – Property interests held under development by the Reorganized Target Group in the PRC

No.	Property	Market value in existing state as of 31 July 2015 *RMB*	Interest attributable to the Reorganized Target Group	Market value attributable to the Reorganized Target Group as of 31 July 2015 *RMB*
21.	Hongwan Garden located at the northern side of North Ring Avenue and the eastern side of Meilin Road Futian District Shenzhen City Guangdong Province The PRC (虹灣花園)	6,260,000,000	100%	6,260,000,000
22.	Mangrove Luxury Garden located at the junction of Shazui Road and Jindi First Road Futian District Shenzhen City Guangdong Province The PRC (紅樹華府)	5,900,000,000	100%	5,900,000,000
23.	Block A2 of LVGEM International Garden located at the northwest side of Juzhou Park, Hexi Road Huazhou County Maoming City Guangdong Province The PRC (綠景國際花城A2區)	819,000,000	100%	819,000,000
	Sub-total:	**12,979,000,000**		**12,979,000,000**

Group V – Property interests held for future development by the Reorganized Target Group in the PRC

No.	Property	Market value in existing state as of 31 July 2015 *RMB*	Interest attributable to the Reorganized Target Group	Market value attributable to the Reorganized Target Group as of 31 July 2015 *RMB*
24.	20 parcels of land of LVGEM International Garden located at the northwest side of Juzhou Park, Hexi Road Huazhou County Maoming City Guangdong Province The PRC (綠景國際花城)	1,340,000,000	100%	1,340,000,000
25.	2 parcels of land of Phase II of Zhonghe Tixiang Famous Garden located at the junction of Longzhou South Road and Haitang Road Yiyang City Hunan Province The PRC (中核緹香名苑二期)	70,000,000	100%	70,000,000
	Sub-total:	**1,410,000,000**		**1,410,000,000**

Group VI – Property interest to be redeveloped by the Reorganized Target Group in the PRC

No.	Property	Market value in existing state as of 31 July 2015 *RMB*	Interest attributable to the Reorganized Target Group	Market value attributable to the Reorganized Target Group as of 31 July 2015 *RMB*
26.	A parcel of land located at No. 4088 Qiaoxiang Road Nanshan District Shenzhen City Guangdong Province The PRC (美景)	No commercial value	–	No commercial value
	Sub-total:	**Nil**		**Nil**

Group VII – Property interest to be acquired by the Reorganized Target Group in the PRC

No.	Property	Market value in existing state as of 31 July 2015 *RMB*	Interest attributable to the Reorganized Target Group	Market value attributable to the Reorganized Target Group as of 31 July 2015 *RMB*
27.	Various parcels of land located at Liguang Village Guanlan Town Bao'an District Shenzhen City Guangdong Province The PRC (黎光)	No commercial value	–	No commercial value
	Sub-total:	**Nil**		**Nil**
	Grand-total:	**25,339,356,000**		**25,339,356,000**

Note: For Property No.26, as advised by the Reorganized Target Group, the property will be redeveloped into a new industrial complex, the existing building will be demolished in the future 1 to 2 years and the designated urban redeveloper cannot be altered during the redevelopment procedure. Applications in respect of the redevelopment planning and construction works of the property have been submitted to the relevant authorities and are subject to further official approvals, although the redevelopment complies with the urban regeneration of the industrial zone. Therefore we have attributed no commercial value to the property as the final approval has not been obtained, the existing buildings will be demolished and the designated urban redeveloper cannot be altered during the redevelopment procedure. However, for reference purpose, we are of the opinion that the market value of the property as of the valuation date would be RMB304,000,000, assuming (a) there is no legal impediment for the redevelopment of the property and the relevant redevelopment planning and construction approvals have been obtained by the Reorganized Target Group; (b) the existing buildings erected thereon the property have been demolished and there is no outstanding relocation and resettlement costs; and (c) the resettlement R&D buildings of the redevelopment plan with a total gross floor area of approximately 20,000 sq.m. will be transferred to third parties for free after completion and thus have not been taken into account in our valuation.

VALUATION CERTIFICATE

Group I – Property interest held and operated by the Reorganized Target Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 July 2015 *RMB*
1.	LVGEM Hotel located at the western side of Xinzhou Road and the northern side of Xinzhou Sixth Road Futian District Shenzhen City Guangdong Province The PRC (中城天邑花園酒店自持部分)	The property comprises a hotel known as LVGEM Hotel, which consists of 377 guest rooms, Chinese and western restaurants, meeting rooms, function rooms, bars, fitness center, spas and other facilities. The property was completed in 2008 and operated since April 2011. The property is located at the western side of Xinzhou Road and the northern side of Xinzhou Sixth Road in Futian District of Shenzhen City and is close to Shawei Metro Station which is currently under construction. It is within 3 minutes' driving distance to Shenzhen Convention and Exhibition Center. In addition, the locality of the property is a developed residential area with a good natural environment and 15 minutes' walk to Shenzhen Golf Club and Shenzhen Bay. As advised by the Reorganized Target Group, the property and commercial units of LVGEM Hotel mentioned in property no.15 have a total gross floor area of approximately 25,750.73 sq.m. (including the area of commercial units with a lettable area of 4,412 sq.m.) The land use rights of the property have been granted for a term of 70 years expiring on 29 December 2073 for residential use.	The property was operated by the Reorganized Target Group for hotel use as of the valuation date.	711,000,000 (100% interest attributable to the Reorganized Target Group: RMB711,000,000)

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract - Shen Di He Zi (2003) No. 2029 and relevant supplemental agreement entered into among the Stated-owned Land Resources Bureau of Shenzhen City, Shenzhen Xinzhou industry Co., Ltd. (深圳市新洲實業股份有限公司) ("Xinzhou Industry"), Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司) ("LVGEM Real Estate", a wholly-owned subsidiary of the Target Company) and Shenzhen Dihui Investment Co., Ltd. (深圳市迪暉投資發展有限公司) ("Dihui Investment"), the land use rights of a parcel of land with a site area of approximately 24,659.96 sq.m. (without specific delineation of usage for commercial and other non-residential purposes) were contracted to be granted to Xinzhou Industry, LVGEM Real Estate and Dihui Investment. According to the supplemental agreement, a hotel with a gross floor area of approximately 25,998 sq.m. could be constructed.

2. Pursuant to a Real Estate Title Certificate – Shen Fang Di Zi Di No. 3000570792, LVGEM Hotel (including the property and commercial units of property no. 15) with a total gross floor area of approximately 25,750.73 sq.m. is owned by Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司) ("**LVGEM Real Estate**", a wholly-owned subsidiary of the Target Company). LVGEM Hotel (including the property and commercial units of property no.15) is part of a residential development known as Zhongcheng Tianyi Garden. The relevant land use rights of the property have been granted to LVGEM Real Estate for a term of 70 years expiring on 29 December 2073 for residential use. According to this Real Estate Title Certificate, the stipulated use of the property is hotel.

3. As advised by the Reorganized Target Group, the property was subject to a mortgage in favour of China Everbright Bank, Overseas Chinese Town Sub-branch as of the valuation date.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. LVGEM Real Estate is legally in possession of the land use rights of the property by the means of grant and is the sole legal user of the land use rights of the property. Within the land use rights term, LVGEM Real Estate has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of property in accordance with relevant land use rights grant contract and aforesaid Real Estate Title Certificate and in compliance with the provisions of the relevant mortgage contracts;

   b. LVGEM Real Estate has legally obtained aforesaid Real Estate Title Certificate and is the sole user of the buildings of the property and legally holds the ownership rights of the buildings of the property. LVGEM Real Estate has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the building ownership rights of the property in accordance with relevant PRC laws and regulations and the usage disclosed in the Real Estate Title Certificate, and in compliance with the provisions of the relevant mortgage contracts; and

   c. According to the Reorganized Target Group's written confirmation, except for the real estate mortgage situation mentioned above the property is not subject to any restrictions arising from any sequestration, mortgage or any other rights.

5. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	N/A
b.	Real Estate Title Certificate	Yes

6. In valuing the property, our adopted key assumptions are summarize as follows:

a.	Average daily room rate ("**ADR**")	RMB685 for year 1
b.	Annual growth in ADR	Stabilized at 4.0%
c.	Average occupancy rate on available room basis	77.0%
d.	Discount rate	8.5%
e.	Capitalization rate	4.5%

VALUATION CERTIFICATE

Group II – Property interests held for sale by the Reorganized Target Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 July 2015 *RMB*
2.	16 unsold residential units of LVGEM 1866 Garden located at the eastern side of Meilong Road and the southern side of Zhongmei Road Bao'an District Shenzhen City Guangdong Province The PRC (公館1866花園)	The property comprises 16 residential units within a residential development known as LVGEM 1866 Garden which was completed in 2013. The property is located at the eastern side of Meilong Road and southern side of Zhongmei Road which are the main arterial roads in the area. The locality of the property is a newly developed residential area well-served by public transportation along the main roads. The property is within 15 minutes' walk to the metro stations of Lines 4 and 5. The property has a total gross floor area of approximately 3,233.28 sq.m. The land use rights of the property have been granted for a term of 70 years expiring on 30 August 2074 for residential use.	The property was vacant for sale as of the valuation date.	117,000,000 (100% interest attributable to the Reorganized Target Group: RMB117,000,000)

Notes:

1. Pursuant to 16 Real Estate Title Certificates (the "**RETCs**"), the property with a total gross floor area of approximately 3,233.28 sq.m. is owned by Zhengxinglong Real Estate (Shenzhen) Co., Ltd. (正興隆房地產(深圳)有限公司) ("**Zhengxinglong**", a wholly-owned subsidiary of the Target Company). The relevant land use rights of the property have been granted to Zhengxinglong for a term of 70 years expiring on 30 August 2074 for residential use. The details are set out as follows:

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(1)	Shen Fang Di Zi Di No.5000597810	16A Block A	88.29	Residential
(2)	Shen Fang Di Zi Di No.5000597815	6A Block B	221.39	Residential
(3)	Shen Fang Di Zi Di No.5000597818	10B Block B	221.39	Residential
(4)	Shen Fang Di Zi Di No.5000597742	22B Block B	221.39	Residential
(5)	Shen Fang Di Zi Di No.5000597778	26A Block B	221.39	Residential
(6)	Shen Fang Di Zi Di No.5000597829	26B Block B	221.39	Residential
(7)	Shen Fang Di Zi Di No.5000597775	27A Block B	380.54	Residential
(8)	Shen Fang Di Zi Di No.5000597790	27B Block B	380.54	Residential
(9)	Shen Fang Di Zi Di No.5000597746	4A Section 1, Block E	143.83	Residential
(10)	Shen Fang Di Zi Di No.5000597770	8B Section 1, Block E	159.86	Residential
(11)	Shen Fang Di Zi Di No.5000597765	10A Section 1, Block E	143.83	Residential
(12)	Shen Fang Di Zi Di No.5000597819	10B Section 1, Block E	159.86	Residential
(13)	Shen Fang Di Zi Di No.5000597768	16A Section 1, Block E	143.83	Residential
(14)	Shen Fang Di Zi Di No.5000597773	6A Section 2, Block E	143.83	Residential
(15)	Shen Fang Di Zi Di No.5000597748	6B Section 2, Block E	159.86	Residential
(16)	Shen Fang Di Zi Di No.5000598398	28B Block E	222.06	Residential
	Total:		**3,233.28**	

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. Zhengxinglong is legally in possession of the land use rights of the property by the means of grant and is the sole legal user of the land use rights of the property. Within the land use rights term, Zhengxinglong has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of property in accordance with relevant land use rights grant contract and aforesaid Real Estate Title Certificate;

   b. Zhengxinglong has legally obtained aforesaid Real Estate Title Certificate and is the sole user of the buildings of the property and legally holds the ownership rights of the buildings of the property. Zhengxinglong has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the building ownership rights of the property in accordance with relevant PRC laws and regulations and the usage disclosed in the Real Estate Title Certificate; and

   c. According to the Reorganized Target Group's written confirmation, the property is not subject to any restrictions arising from any sequestration, mortgage or any other rights.

3. A summary of major certificates/approvals is shown as follows:

   a. State-owned Land Use Rights Certificate — N/A

   b. Real Estate Title Certificate — Yes

4. Our valuation has been made on the following basis and analysis:

   We have made reference to various recent sales prices of residential premises within the same district. These comparable properties are selected as they have characteristics comparable to the property. The prices of residential premises range from RMB35,000 to RMB45,000 per sq.m. The unit rates assumed by us are consistent with the sales prices of relevant comparables after due adjustment. Due adjustments to the unit rates of those sales prices have been made to reflect to the difference in building age, location, size and condition and other characters. In valuing the property, we have adopted the assumed unit rate from RMB35,000 to RMB42,000 per sq.m.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 July 2015 *RMB*
3.	A unsold residential unit of LVGEM Chanson Garden located at the western side of Minzhi Road Minzhi Community Bao'an District Shenzhen City Guangdong Province The PRC (綠景香頌花園)	The property comprises a residential unit within a residential development known as LVGEM Chanson Garden which was completed in 2012. The property is located at the junction of Minzhi Road and Bulong Road which are the main arterial roads in the area. The locality of the property is a newly developed residential area served by adequate public facilities. The property is within 15 minutes' walk to the metro stations of Lines 4 and 5. The property has a gross floor area of approximately 124.87 sq.m. The land use rights of the property have been granted for a term of 70 years expiring on 5 August 2080 for residential use.	The property was vacant for sale as of the valuation date.	2,370,000 (100% interest attributable to the Reorganized Target Group: RMB2,370,000)

Notes:

1. Pursuant to a Real Estate Title Certificate – Shen Fang Di Zi Di No. 5000566249, the property with a gross floor area of approximately 124.87 sq.m. are owned by Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司) ("**LVGEM Real Estate**", a wholly-owned subsidiary of the Target Company). The relevant land use rights of the property have been granted to LVGEM Real Estate for a term of 70 years expiring on 5 August 2080 for residential use.

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. LVGEM Real Estate is legally in possession of the land use rights of the property by the means of grant and is the sole legal user of the land use rights of the property. Within the land use rights term, LVGEM Real Estate has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of property in accordance with relevant land use rights grant contract and aforesaid Real Estate Title Certificate;

   b. LVGEM Real Estate has legally obtained aforesaid Real Estate Title Certificate and is the sole user of the buildings of the property and legally holds the ownership rights of the buildings of the property. LVGEM Real Estate has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the building ownership rights of the property in accordance with relevant PRC laws and regulations and the usage disclosed in the Real Estate Title Certificate; and

c. According to the Reorganized Target Group's written confirmation, the property is not subject to any restrictions arising from any sequestration, mortgage or any other rights.

3. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	N/A
b.	Real Estate Title Certificate	Yes

4. As advised by the Reorganized Target Group, the property would be sold to a purchaser at a consideration of approximately RMB2,370,000. The property has not been legally transferred to the purchasers and therefore it has been included in our valuation. In our valuation of the property, we have taken into account such consideration.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 July 2015 *RMB*
4.	10 unsold residential units of City Garden located at the western side of Longxiang Avenue and the eastern side of Huangge Road Longgang District Shenzhen City Guangdong Province The PRC (城市立方花園)	The property comprises 10 residential units within a residential development known as City Garden which was completed in 2010. The property is located at the western side of Longxiang Avenue and the eastern side of Huangge Road in Longgang District of Shenzhen City. The subject area of the property is well-served by public transportation with 40 minutes' driving distance to the city centre. The locality of the property is a well-developed residential area. The property is within 20 minutes' walk to Longcheng Park and the metro station of Line 3. The property has a total gross floor area of approximately 1,530.64 sq.m. The land use rights of the property have been granted for a term of 70 years expiring on 21 February 2071 for residential and commercial uses.	The property was vacant for sale as of the valuation date.	50,000,000 (100% interest attributable to the Reorganized Target Group: RMB50,000,000)

Notes:

1. Pursuant to 10 Real Estate Title Certificates (the "**RETCs**"), the property with a total gross floor area of approximately 1,530.64 sq.m. are owned by Shenzhen Longkanghong Investment Development Co., Ltd. (深圳市龍康弘投資發展有限公司) ("**Shenzhen Longkanghong**", a wholly-owned subsidiary of the Target Company). The relevant land use rights of the property have been granted to Shenzhen Longkanghong for a term of 70 years expiring on 21 February 2071 for residential and commercial uses. The details are set out as follows:

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(1)	Shen Fang Di Zi Di No. 6000473412	B1-B28E	61.89	Residential
(2)	Shen Fang Di Zi Di No. 6000473375	B1-B28F	70.95	Residential
(3)	Shen Fang Di Zi Di No. 6000474163	A7-1A	182.92	Residential
(4)	Shen Fang Di Zi Di No. 6000474151	A8-A6A	56.11	Residential
(5)	Shen Fang Di Zi Di No. 6000474143	A6-B1B	173.76	Residential
(6)	Shen Fang Di Zi Di No. 6000467711	B1-A29A	188.84	Residential
(7)	Shen Fang Di Zi Di No. 6000469136	B1-A29B	183.65	Residential
(8)	Shen Fang Di Zi Di No. 6000473145	B1-B30A	210.76	Residential

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(9)	Shen Fang Di Zi Di No. 6000463704	B2-31A	210.54	Residential
(10)	Shen Fang Di Zi Di No. 6000466783	B3-31D	191.22	Residential
	Total:		**1,530.64**	

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. Shenzhen Longkanghong is legally in possession of the land use rights of the property by the means of transfer and is the sole legal user of the land use rights of the property. Within the land use rights term, Shenzhen Longkanghong has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of property in accordance with relevant land use rights grant contract and aforesaid Real Estate Title Certificate;

   b. Shenzhen Longkanghong has legally obtained aforesaid Real Estate Title Certificate and is the sole user of the buildings of the property and legally holds the ownership rights of the buildings of the property. Shenzhen Longkanghong has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the building ownership rights of the property in accordance with relevant PRC laws and regulations and the usage disclosed in the Real Estate Title Certificate; and

   c. According to the Reorganized Target Group's written confirmation, the property is not subject to any restrictions arising from any sequestration, mortgage or any other rights.

3. A summary of major certificates/approvals is shown as follows:

   a. State-owned Land Use Rights Certificate — N/A

   b. Real Estate Title Certificate — Yes

4. Our valuation has been made on the following basis and analysis:

   We have made reference to various recent sales prices of residential premises within the same district. These comparable properties are selected as they have characteristics comparable to the property. The prices of residential premises range from RMB22,000 to RMB37,000 per sq.m. The unit rates assumed by us are consistent with the sales prices of relevant comparables after due adjustment. Due adjustments to the unit rates of those sales prices have been made to reflect to the difference in building age, location, size and condition and other characters. In valuing the property, we have adopted the assumed average unit rate of RMB32,666 per sq.m.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 July 2015 *RMB*
5.	4 unsold residential units of Zhongcheng Tianyi Garden located at the western side of Xinzhou Road and the northern side of Xinzhou Sixth Road Futian District Shenzhen City Guangdong Province The PRC (中城天邑花園)	The property comprises 4 residential units within a residential development known as Zhongcheng Tianyi Garden which was completed in 2008. The property is located at the western side of Xinzhou Road and the northern side of Xinzhou Sixth Road in Futian District of Shenzhen City and is close to Shawei Metro Station which is currently under construction. It is within 3 minutes' driving distance to Shenzhen Convention and Exhibition Center. In addition, the locality of the property is a developed residential area with a good natural environment and 20 minutes' walk to Shenzhen Golf Club and Shenzhen Bay. The property has a total gross floor area of approximately 364.87 sq.m. The land use rights of the property have been granted for a term of 70 years expiring on 29 December 2073 for residential use.	The property was vacant for sale as of the valuation date.	16,000,000 (100% interest attributable to the Reorganized Target Group: RMB16,000,000)

Notes:

1. Pursuant to 4 Real Estate Title Certificates (the "**RETCs**"), the property with a total gross floor area of approximately 364.87 sq.m. is owned by Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司) ("**LVGEM Real Estate**", a wholly-owned subsidiary of the Target Company). The relevant land use rights of the property have been granted to LVGEM Real Estate for a term of 70 years expiring on 29 December 2073 for residential use. The details are set out as follows:

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(1)	Shen Fang Di Zi Di No. 3000550984	1-5A, Block 2	107.60	Residential
(2)	Shen Fang Di Zi Di No. 3000550719	2-5F, Block 2	49.06	Residential
(3)	Shen Fang Di Zi Di No. 3000550721	2-5G, Block 2	68.79	Residential
(4)	Shen Fang Di Zi Di No. 3000618765	1-14D, Block 2	139.42	Residential
	Total:		**364.87**	

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. LVGEM Real Estate is legally in possession of the land use rights of the property by the means of grant and is the sole legal user of the land use rights of the property. Within the land use rights term, LVGEM Real Estate has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of property in accordance with relevant land use rights grant contract and aforesaid Real Estate Title Certificate;

   b. LVGEM Real Estate has legally obtained aforesaid Real Estate Title Certificate and is the sole user of the buildings of the property and legally holds the ownership rights of the buildings of the property. LVGEM Real Estate has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the building ownership rights of the property in accordance with relevant PRC laws and regulations and the usage disclosed in the Real Estate Title Certificate; and

   c. According to the Reorganized Target Group's written confirmation, the property is not subject to any restrictions arising from any sequestration, mortgage or any other rights.

3. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	N/A
b.	Real Estate Title Certificate	Yes

4. Our valuation has been made on the following basis and analysis:

   We have made reference to various recent sales prices of residential premises within the same district. These comparable properties are selected as they have characteristics comparable to the property. The prices of residential premises range from RMB39,000 to RMB46,000 per sq.m. The unit rates assumed by us are consistent with the sales prices of relevant comparables after due adjustment. Due adjustments to the unit rates of those sales prices have been made to reflect to the difference in building age, location, size and condition and other characters. In valuing the property, we have adopted the assumed average unit rate of RMB43,851 per sq.m.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 July 2015 *RMB*
6.	2 unsold residential units of Lanwan Peninsula Community located at the northern side of Furong Road Futian District Shenzhen City Guangdong Province The PRC (藍灣半島)	The property comprises 2 residential units within a residential development known as Lanwan Peninsula Community which was completed in 2004. The property is located at the northern side of Furong Road and close to Jindi 1st Road which is the core area of Futian District and well-served by adequate facilities and public transportation along the main roads. The locality of the property enjoys elegant environment and 20 minutes' walk to Shenzhen Bay and Community Library. The property has a total gross floor area of approximately 341.34 sq.m. The land use rights of the property have been granted for a term of 70 years expiring on 20 September 2071 for residential use.	The property was vacant for sale as of the valuation date.	15,030,000 (100% interest attributable to the Reorganized Target Group: RMB15,030,000)

Notes:

1. Pursuant to 2 Real Estate Title Certificates (the "**RETCs**"), the property with a total gross floor area of approximately 341.34 sq.m. is owned by Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司), ("**LVGEM Real Estate**", a wholly-owned subsidiary of the Target Company). The relevant land use rights of the property have been granted to LVGEM Real Estate for a term of 70 years expiring on 20 September 2071 for residential use. The details are set out as follows:

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(1)	Shen Fang Di Zi Di No. 3000602119	1507, Block A	170.67	Residential
(2)	Shen Fang Di Zi Di No. 3000568437	3007, Block A	170.67	Residential
	Total:		**341.34**	

2. As advised by the Reorganized Target Group, the property mentioned in note 1 was subject to a mortgage in favour of Bank of Communications, Tian'an Sub-branch as of the valuation date.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. LVGEM Real Estate is legally in possession of the land use rights of the property by the means of grant and is the sole legal user of the land use rights of the property. Within the land use rights term, LVGEM Real Estate has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of property in accordance with relevant land use rights grant contract and aforesaid Real Estate Title Certificate, and in compliance with the provisions of the relevant mortgage contracts;

   b. LVGEM Real Estate has legally obtained aforesaid Real Estate Title Certificate and is the sole user of the buildings of the property and legally holds the ownership rights of the buildings of the property. LVGEM Real Estate has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the building ownership rights of the property in accordance with relevant PRC laws and regulations and the usage disclosed in the Real Estate Title Certificate, and in compliance with the provisions of the relevant mortgage contracts; and

   c. According to the Reorganized Target Group's written confirmation, except for the real estate mortgage situation mentioned above, the property is not subject to any restrictions arising from any sequestration, mortgage or any other rights.

4. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	N/A
b.	Real Estate Title Certificate	Yes

5. Our valuation has been made on the following basis and analysis:

   We have made reference to various recent sales prices of residential premises within the same district. These comparable properties are selected as they have characteristics comparable to the property. The prices of residential premises range from RMB40,000 to RMB50,000 per sq.m. The unit rates assumed by us are consistent with the sales prices of relevant comparables after due adjustment. Due adjustments to the unit rates of those sales prices have been made to reflect to the difference in building age, location, size and condition and other characters. In valuing the property, we have adopted the assumed average unit rate of RMB44,032 per sq.m.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 July 2015 *RMB*
7.	Unit 3201 Block C of Phase II of LVGEM Garden located at the western side of Xinzhou Road and the northern side of Fuqiang Road Futian District Shenzhen City Guangdong Province The PRC (綠景花園二期)	The property comprises a residential unit within a residential development known as Phase II of LVGEM Garden which was completed in 2005. The property is located at the western side of Xinzhou Road and the northern side of Fuqiang Road in Futian District of Shenzhen City and is close to Shawei Metro Station which is currently under construction. It is within 3 minutes' driving distance to Shenzhen Convention and Exhibition Center. In addition, the locality of the property is a developed residential area with a good natural environment and 20 minutes' walk to Shenzhen Golf Club and Shenzhen Bay. The property has a total gross floor area of approximately 809.72 sq.m. The land use rights of the property have been granted for a term of 70 years expiring on 4 February 2071 for residential, commercial, office and ancillary uses.	The property was vacant for sale as of the valuation date.	31,600,000 (100% interest attributable to the Reorganized Target Group: RMB31,600,000)

Notes:

1. Pursuant to a Real Estate Title Certificate – Shen Fang Di Zi Di No. 3000568438, the property with a total gross floor area of approximately 809.72 sq.m. is owned by Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司) ("**LVGEM Real Estate**", a wholly-owned subsidiary of the Target Company). The relevant land use rights of the property have been granted to LVGEM Real Estate for a term of 70 years expiring on 4 February 2071 for residential, commercial, office and ancillary uses.

2. As advised by the Reorganized Target Group, the property mentioned in note 1 was subject to a mortgage in favour of Bank of Communications, Tian'an Sub-branch as of the valuation date.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. LVGEM Real Estate is legally in possession of the land use rights of the property by the means of grant and is the sole legal user of the land use rights of the property. Within the land use rights term, LVGEM Real Estate has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of property in accordance with relevant land use rights grant contract and aforesaid Real Estate Title Certificate, and in compliance with the provisions of the relevant mortgage contracts;

b. LVGEM Real Estate has legally obtained aforesaid Real Estate Title Certificate and is the sole user of the buildings of the property and legally holds the ownership rights of the buildings of the property. LVGEM Real Estate has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the building ownership rights of the property in accordance with relevant PRC laws and regulations and the usage disclosed in the Real Estate Title Certificate, and in compliance with the provisions of the relevant mortgage contracts; and

c. According to the Reorganized Target Group's written confirmation, except for the real estate mortgage situation mentioned above, the property is not subject to any restrictions arising from any sequestration, mortgage or any other rights.

4. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	N/A
b.	Real Estate Title Certificate	Yes

5. Our valuation has been made on the following basis and analysis:

We have made reference to various recent sales prices of residential premises within the same district. These comparable properties are selected as they have characteristics comparable to the property. The prices of residential premises range from RMB35,000 to RMB45,000 per sq.m. The unit rates assumed by us are consistent with the sales prices of relevant comparables after due adjustment. Due adjustments to the unit rates of those sales prices have been made to reflect to the difference in building age, location, size and condition and other characters. In valuing the property, we have adopted the assumed unit rate of RMB39,026 per sq.m.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 July 2015 *RMB*
8.	2 unsold residential units of LVGEM Garden Estate located at No. 1185 Jin Dao Tian Road Luohu District Shenzhen City Guangdong Province The PRC (綠景山莊)	The property comprises 2 residential units within a residential development known as LVGEM Garden Estate which was completed in 2000. The property is located at the southern side of Jin Dao Tian Road in Caopu area in Luohu District of Shenzhen City. The subject area of the property is served by several bus lines, Longgang Railway Line and well-established public facilities. The locality of the property is a mature residential area with several parks and schools. The property has a total gross floor area of approximately 170.23 sq.m. The land use rights of the property have been granted for a term of 70 years expiring on 8 March 2068 for residential and commercial uses.	The property was vacant for sale as of the valuation date.	4,256,000 (100% interest attributable to the Reorganized Target Group: RMB4,256,000)

Notes:

1. Pursuant to 2 Real Estate Title Certificates (the "**RETCs**"), the property with a total gross floor area of approximately 170.23 sq.m. is owned by Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司) ("**LVGEM Real Estate**", a wholly-owned subsidiary of the Target Company). The relevant land use rights of the property have been granted to LVGEM Real Estate for a term of 70 years expiring on 8 March 2068 for residential and commercial uses. The details are set out as follows:

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(1)	Shen Fang Di Zi Di No. 2000473418	305, Block 3	78.18	Residential
(2)	Shen Fang Di Zi Di No. 2000473420	305, Block 4	92.05	Residential
	Total:		**170.23**	

2. As advised by the Reorganized Target Group, the property mentioned in note 1 was subject to a mortgage in favour of Bank of Communications, Tian'an Sub-branch as of the valuation date.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. LVGEM Real Estate is legally in possession of the land use rights of the property by the means of grant and is the sole legal user of the land use rights of the property. Within the land use rights term, LVGEM Real Estate has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of property in accordance with relevant land use rights grant contract and aforesaid Real Estate Title Certificate, and in compliance with the provisions of the relevant mortgage contracts;

   b. LVGEM Real Estate has legally obtained aforesaid Real Estate Title Certificate and is the sole user of the buildings of the property and legally holds the ownership rights of the buildings of the property. LVGEM Real Estate has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the building ownership rights of the property in accordance with relevant PRC laws and regulations and the usage disclosed in the Real Estate Title Certificate, and in compliance with the provisions of the relevant mortgage contracts; and

   c. According to the Reorganized Target Group's written confirmation, except for the real estate mortgage situation mentioned above, the property is not subject to any restrictions arising from any sequestration, mortgage or any other rights.

4. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	N/A
b.	Real Estate Title Certificate	Yes

5. Our valuation has been made on the following basis and analysis:

   We have made reference to various recent sales prices of residential premises within the same district. These comparable properties are selected as they have characteristics comparable to the property. The prices of residential premises range from RMB23,000 to RMB27,000 per sq.m. The unit rates assumed by us are consistent with the sales prices of relevant comparables after due adjustment. Due adjustments to the unit rates of those sales prices have been made to reflect to the difference in building age, location, size and condition and other characters. In valuing the property, we have adopted the assumed average unit rate of RMB25,000 per sq.m.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 July 2015 *RMB*
9.	Block A1 of LVGEM International Garden located at the north western side of Juzhou Park, Hexi Road Huazhou County Maoming City Guangdong Province The PRC (綠景國際花城A1區)	The property comprises various residential units, commercial units and car parking spaces within a residential development known as Block A1 of LVGEM International Garden which was completed in 2014. The property is located at the northwest side of Juzhou Park, Hexi Road, Huazhou County, Maoming City. The subject area of the property is well-served by public transportation with 10 minutes' driving distance to the city center. The locality of the property is a well-developed residential area with a good natural environment and 20 minutes' walk to Juzhou Park. The property has a total gross floor area of approximately 37,698.03 sq.m. The details are set out as follows: **Usage** / **Gross Floor Area (sq.m.)** Residential: 26,471.54 Commercial: 7,365.32 70 car parking spaces: 3,861.17 **Total: 37,698.03** The land use rights of the property have been granted for terms of 70 years expiring on 22 April 2082 for residential use and 40 years expiring on 22 April 2052 for commercial use.	The property was vacant for sale as of the valuation date.	292,000,000 (100% interest attributable to the Reorganized Target Group: RMB292,000,000)

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Hua Guo Yong (2012) Di No. 0000352, the land use rights of a land parcel (including the land use rights of the property) with a site area of approximately 48,795.32 sq.m. have been granted to Huazhou LVGEM Real Estate Development Co., Ltd. (化州市綠景房地產開發有限公司) ("**Huazhou LVGEM**", a wholly-owned subsidiary of the Target Company), for terms of 70 years expiring on 22 April 2082 for residential use and 40 years expiring on 22 April 2052 for commercial use.

2. Pursuant to 171 Real Estate Title Certificates (the "**RETCs**"), portions of the property with a total gross floor area of approximately 27,174.72 sq.m. are owned by Huazhou LVGEM for residential, commercial and carparking uses. The details are set out as follows:

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(1)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001520	No.1, Block 1, A1 Zone of Huazhou International Garden	430.76	Residential
(2)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001506	No.1, Block 2, A1 Zone of Huazhou International Garden	430.76	Residential
(3)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001513	No.1, Block 3, A1 Zone of Huazhou International Garden	430.76	Residential
(4)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001519	No.1, Block 5, A1 Zone of Huazhou International Garden	430.76	Residential
(5)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001502	No.1, Block 6, A1 Zone of Huazhou International Garden	430.76	Residential
(6)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001503	No.1, Block 8, A1 Zone of Huazhou International Garden	430.76	Residential
(7)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001498	No.1, Block 9, A1 Zone of Huazhou International Garden	430.76	Residential
(8)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001507	No.1, Block 1, A1 Zone of Huazhou International Garden	541.31	Residential
(9)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001501	No.1, Block 11, A1 Zone of Huazhou International Garden	430.76	Residential
(10)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001504	No.1, Block 12, A1 Zone of Huazhou International Garden	430.76	Residential
(11)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001499	No.1, Block 13, A1 Zone of Huazhou International Garden	430.76	Residential
(12)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001500	No.1, Block 15, A1 Zone of Huazhou International Garden	430.76	Residential
(13)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001518	No.1, Block 16, A1 Zone of Huazhou International Garden	496.88	Residential
(14)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001516	No.1, Block 17, A1 Zone of Huazhou International Garden	496.88	Residential
(15)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001517	No.1, Block 18, A1 Zone of Huazhou International Garden	496.88	Residential

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(16)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001515	No.1, Block 19, A1 Zone of Huazhou International Garden	496.88	Residential
(17)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001514	No.1, Block 2, A1 Zone of Huazhou International Garden	496.88	Residential
(18)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001512	No.1, Block 23, A1 Zone of Huazhou International Garden	454.52	Residential
(19)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001510	No.1, Block 25, A1 Zone of Huazhou International Garden	454.52	Residential
(20)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001509	No.1, Block 26, A1 Zone of Huazhou International Garden	454.52	Residential
(21)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001591	No.1, Block 27, A1 Zone of Huazhou International Garden	353.18	Residential
(22)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001596	No.2, Block 27, A1 Zone of Huazhou International Garden	353.18	Residential
(23)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001568	No.1, Block 28, A1 Zone of Huazhou International Garden	353.18	Residential
(24)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001572	No.2, Block 28, A1 Zone of Huazhou International Garden	353.18	Residential
(25)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001593	No.1, Block 29, A1 Zone of Huazhou International Garden	353.18	Residential
(26)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001594	No.2, Block 29, A1 Zone of Huazhou International Garden	353.18	Residential
(27)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001562	No.1, Block 3, A1 Zone of Huazhou International Garden	353.18	Residential
(28)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001564	No.2, Block 3, A1 Zone of Huazhou International Garden	353.18	Residential
(29)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001532	No.1, Block 31, A1 Zone of Huazhou International Garden	353.18	Residential
(30)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001540	No.2, Block 31, A1 Zone of Huazhou International Garden	353.18	Residential
(31)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001528	No.1, Block 32, A1 Zone of Huazhou International Garden	353.18	Residential

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(32)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001531	No.2, Block 32, A1 Zone of Huazhou International Garden	353.18	Residential
(33)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001723	A1001, Block 33, A1 Zone of Huazhou International Garden	175.08	Residential
(34)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001714	A1201, Block 33, A1 Zone of Huazhou International Garden	175.08	Residential
(35)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001700	A1301, Block 33, A1 Zone of Huazhou International Garden	175.08	Residential
(36)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001642	A1703, Block 33, A1 Zone of Huazhou International Garden	292.48	Residential
(37)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001638	A1704, Block 33, A1 Zone of Huazhou International Garden	296.02	Residential
(38)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001691	B701, Block 33, A1 Zone of Huazhou International Garden	177.9	Residential
(39)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001720	B1002, Block 33, A1 Zone of Huazhou International Garden	174.95	Residential
(40)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001688	B1202, Block 33, A1 Zone of Huazhou International Garden	174.95	Residential
(41)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001683	B1301, Block 33, A1 Zone of Huazhou International Garden	177.9	Residential
(42)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001644	B1602, Block 33, A1 Zone of Huazhou International Garden	174.95	Residential
(43)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001634	B1703, Block 33, A1 Zone of Huazhou International Garden	295.79	Residential
(44)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001630	B1704, Block 33, A1 Zone of Huazhou International Garden	292.26	Residential
(45)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001497	No.01, Block 35, A1 Zone of Huazhou International Garden	5,040.84	Commercial
(46)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001534	Commercial No.01, Block 32, A1 Zone of Huazhou International Garden	41.04	Commercial
(47)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001536	Commercial No.02, Block 32, A2 Zone of Huazhou International Garden	41.72	Commercial

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(48)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001539	Commercial No.03, Block 32, A3 Zone of Huazhou International Garden	41.96	Commercial
(49)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001542	Commercial No.04, Block 32, A4 Zone of Huazhou International Garden	36.33	Commercial
(50)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001544	Commercial No.05, Block 32, A5 Zone of Huazhou International Garden	36.38	Commercial
(51)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001547	Commercial No.06, Block 32, A6 Zone of Huazhou International Garden	40.41	Commercial
(52)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001549	Commercial No.07, Block 32, A7 Zone of Huazhou International Garden	39.95	Commercial
(53)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001546	Commercial No.08, Block 31, A8 Zone of Huazhou International Garden	44.22	Commercial
(54)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001551	Commercial No.09, Block 31, A9 Zone of Huazhou International Garden	39.95	Commercial
(55)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001553	Commercial No.10, Block 31, A10 Zone of Huazhou International Garden	41.95	Commercial
(56)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001555	Commercial No.11, Block 31, A11 Zone of Huazhou International Garden	36.76	Commercial
(57)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001557	Commercial No.12, Block 31, A12 Zone of Huazhou International Garden	36.56	Commercial
(58)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001558	Commercial No.13, Block 31, A13 Zone of Huazhou International Garden	41.94	Commercial
(59)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001560	Commercial No.14, Block 31, A14 Zone of Huazhou International Garden	48.74	Commercial
(60)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001566	Commercial No.15, Block 30, A15 Zone of Huazhou International Garden	48.85	Commercial
(61)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001570	Commercial No.16, Block 30, A16 Zone of Huazhou International Garden	47.01	Commercial
(62)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001573	Commercial No.17, Block 30, A17 Zone of Huazhou International Garden	40.95	Commercial
(63)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001575	Commercial No.18, Block 30, A18 Zone of Huazhou International Garden	41.16	Commercial

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(64)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001579	Commercial No.19, Block 30, A19 Zone of Huazhou International Garden	47.48	Commercial
(65)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001582	Commercial No.20, Block 30, A20 Zone of Huazhou International Garden	55.14	Commercial
(66)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001598	Commercial No.21, Block 29, A21 Zone of Huazhou International Garden	55.45	Commercial
(67)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001601	Commercial No.22, Block 29, A22 Zone of Huazhou International Garden	48.18	Commercial
(68)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001604	Commercial No.23, Block 29, A23 Zone of Huazhou International Garden	41.94	Commercial
(69)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001607	Commercial No.24, Block 29, A24 Zone of Huazhou International Garden	41.96	Commercial
(70)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001610	Commercial No.25, Block 29, A25 Zone of Huazhou International Garden	48.4	Commercial
(71)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001613	Commercial No.26, Block 29, A26 Zone of Huazhou International Garden	49.07	Commercial
(72)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001576	Commercial No.27, Block 28, A27 Zone of Huazhou International Garden	49.38	Commercial
(73)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001578	Commercial No.28, Block 28, A28 Zone of Huazhou International Garden	43.54	Commercial
(74)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001584	Commercial No.29, Block 28, A29 Zone of Huazhou International Garden	37.95	Commercial
(75)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001582	Commercial No.30, Block 28, A30 Zone of Huazhou International Garden	37.95	Commercial
(76)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001586	Commercial No.31, Block 28, A31 Zone of Huazhou International Garden	43.75	Commercial
(77)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001588	Commercial No.32, Block 28, A32 Zone of Huazhou International Garden	42.37	Commercial
(78)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001599	Commercial No.33, Block 27, A33 Zone of Huazhou International Garden	45.46	Commercial
(79)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001602	Commercial No.34, Block 27, A34 Zone of Huazhou International Garden	44.26	Commercial

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(80)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001606	Commercial No.35, Block 27, A35 Zone of Huazhou International Garden	51.2	Commercial
(81)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001604	Commercial No.36, Block 27, A36 Zone of Huazhou International Garden	44.7	Commercial
(82)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001612	Commercial No.37, Block 27, A37 Zone of Huazhou International Garden	44.72	Commercial
(83)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001615	Commercial No.38, Block 27, A38 Zone of Huazhou International Garden	51.64	Commercial
(84)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001671	Commercial No.49, Block 33, A39 Zone of Huazhou International Garden	40.7	Commercial
(85)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001674	Commercial No.50, Block 33, A40 Zone of Huazhou International Garden	61.87	Commercial
(86)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001677	Commercial No.51, Block 33, A41 Zone of Huazhou International Garden	33.94	Commercial
(87)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001680	Commercial No.52, Block 33, A42 Zone of Huazhou International Garden	38.8	Commercial
(88)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001684	Commercial No.53, Block 33, A43 Zone of Huazhou International Garden	23.9	Commercial
(89)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001686	Commercial No.54, Block 33, A44 Zone of Huazhou International Garden	23.9	Commercial
(90)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001690	Commercial No.55, Block 33, A45 Zone of Huazhou International Garden	27.79	Commercial
(91)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001692	Commercial No.56, Block 33, A46 Zone of Huazhou International Garden	27.13	Commercial
(92)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001694	Commercial No.57, Block 33, A47 Zone of Huazhou International Garden	62.77	Commercial
(93)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001696	Commercial No.58, Block 33, A48 Zone of Huazhou International Garden	47.08	Commercial
(94)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001698	Commercial No.59, Block 33, A49 Zone of Huazhou International Garden	27.13	Commercial
(95)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001699	Commercial No.60, Block 33, A50 Zone of Huazhou International Garden	27.79	Commercial

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(96)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001702	Commercial No.61, Block 33, A51 Zone of Huazhou International Garden	23.9	Commercial
(97)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001703	Commercial No.62, Block 33, A52 Zone of Huazhou International Garden	23.9	Commercial
(98)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001706	Commercial No.63, Block 33, A53 Zone of Huazhou International Garden	38.8	Commercial
(99)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001709	Commercial No.64, Block 33, A54 Zone of Huazhou International Garden	33.94	Commercial
(100)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001711	Commercial No.65, Block 33, A55 Zone of Huazhou International Garden	45.36	Commercial
(101)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001713	Commercial No.66, Block 33, A56 Zone of Huazhou International Garden	45.36	Commercial
(102)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001521	Carparking No.01, Block 33, A1 Zone of Huazhou International Garden	55.38	Carparking
(103)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001522	Carparking No.02, Block 33, A1 Zone of Huazhou International Garden	55.14	Carparking
(104)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001523	Carparking No.03, Block 33, A1 Zone of Huazhou International Garden	55.38	Carparking
(105)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001524	Carparking No.04, Block 33, A1 Zone of Huazhou International Garden	44.31	Carparking
(106)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001525	Carparking No.05, Block 33, A1 Zone of Huazhou International Garden	45.23	Carparking
(107)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001526	Carparking No.06, Block 33, A1 Zone of Huazhou International Garden	57.03	Carparking
(108)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001527	Carparking No.07, Block 33, A1 Zone of Huazhou International Garden	57.03	Carparking
(109)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001529	Carparking No.08, Block 33, A1 Zone of Huazhou International Garden	55.14	Carparking
(110)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001530	Carparking No.09, Block 33, A1 Zone of Huazhou International Garden	55.14	Carparking
(111)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001533	Carparking No.10, Block 33, A1 Zone of Huazhou International Garden	57.28	Carparking

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(112)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001535	Carparking No.11, Block 33, A1 Zone of Huazhou International Garden	57.28	Carparking
(113)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001537	Carparking No.12, Block 33, A1 Zone of Huazhou International Garden	43.58	Carparking
(114)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001538	Carparking No.13, Block 33, A1 Zone of Huazhou International Garden	44.31	Carparking
(115)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001541	Carparking No.14, Block 33, A1 Zone of Huazhou International Garden	57.28	Carparking
(116)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001543	Carparking No.15, Block 33, A1 Zone of Huazhou International Garden	57.28	Carparking
(117)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001545	Carparking No.16, Block 33, A1 Zone of Huazhou International Garden	55.38	Carparking
(118)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001548	Carparking No.17, Block 33, A1 Zone of Huazhou International Garden	47.85	Carparking
(119)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001550	Carparking No.18, Block 33, A1 Zone of Huazhou International Garden	52.08	Carparking
(120)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001552	Carparking No.19, Block 33, A1 Zone of Huazhou International Garden	54.31	Carparking
(121)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001554	Carparking No.20, Block 33, A1 Zone of Huazhou International Garden	57.03	Carparking
(122)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001556	Carparking No.21, Block 33, A1 Zone of Huazhou International Garden	59.51	Carparking
(123)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001559	Carparking No.22, Block 33, A1 Zone of Huazhou International Garden	57.03	Carparking
(124)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001561	Carparking No.23, Block 33, A1 Zone of Huazhou International Garden	59.51	Carparking
(125)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001563	Carparking No.24, Block 33, A1 Zone of Huazhou International Garden	56.55	Carparking
(126)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001565	Carparking No.25, Block 33, A1 Zone of Huazhou International Garden	56.55	Carparking
(127)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001567	Carparking No.26, Block 33, A1 Zone of Huazhou International Garden	55.38	Carparking

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(128)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001569	Carparking No.27, Block 33, A1 Zone of Huazhou International Garden	57.08	Carparking
(129)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001571	Carparking No.28, Block 33, A1 Zone of Huazhou International Garden	57.08	Carparking
(130)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001574	Carparking No.29, Block 33, A1 Zone of Huazhou International Garden	57.08	Carparking
(131)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001577	Carparking No.30, Block 33, A1 Zone of Huazhou International Garden	55.38	Carparking
(132)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001580	Carparking No.31, Block 33, A1 Zone of Huazhou International Garden	58.54	Carparking
(133)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001583	Carparking No.32, Block 33, A1 Zone of Huazhou International Garden	60.77	Carparking
(134)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001585	Carparking No.33, Block 33, A1 Zone of Huazhou International Garden	62.82	Carparking
(135)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001587	Carparking No.34, Block 33, A1 Zone of Huazhou International Garden	60.53	Carparking
(136)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001589	Carparking No.35, Block 33, A1 Zone of Huazhou International Garden	58.05	Carparking
(137)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001590	Carparking No.36, Block 33, A1 Zone of Huazhou International Garden	60.05	Carparking
(138)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001592	Carparking No.37, Block 33, A1 Zone of Huazhou International Garden	60.77	Carparking
(139)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001595	Carparking No.38, Block 33, A1 Zone of Huazhou International Garden	51.2	Carparking
(140)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001597	Carparking No.39, Block 33, A1 Zone of Huazhou International Garden	54.9	Carparking
(141)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001600	Carparking No.40, Block 33, A1 Zone of Huazhou International Garden	56.84	Carparking
(142)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001603	Carparking No.41, Block 33, A1 Zone of Huazhou International Garden	58.3	Carparking
(143)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001605	Carparking No.42, Block 33, A1 Zone of Huazhou International Garden	59.51	Carparking

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(144)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001608	Carparking No.43, Block 33, A1 Zone of Huazhou International Garden	57.08	Carparking
(145)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001611	Carparking No.44, Block 33, A1 Zone of Huazhou International Garden	54.65	Carparking
(146)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001614	Carparking No.45, Block 33, A1 Zone of Huazhou International Garden	55.48	Carparking
(147)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001616	Carparking No.46, Block 33, A1 Zone of Huazhou International Garden	55.38	Carparking
(148)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001617	Carparking No.47, Block 33, A1 Zone of Huazhou International Garden	55.58	Carparking
(149)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001618	Carparking No.48, Block 33, A1 Zone of Huazhou International Garden	55.72	Carparking
(150)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001619	Carparking No.49, Block 33, A1 Zone of Huazhou International Garden	55.38	Carparking
(151)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001620	Carparking No.50, Block 33, A1 Zone of Huazhou International Garden	55.82	Carparking
(152)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001621	Carparking No.51, Block 33, A1 Zone of Huazhou International Garden	55.63	Carparking
(153)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001622	Carparking No.52, Block 33, A1 Zone of Huazhou International Garden	54.99	Carparking
(154)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001623	Carparking No.53, Block 33, A1 Zone of Huazhou International Garden	56.65	Carparking
(155)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001624	Carparking No.54, Block 33, A1 Zone of Huazhou International Garden	57.62	Carparking
(156)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001625	Carparking No.55, Block 33, A1 Zone of Huazhou International Garden	57.62	Carparking
(157)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001627	Carparking No.56, Block 33, A1 Zone of Huazhou International Garden	52.18	Carparking
(158)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001629	Carparking No.57, Block 33, A1 Zone of Huazhou International Garden	54.51	Carparking
(159)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001632	Carparking No.58, Block 33, A1 Zone of Huazhou International Garden	50.48	Carparking

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(160)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001633	Carparking No.59, Block 33, A1 Zone of Huazhou International Garden	52.61	Carparking
(161)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001636	Carparking No.60, Block 33, A1 Zone of Huazhou International Garden	53.34	Carparking
(162)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001639	Carparking No.61, Block 33, A1 Zone of Huazhou International Garden	55.72	Carparking
(163)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001641	Carparking No.62, Block 33, A1 Zone of Huazhou International Garden	52.37	Carparking
(164)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001648	Carparking No.63, Block 33, A1 Zone of Huazhou International Garden	54.75	Carparking
(165)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001650	Carparking No.64, Block 33, A1 Zone of Huazhou International Garden	50.48	Carparking
(166)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001652	Carparking No.65, Block 33, A1 Zone of Huazhou International Garden	52.86	Carparking
(167)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001655	Carparking No.66, Block 33, A1 Zone of Huazhou International Garden	54.51	Carparking
(168)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001657	Carparking No.67, Block 33, A1 Zone of Huazhou International Garden	50.48	Carparking
(169)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001660	Carparking No.68, Block 33, A1 Zone of Huazhou International Garden	55.97	Carparking
(170)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001663	Carparking No.69, Block 33, A1 Zone of Huazhou International Garden	52.86	Carparking
(171)	Yue Fang Di Quan Zheng Hua Shang Chu Zi No.00001666	Carparking No.70, Block 33, A1 Zone of Huazhou International Garden	53.58	Carparking
	Total:		**27,174.72**	

3. For the remaining portions of the property (residential units) with a total gross floor area of approximately 10,523.31 sq.m., we were advised that they had been sold to various purchasers and their title had been vested in the purchasers. However, as advised by the Reorganized Target Group, such portions of the property, which are at a total consideration of RMB 59,823,515 have not been virtually transferred and therefore we were instructed to include such portions in our valuation. In arriving at our opinion of the market value of the property, we have taken into account the contracted selling prices of such portions.

4. As advised by the Reorganized Target Group, portions of the property as mentioned in note 2 with a total gross floor area of approximately 2,014.88 sq.m. have been pre-sold to various purchasers at a total consideration of RMB15,502,935. Such portions of the property have not been legally and virtually transferred to purchasers and therefore have been included in our valuation. In arriving at our opinion of the market value of the property, we have taken into account the contracted price of such portions.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. Huazhou LVGEM is legally in possession of the land use rights of the property by the means of grant and is the sole legal user of the land use rights of the portions of the property as mentioned in note 1. Within the land use rights term, Huazhou LVGEM has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of property in accordance with relevant land use rights grant contract and aforesaid State-owned Land Use Rights Certificate;

   b. Huazhou LVGEM has legally obtained the aforesaid Real Estate Title Certificate and is the sole user of the buildings of the property and legally holds the ownership rights of the buildings of the property mentioned in note 2. Huazhou LVGEM has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the building ownership rights of the property mentioned in note 2 in accordance with relevant PRC laws and regulations and the usage disclosed in the Real Estate Title Certificate;

   c. Huazhou LVGEM has obtained necessary Pre-sale Permit, Huazhou LVGEM is entitled to pre-sale the pre-sale scope according to the Pre-Sale Permit; and

   d. According to the Reorganized Target Group's written confirmation, the property is not subject to any restrictions arising from any sequestration, mortgage or any other rights.

6. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Real Estate Title Certificate	Yes
c.	Pre-sale Permit	Yes

7. Our valuation has been made on the following basis and analysis:

   In undertaking our valuation of the property, we have made reference to various recent sales prices of residential and commercial premises as well as car parking spaces within the same district. These comparable properties are selected as they have characteristics comparable to the property. We have gathered the comparables of the similar type of residential development within the same district. The prices of residential premises range from RMB5,000 to RMB6,000 per sq.m. The prices of villa premises of ground floor range from RMB10,000 to RMB15,000 per sq.m. The prices of commercial premises of ground floor range from RMB9,000 to RMB22,000 per sq.m. In respect of car parking spaces, the prices range from RMB90,000 to RMB130,000 per lot. The unit rates assumed by us are consistent with the sales prices of relevant comparables after due adjustment. Due adjustments to the unit rates of those sales prices have been made to reflect to the difference in building age, location, size and condition and other characters. In valuing the property, we have adopted the assumed average unit rate of RMB5,500 per sq.m. for the residential portion, RMB10,500 per sq.m. for the villa portion, RMB15,000 per sq.m. for the commercial portion and RMB100,000 per lot for the car parking spaces portion.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 July 2015 *RMB*
10.	2 unsold residential units and a commercial unit of Phase I of Zhonghe Tixiang Famous Garden located at the junction of Longzhou South Road and Haitang Road Yiyang City Hunan Province The PRC (中核緹香名苑一期)	The property comprises 2 residential units and a commercial unit within a residential development known as Phase I of Zhonghe Tixiang Famous Garden which was completed in 2009. The property is located at the junction of Longzhou South Road and Haitang Road which are the main arterial roads in the area. The locality of the property is a well developed residential area with adequate public facilities. The property is within 20 minutes' walk to Yiyang Government and Yiyang Grand Theatre. The property has a total gross floor area of approximately 4,003.62 sq.m. The details are set out as follows: **Usage** — **Gross Floor Area (sq.m.)** Residential — 393.27 Commercial — 3,610.35 **Total:** — **4,003.62** The land use rights of the property have been granted for terms of 70 years expiring on 31 March 2077, 3 March 2078 for residential use and 40 years expiring on 31 March 2047, 3 March 2048 for commercial use, respectively.	The property was vacant for sale as of the valuation date.	28,000,000 (100% interest attributable to the Reorganized Target Group: RMB28,000,000)

Notes:

1. Pursuant to 2 State-owned Land Use Rights Certificates (the "**LURCs**"), the land use rights of Phase I of Zhonghe Tixiang Famous Garden (including the land use rights of the property) have been granted to Yiyang Zhonghe Real Estate Co., Ltd. (益陽中核置業有限公司) ("**Yiyang Zhonghe**", a wholly-owned subsidiary of the Target Company). The details are set out as follows:

No.	RETC No.	Site Area (sq.m.)	Expiry Date	Usage
(1)	Yi Guo Yong (2011) No. D00250	6,014.29	3 March 2048	Commercial
			3 March 2078	Residential
(2)	Yi Guo Yong (2012) No. D00168	69,151.13	31 March 2047	Commercial
			31 March 2077	Residential
	Total:	**75,165.42**		

2. Pursuant to 3 Real Estate Title Certificates (the "**RETCs**"), Phase I of Zhonghe Tixiang Famous Garden (including 2 residential units and a commercial unit of the property) with a total gross floor area of approximately 42,286.02 sq.m. are owned by Yiyang Zhonghe. The details are set out as follows:

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(1)	Yi Fang Quan Zheng Chao Zi Di No.00126298	Block 1	7,754.93	Residential and commercial
(2)	Yi Fang Quan Zheng Chao Zi Di No.00126295	Blocks 2 and 3	22,882.84	Residential and commercial
(3)	Yi Fang Quan Zheng Chao Zi Di No.00108819	Block 6	11,648.25	Residential and commercial
	Total:		**42,286.02**	

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. Yiyang Zhonghe is legally in possession of the land use rights of the property by the means of grant and is the sole legal user of the land use rights of the property. Within the land use rights term, Yiyang Zhonghe has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of property in accordance with relevant land use rights grant contract and aforesaid State-owned Land Use Rights Certificate;

   b. Yiyang Zhonghe has legally obtained aforesaid Real Estate Title Certificate and is the sole user of the buildings of the property and legally holds the ownership rights of the buildings of the property. Yiyang Zhonghe has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the building ownership rights of the property in accordance with relevant PRC laws and regulations and the usage disclosed in the Real Estate Title Certificate; and

   c. According to the Reorganized Target Group's written confirmation, the property is not subject to any restrictions arising from any sequestration, mortgage or any other rights.

4. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Real Estate Title Certificate	Yes

5. Our valuation has been made on the following basis and analysis:

We have made reference to various recent sales prices of residential and commercial premises within the same district. These comparable properties are selected as they have characteristics comparable to the property. The prices of residential premises range from RMB4,000 to RMB5,000 per sq.m. and the prices of commercial premises range from RMB7,000 to RMB8,000 per sq.m. The unit rates assumed by us are consistent with the sales prices of relevant comparables after due adjustment. Due adjustments to the unit rates of those sales prices have been made to reflect to the difference in building age, location, size and condition and other characters. In valuing the property, we have adopted the assumed average unit rate of RMB4,100 to RMB5,800 per sq.m. for residential units and rate of RMB7,200 per sq.m. for commercial units.

VALUATION CERTIFICATE

Group III – Property interests held for investment by the Reorganized Target Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 July 2015 *RMB*
11.	1866-Zoll Center and various car parking spaces located at the eastern side of Meilong Road and the southern side of Zhongmei Road Bao'an District Shenzhen City Guangdong Province The PRC (1866佐玲薈購物中心、車位)	The property comprises a 2-storey shopping center known as 1866-Zoll Center and 2,535 car parking spaces within a development known as LVGEM 1866 Garden which was completed in 2013. The property is located at the eastern side of Meilong Road and the southern side of Zhongmei Road which are the main arterial road in the area. The locality of the property is a newly developed residential area well-served by public transportation along the main roads. The property is within 15 minutes' walk to the metro stations of Lines 4 and 5. The property has a total gross floor area of approximately 127,786.27 sq.m. The details are set out as follows: **Level** / **Gross Floor Area (sq.m.)** L1& L2: 27,369.82 B1& B2 (including 2,535 car parking spaces): 100,416.45 **Total: 127,786.27** The land use rights of the property have been granted for a term of 70 years expiring on 30 August 2074 for residential use.	Portions of the shopping center of the property with a total lettable area of approximately 38,942.04 sq.m. were leased to various tenants for commercial use as of the valuation date, whilst the remaining portion was vacant. For the car parking spaces of the property, please refer to note 4 for details.	1,342,000,000 (100% interest attributable to the Reorganized Target Group: RMB1,342,000,000)

Notes:

1. Pursuant to 91 Real Estate Title Certificates (the "**RETCs**"), Levels 1 and 2 of the shopping center of the property with a total gross floor area of approximately 27,369.82 sq.m. are owned by Zhengxinglong Real Estate (Shenzhen) Co., Ltd. (正興隆房地產(深圳)有限公司) ("**Zhengxinglong**", a wholly-owned subsidiary of the Target Company). The relevant land use rights of the property have been granted to Zhengxinglong for a term of 70 years expiring on 30 August 2074 for residential use. The details are set out as follows:

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(1)	Shen Fang Di Zi Di No.5000597649	Podium 01	7,605.21	Commercial
(2)	Shen Fang Di Zi Di No.5000597796	Podium 02	234.3	Commercial
(3)	Shen Fang Di Zi Di No.5000597807	Podium 03	97.01	Commercial
(4)	Shen Fang Di Zi Di No.5000597799	Podium 04	60.84	Commercial
(5)	Shen Fang Di Zi Di No.5000597809	Podium 05	58.77	Commercial
(6)	Shen Fang Di Zi Di No.5000597802	Podium 06	74.07	Commercial
(7)	Shen Fang Di Zi Di No.5000597804	Podium 07	137.62	Commercial
(8)	Shen Fang Di Zi Di No.5000597670	Podium 08	41.1	Commercial
(9)	Shen Fang Di Zi Di No.5000597803	Podium 09	38.42	Commercial
(10)	Shen Fang Di Zi Di No.5000597669	Podium 10	54.15	Commercial
(11)	Shen Fang Di Zi Di No.5000597780	Podium 11	68.64	Commercial
(12)	Shen Fang Di Zi Di No.5000597654	Podium 12	31.43	Commercial
(13)	Shen Fang Di Zi Di No.5000597678	Podium 13	69.33	Commercial
(14)	Shen Fang Di Zi Di No.5000597741	Podium 14	39.74	Commercial
(15)	Shen Fang Di Zi Di No.5000597677	Podium 15	92.03	Commercial
(16)	Shen Fang Di Zi Di No.5000597743	Podium 16	50.56	Commercial
(17)	Shen Fang Di Zi Di No.5000597687	Podium 17	50.56	Commercial
(18)	Shen Fang Di Zi Di No.5000597655	Podium 18	50.56	Commercial
(19)	Shen Fang Di Zi Di No.5000597688	Podium 19	50.56	Commercial
(20)	Shen Fang Di Zi Di No.5000597679	Podium 20	50.56	Commercial
(21)	Shen Fang Di Zi Di No.5000597689	Podium 21	82.6	Commercial
(22)	Shen Fang Di Zi Di No.5000597694	Podium 22	310.58	Commercial
(23)	Shen Fang Di Zi Di No.5000597686	Podium 23	647.87	Commercial
(24)	Shen Fang Di Zi Di No.5000597648	Podium 24	136.1	Commercial
(25)	Shen Fang Di Zi Di No.5000597685	Podium 25	40.93	Commercial
(26)	Shen Fang Di Zi Di No.5000597652	Podium 0102	114.02	Commercial
(27)	Shen Fang Di Zi Di No.5000597684	Podium 0103	37.03	Commercial
(28)	Shen Fang Di Zi Di No.5000597812	Podium 0104	29.23	Commercial
(29)	Shen Fang Di Zi Di No.5000597683	Podium 0105	73.58	Commercial
(30)	Shen Fang Di Zi Di No.5000597814	Podium 0106	28.49	Commercial
(31)	Shen Fang Di Zi Di No.5000597681	Podium 0107	26.09	Commercial
(32)	Shen Fang Di Zi Di No.5000597817	Podium 0108	26.15	Commercial
(33)	Shen Fang Di Zi Di No.5000597650	Podium 0109	27.9	Commercial
(34)	Shen Fang Di Zi Di No.5000597673	Podium 0110	10.68	Commercial
(35)	Shen Fang Di Zi Di No.5000597764	Podium 0111	86.94	Commercial
(36)	Shen Fang Di Zi Di No.5000597651	Podium 0112	80.08	Commercial
(37)	Shen Fang Di Zi Di No.5000597759	Podium 0113	27.27	Commercial
(38)	Shen Fang Di Zi Di No.5000597509	Podium 0114	44.89	Commercial
(39)	Shen Fang Di Zi Di No.5000597761	Podium 0115	46.23	Commercial
(40)	Shen Fang Di Zi Di No.5000597672	Podium 0116	46.23	Commercial
(41)	Shen Fang Di Zi Di No.5000597762	Podium 0117	44.89	Commercial
(42)	Shen Fang Di Zi Di No.5000597811	Podium 0118	31.26	Commercial
(43)	Shen Fang Di Zi Di No.5000597653	Podium 0119	35.07	Commercial
(44)	Shen Fang Di Zi Di No.5000597805	Podium 0120	102.18	Commercial

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(45)	Shen Fang Di Zi Di No.5000597676	Podium 0121	65.48	Commercial
(46)	Shen Fang Di Zi Di No.5000597646	Podium 0122	87.01	Commercial
(47)	Shen Fang Di Zi Di No.5000597647	Podium 0123	673.64	Commercial
(48)	Shen Fang Di Zi Di No.5000597701	Podium 0124	1,531.24	Cultural activity room
(49)	Shen Fang Di Zi Di No.5000599409	Half-basement 01 Block 2	4,957.43	Commercial
(50)	Shen Fang Di Zi Di No.5000599407	Half-basement 101 Block 2	1,107.15	Commercial
(51)	Shen Fang Di Zi Di No.5000599406	Half-basement 102 Block 2	581.3	Commercial
(52)	Shen Fang Di Zi Di No.5000599398	Half-basement 02 Block 2	60.08	Commercial
(53)	Shen Fang Di Zi Di No.5000599797	Half-basement 03 Block 2	169.57	Commercial
(54)	Shen Fang Di Zi Di No.5000599798	Half-basement 04 Block 2	189.59	Commercial
(55)	Shen Fang Di Zi Di No.5000599371	Half-basement 05 Block 2	52.32	Commercial
(56)	Shen Fang Di Zi Di No.5000599364	Half-basement 06 Block 2	61.79	Commercial
(57)	Shen Fang Di Zi Di No.5000599372	Half-basement 07 Block 2	58.80	Commercial
(58)	Shen Fang Di Zi Di No.5000599801	Half-basement 08 Block 2	60.40	Commercial
(59)	Shen Fang Di Zi Di No.5000599800	Half-basement 09 Block 2	62.81	Commercial
(60)	Shen Fang Di Zi Di No.5000599802	Half-basement 10 Block 2	49.32	Commercial
(61)	Shen Fang Di Zi Di No.5000599369	Half-basement 11 Block 2	50.59	Commercial
(62)	Shen Fang Di Zi Di No.5000599370	Half-basement 12 Block 2	61.09	Commercial
(63)	Shen Fang Di Zi Di No.5000599363	Half-basement 13 Block 2	161.91	Commercial
(64)	Shen Fang Di Zi Di No.5000599368	Half-basement 14 Block 2	63.20	Commercial
(65)	Shen Fang Di Zi Di No.5000599362	Half-basement 15 Block 2	62.75	Commercial
(66)	Shen Fang Di Zi Di No.5000599360	Half-basement 16 Block 2	57.78	Commercial
(67)	Shen Fang Di Zi Di No.5000599367	Half-basement 17 Block 2	60.94	Commercial
(68)	Shen Fang Di Zi Di No.5000599343	Half-basement 18 Block 2	59.89	Commercial
(69)	Shen Fang Di Zi Di No.5000599361	Half-basement 19 Block 2	242.46	Commercial
(70)	Shen Fang Di Zi Di No.5000599365	Half-basement 20 Block 2	187.91	Commercial
(71)	Shen Fang Di Zi Di No.5000599374	Half-basement 21 Block 2	39.47	Commercial
(72)	Shen Fang Di Zi Di No.5000599796	Half-basement 22 Block 2	1,958.22	Clinic
(73)	Shen Fang Di Zi Di No.5000599770	103 Block 2	109.93	Commercial
(74)	Shen Fang Di Zi Di No.5000599772	104 Block 2	258.17	Commercial
(75)	Shen Fang Di Zi Di No.5000599806	105 Block 2	158.67	Commercial
(76)	Shen Fang Di Zi Di No.5000599804	106 Block 2	384.44	Commercial
(77)	Shen Fang Di Zi Di No.5000599764	107 Block 2	225.08	Commercial
(78)	Shen Fang Di Zi Di No.5000599768	108 Block 2	217.80	Commercial
(79)	Shen Fang Di Zi Di No.5000599765	109 Block 2	74.15	Commercial
(80)	Shen Fang Di Zi Di No.5000599766	110 Block 2	224.78	Commercial
(81)	Shen Fang Di Zi Di No.5000599769	111 Block 2	234.86	Commercial
(82)	Shen Fang Di Zi Di No.5000599763	112 Block 2	137.74	Commercial
(83)	Shen Fang Di Zi Di No.5000599775	113 Block 2	169.73	Commercial
(84)	Shen Fang Di Zi Di No.5000599761	114 Block 2	102.83	Commercial
(85)	Shen Fang Di Zi Di No.5000599776	115 Block 2	136.61	Commercial
(86)	Shen Fang Di Zi Di No.5000599803	116 Block 2	333.45	Commercial
(87)	Shen Fang Di Zi Di No.5000599808	117 Block 2	238.23	Commercial
(88)	Shen Fang Di Zi Di No.5000599809	118 Block 2	330.19	Commercial
(89)	Shen Fang Di Zi Di No.5000599811	123 Block 2	39.15	Commercial
(90)	Shen Fang Di Zi Di No.5000599810	124 Block 2	23.18	Commercial
(91)	Shen Fang Di Zi Di No.5000599773	125 Block 2	104.94	Commercial
	Total:		**27,369.82**	

2. In respect of the 2,535 car parking spaces of the property, the Reorganized Target Group has obtained the operation permit issued by the relevant government authority.

3. As advised by the Reorganized Target Group, the shopping center of the property has a total lettable area of approximately 43,335.24 sq.m. According to various Tenancy Agreements, portions of the shopping center of the property with a total lettable area of approximately 38,942.04 sq.m. were leased to various tenants with expiry dates between 25 September 2015 and 20 October 2033. The total monthly rental as of the valuation date was approximately RMB3,600,000 exclusive of management fees, water and electricity charges.

4. As advised by the Reorganized Target Group, 613 car parking spaces of the property are pertained to the shopping center, these car parking spaces are free of charge till 2015. For the remaining 1,922 car parking spaces, they are mainly subject to tenancies on short-term monthly basis.

5. As advised by the Reorganized Target Group, 15 commercial units of the property mentioned in note 1 were subject to a mortgage in favour of China Citic Bank as of the valuation date.

6. As advised by the Reorganized Target Group, 32 commercial units and a cultural activity unit of the property mentioned in note 1 were subject to a mortgage in favour of Ping An Bank as of the valuation date.

7. As advised by the Reorganized Target Group, 39 commercial units and a clinic unit of the property mentioned in note 1 were subject to a mortgage in favour of Hua Xia Bank as of the valuation date.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. Zhengxinglong is legally in possession of the land use rights of the property by the means of grant and is the sole legal user of the land use rights of the property. Within the land use rights term, Zhengxinglong has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of property in accordance with relevant land use rights grant contract and aforesaid Real Estate Title Certificate, and in compliance with the provisions of the relevant mortgage contracts;

   b. Zhengxinglong has legally obtained aforesaid Real Estate Title Certificate and is the sole user of the buildings of the property and legally holds the ownership rights of the buildings of the property. Zhengxinglong has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the building ownership rights of the property in accordance with relevant PRC laws and regulations and the usage disclosed in the Real Estate Title Certificate, and in compliance with the provisions of the relevant mortgage contracts;

   c. The Company's PRC legal advisers have reviewed the samples of tenancy agreements mentioned in note 3 and have a legal opinion that such samples of tenancy agreements are legal, valid and legally binding on the contractual parties upon signing and their contents do not contravene the relevant PRC laws and regulations except for the situation mentioned in note 8.d and 8.e;

   d. Portions of the designated clinic areas of the property with a total lettable area of approximately 1,382 sq.m. were leased to third parties for other commercial use and accordingly it is not in compliance with the designated clinic usage. As confirmed by the Company's PRC legal advisors, should action be taken against Zhengxinglong by the relevant government authority in respect of such breach, Zhengxinglong will be ordered to rectify such breach and subject to a penalty;

   e. The 2,535 car parking spaces of the property have been constructed in accordance with the local planning provisions by Zhengxinglong, and Zhengxinglong is entitled to occupy and use such car parking spaces in accordance with the approved planning requirements and laws. Moreover, Zhengxinglong has obtained the operation permit for the 2,535 car parking spaces issued by the relevant government authority and has the rights to legally operate and manage such car parking spaces in accordance with the laws and the contents and scope as stipulated in the Permit. Out of these 2,535 car parking spaces, Zhengxinglong has leased an aggregate of 78

car parking spaces to third parties for other commercial use and accordingly it is not in compliance with the designated car parking usage. As confirmed by the Company's PRC legal advisors, should action be taken against Zhengxinglong by the relevant government authority in respect of such breach, Zhengxinglong will be ordered to rectify such breach and subject to a penalty; and

f. According to the Reorganized Target Group's written confirmation, except for the real estate mortgage situation mentioned above, the property is not subject to any restrictions arising from any sequestration, mortgage or any other rights.

9. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	N/A
b.	Real Estate Title Certificate	Yes

10. Our valuation has been made on the following basis and analysis:

a. Zhengxinglong has the rights to hold the property and receive incomes from operation of the property within its land use rights term expiring on 30 August 2074;

b. The overall occupancy rate of the property was about 89% as of the valuation date provided by Zhengxinglong. Based on our market research, the allowed vacancy rate losses adopted in our valuation range from 1% to 4% considering the particular location of individual units of the property;

c. In valuing the shopping center of the property, we have considered the actual rents in existing tenancy agreements and also compared with similar properties in the same district with similar tenants as the property for the calculation of market rent in considering (1) reversionary rental income after the expiry of the existing leases for occupied area, and (2) the rental income of vacant area. Ground floor monthly rents of the comparables range from RMB250 to RMB450 per sq.m. (in lettable area). Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the ground floor market rent. We further derived the market rents of the upper floors with analysis of the physical layout and condition, taking into account the existing rental rate on each floor of the property. For shopping centers, apart from other different attributes between the comparables and the property for ground floor, the upper floors of malls additionally varied differently in the ease of internal vertical circulation (eg. amount and location of lifts and escalators), therefore using comparable rent of the ground level as the starting basis of valuation analysis is considered more appropriate.

In our valuation of the property, the term rents from existing tenancy agreements are basically parallel with the market rent derived from the comparables;

d. Based on our analysis of recent sales and lettings of similar premises in the same district, and also consider the location and characteristics of the property, we have applied a market yield of 5.5% as the capitalization rate in the valuation.

e. For the car parking spaces of the property, we have applied a market yield of 3% and monthly rental of RMB250 per car parking spaces in our valuation considering their characteristics and market conditions.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 July 2015 *RMB*
12.	Chanson Zoll Center and various car parking spaces located at the western side of Minzhi Road Minzhi Community Bao'an District Shenzhen City Guangdong Province The PRC (佐玲香頌購物中心、車位)	The property comprises a 2-storey shopping center known as Chanson Zoll Center and 797 car parking spaces within a development known as LVGEM Chanson Garden which was completed in 2012. The property is located at the junction of Minzhi Road and Bulong Road which are the main arterial roads in the area. The locality of the property is a newly developed residential area served by adequate public facilities. The property is within 15 minutes' walk to the metro stations of Lines 4 and 5. The property has a total gross floor area of approximately 55,629.91 sq.m. The details are set out as follows: **Usage** — **Gross Floor Area (sq.m.)** Commercial (L1): 12,770.14 Commercial (L2): 12,886.89 797 car parking spaces: 29,972.88 **Total: 55,629.91** The land use rights of the property have been granted for a term of 70 years expiring on 5 August 2080 for residential use.	Portions of the shopping center of the property with a total lettable area of approximately 23,019.28 sq.m. were leased to various tenants for commercial use as of the valuation date, whilst the remaining portion was vacant. For the car parking spaces of the property, please refer to note 4 for details.	839,000,000 (100% interest attributable to the Reorganized Target Group: RMB839,000,000)

Notes:

1. Pursuant to 117 Real Estate Title Certificates (the "**RETCs**"), Levels 1 and 2 of the shopping center of the property with a total gross floor area of approximately 25,657.03 sq.m. are owned by Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司) ("**LVGEM Real Estate**", a wholly-owned subsidiary of the Target Company). The relevant land use rights of the property have been granted to LVGEM Real Estate for a term of 70 years expiring on 5 August 2080 for residential use. The details are set out as follows:

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(1)	Shen Fang Di Zi Di No. 5000565762	N-L101	100.29	Commercial
(2)	Shen Fang Di Zi Di No. 5000565768	N-L102	189.91	Commercial

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(3)	Shen Fang Di Zi Di No. 5000566249	N-L103	240.44	Commercial
(4)	Shen Fang Di Zi Di No. 5000566056	N-L104	113.44	Commercial
(5)	Shen Fang Di Zi Di No. 5000566063	N-L105	153.32	Commercial
(6)	Shen Fang Di Zi Di No. 5000566064	N-L106	416.94	Commercial
(7)	Shen Fang Di Zi Di No. 5000566080	N-L107	253.62	Commercial
(8)	Shen Fang Di Zi Di No. 5000566498	N-L108	281.7	Commercial
(9)	Shen Fang Di Zi Di No. 5000566501	N-L109	217.58	Commercial
(10)	Shen Fang Di Zi Di No. 5000566504	N-L110	131.93	Commercial
(11)	Shen Fang Di Zi Di No. 5000566502	N-L111	114.24	Commercial
(12)	Shen Fang Di Zi Di No. 5000566119	N-L112	192.43	Commercial
(13)	Shen Fang Di Zi Di No. 5000566506	N-L113	177.02	Commercial
(14)	Shen Fang Di Zi Di No. 5000566512	N-L114	197.83	Commercial
(15)	Shen Fang Di Zi Di No. 5000566510	N-L115	175.3	Commercial
(16)	Shen Fang Di Zi Di No. 5000566513	N-L116	94.41	Commercial
(17)	Shen Fang Di Zi Di No. 5000566514	N-L117	128.18	Commercial
(18)	Shen Fang Di Zi Di No. 5000566515	N-L118	127.75	Commercial
(19)	Shen Fang Di Zi Di No. 5000566516	N-L119	277.19	Commercial
(20)	Shen Fang Di Zi Di No. 5000566477	N-L120	210.87	Commercial
(21)	Shen Fang Di Zi Di No. 5000566482	N-L121	78.31	Commercial
(22)	Shen Fang Di Zi Di No. 5000566124	N-L122	623.93	Commercial
(23)	Shen Fang Di Zi Di No. 5000566518	N-L123	254.36	Commercial
(24)	Shen Fang Di Zi Di No. 5000566485	N-L124	223.98	Commercial
(25)	Shen Fang Di Zi Di No. 5000566490	N-L125	113.16	Commercial
(26)	Shen Fang Di Zi Di No. 5000566488	N-L126	153.63	Commercial
(27)	Shen Fang Di Zi Di No. 5000566517	N-L127	116.03	Commercial
(28)	Shen Fang Di Zi Di No. 5000566144	N-L128	244.61	Commercial
(29)	Shen Fang Di Zi Di No. 5000566493	N-L129	110.69	Commercial
(30)	Shen Fang Di Zi Di No. 5000566496	N-L130	392.11	Commercial
(31)	Shen Fang Di Zi Di No. 5000566147	N-L131	109.85	Commercial
(32)	Shen Fang Di Zi Di No. 5000566148	N-L132	41.28	Commercial
(33)	Shen Fang Di Zi Di No. 5000566154	N-L133	76.65	Commercial
(34)	Shen Fang Di Zi Di No. 5000566157	N-L134	232.91	Commercial
(35)	Shen Fang Di Zi Di No. 5000566162	N-L135	212.1	Commercial
(36)	Shen Fang Di Zi Di No. 5000566166	N-L136	250.03	Commercial
(37)	Shen Fang Di Zi Di No. 5000566168	N-L137	260.87	Commercial
(38)	Shen Fang Di Zi Di No. 5000566171	N-L138	222.11	Commercial
(39)	Shen Fang Di Zi Di No. 5000566174	N-L139	224.52	Commercial
(40)	Shen Fang Di Zi Di No. 5000566194	N-L140	127.32	Commercial
(41)	Shen Fang Di Zi Di No. 5000566907	N-L141	93.32	Commercial
(42)	Shen Fang Di Zi Di No. 5000566892	N-L142	62.83	Commercial
(43)	Shen Fang Di Zi Di No. 5000566900	N-L143	254.27	Commercial
(44)	Shen Fang Di Zi Di No. 5000566904	N-L144	47.94	Commercial
(45)	Shen Fang Di Zi Di No. 5000566914	N-L145	240.96	Commercial
(46)	Shen Fang Di Zi Di No. 5000566908	N-L146	279.4	Commercial
(47)	Shen Fang Di Zi Di No. 5000566916	N-L147	279.4	Commercial
(48)	Shen Fang Di Zi Di No. 5000566910	N-L148	279.4	Commercial
(49)	Shen Fang Di Zi Di No. 5000566912	N-L149	279.4	Commercial
(50)	Shen Fang Di Zi Di No. 5000566917	N-L150	279.4	Commercial
(51)	Shen Fang Di Zi Di No. 5000566772	N-L151	279.4	Commercial
(52)	Shen Fang Di Zi Di No. 5000566764	N-L152	230.44	Commercial

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(53)	Shen Fang Di Zi Di No. 5000566759	N-L153	232.28	Commercial
(54)	Shen Fang Di Zi Di No. 5000566743	N-L154	238.92	Commercial
(55)	Shen Fang Di Zi Di No. 5000566741	N-L155	270.02	Commercial
(56)	Shen Fang Di Zi Di No. 5000566739	N-L156	270.02	Commercial
(57)	Shen Fang Di Zi Di No. 5000566735	N-L157	270.02	Commercial
(58)	Shen Fang Di Zi Di No. 5000566733	N-L158	270.02	Commercial
(59)	Shen Fang Di Zi Di No. 5000566732	N-L159	270.02	Commercial
(60)	Shen Fang Di Zi Di No. 5000566286	N-L160	270.02	Commercial
(61)	Shen Fang Di Zi Di No. 5000566285	N-L161	209.82	Commercial
(62)	Shen Fang Di Zi Di No. 5000566283	N-L201-1	197.42	Commercial
(63)	Shen Fang Di Zi Di No. 5000566280	N-L201-2	307.57	Commercial
(64)	Shen Fang Di Zi Di No. 5000566279	N-L201-3	57.62	Commercial
(65)	Shen Fang Di Zi Di No. 5000566277	N-L201-4	99.19	Commercial
(66)	Shen Fang Di Zi Di No. 5000566275	N-L201-5	618.15	Commercial
(67)	Shen Fang Di Zi Di No. 5000566273	N-L202	179.96	Commercial
(68)	Shen Fang Di Zi Di No. 5000566271	N-L203	165.84	Commercial
(69)	Shen Fang Di Zi Di No. 5000566267	N-L204	129.25	Commercial
(70)	Shen Fang Di Zi Di No. 5000566263	N-L205	155.3	Commercial
(71)	Shen Fang Di Zi Di No. 5000566257	N-L206	294.02	Commercial
(72)	Shen Fang Di Zi Di No. 5000566239	N-L207	116.81	Commercial
(73)	Shen Fang Di Zi Di No. 5000566231	N-L208-1	70.59	Commercial
(74)	Shen Fang Di Zi Di No. 5000566228	N-L208-2	80.73	Commercial
(75)	Shen Fang Di Zi Di No. 5000566223	N-L208-3	91.54	Commercial
(76)	Shen Fang Di Zi Di No. 5000566218	N-L208-4	79.17	Commercial
(77)	Shen Fang Di Zi Di No. 5000566214	N-L209	414.05	Commercial
(78)	Shen Fang Di Zi Di No. 5000566211	N-L210	101.33	Commercial
(79)	Shen Fang Di Zi Di No. 5000566288	N-L211	447.04	Commercial
(80)	Shen Fang Di Zi Di No. 5000566290	N-L212	292.41	Commercial
(81)	Shen Fang Di Zi Di No. 5000566629	N-L213	106.44	Commercial
(82)	Shen Fang Di Zi Di No. 5000566795	N-L214	408.61	Commercial
(83)	Shen Fang Di Zi Di No. 5000566293	N-L215	197.78	Commercial
(84)	Shen Fang Di Zi Di No. 5000566295	N-L216	476.51	Commercial
(85)	Shen Fang Di Zi Di No. 5000566297	N-L217	299.22	Commercial
(86)	Shen Fang Di Zi Di No. 5000566299	N-L218	236.34	Commercial
(87)	Shen Fang Di Zi Di No. 5000566302	N-L219	234.45	Commercial
(88)	Shen Fang Di Zi Di No. 5000566305	N-L220	249.41	Commercial
(89)	Shen Fang Di Zi Di No. 5000566306	N-L221	142.27	Commercial
(90)	Shen Fang Di Zi Di No. 5000566869	N-L222	106.52	Commercial
(91)	Shen Fang Di Zi Di No. 5000566863	N-L223	83.14	Commercial
(92)	Shen Fang Di Zi Di No. 5000566859	N-L224	97.86	Commercial
(93)	Shen Fang Di Zi Di No. 5000566208	N-L225	19.74	Commercial
(94)	Shen Fang Di Zi Di No. 5000566858	N-L226-1	61.6	Commercial
(95)	Shen Fang Di Zi Di No. 5000566855	N-L226-2	459.33	Commercial
(96)	Shen Fang Di Zi Di No. 5000566852	N-L227	254.26	Commercial
(97)	Shen Fang Di Zi Di No. 5000566851	N-L228	294.84	Commercial
(98)	Shen Fang Di Zi Di No. 5000566807	N-L229	294.84	Commercial
(99)	Shen Fang Di Zi Di No. 5000566797	N-L230	284.99	Commercial
(100)	Shen Fang Di Zi Di No. 5000566307	N-L231	284.99	Commercial
(101)	Shen Fang Di Zi Di No. 5000566310	N-L232	294.84	Commercial
(102)	Shen Fang Di Zi Di No. 5000566311	N-L233	294.84	Commercial

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(103)	Shen Fang Di Zi Di No. 5000566313	N-L234	243.17	Commercial
(104)	Shen Fang Di Zi Di No. 5000566314	N-L235	245.12	Commercial
(105)	Shen Fang Di Zi Di No. 5000566315	N-L236	252.12	Commercial
(106)	Shen Fang Di Zi Di No. 5000566206	N-L237	284.94	Commercial
(107)	Shen Fang Di Zi Di No. 5000566205	N-L238	284.94	Commercial
(108)	Shen Fang Di Zi Di No. 5000566204	N-L239	284.94	Commercial
(109)	Shen Fang Di Zi Di No. 5000566884	N-L240	284.94	Commercial
(110)	Shen Fang Di Zi Di No. 5000566877	N-L241	284.94	Commercial
(111)	Shen Fang Di Zi Di No. 5000566876	N-L242	284.94	Commercial
(112)	Shen Fang Di Zi Di No. 5000566870	N-L243	221.41	Commercial
(113)	Shen Fang Di Zi Di No. 5000566202	N-L244	413.77	Commercial
(114)	Shen Fang Di Zi Di No. 5000566200	N-L245	144.94	Commercial
(115)	Shen Fang Di Zi Di No. 5000566199	N-L246	214.9	Commercial
(116)	Shen Fang Di Zi Di No. 5000566197	N-L247	169.95	Commercial
(117)	Shen Fang Di Zi Di No. 5000566195	N-L248	191.06	Commercial
	Total:		**25,657.03**	

2. In respect of the 797 car parking spaces of the property, the Reorganized Target Group has obtained the operation permit issued by the relevant government authority.

3. As advised by the Reorganized Target Group, the shopping center of the property has a total lettable area of approximately 23,367.69 sq.m. According to various Tenancy Agreements, portions of the shopping center of the property with a total lettable area of approximately 23,019.28 sq.m. were leased to various tenants with expiry dates between 4 August 2015 and 30 April 2028. The total monthly rental as of the valuation date was approximately RMB3,480,000 exclusive of management fees, water and electricity charges.

4. As advised by the Reorganized Target Group, 299 of the car parking spaces of the property are pertained to the shopping center, these car parking spaces are free of charge for the first four hours for customers, RMB5 per hour will be charged after the first four hours but the total charge will not exceed RMB25 per day. For the remaining 498 car parking spaces, they are mainly subject to tenancies on short-term monthly basis.

5. As advised by the Reorganized Target Group, 4 commercial units of the property mentioned in note 1 were subject to a mortgage in favour of Bank of Guangzhou Co., Ltd, Shenzhen Branch as of the valuation date.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. LVGEM Real Estate is legally in possession of the land use rights of the property by the means of grant and is the sole legal user of the land use rights of the property. Within the land use rights term, LVGEM Real Estate has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of property in accordance with the relevant land use rights grant contract and aforesaid Real Estate Title Certificate, and in compliance with the provisions of the relevant mortgage contracts;

   b. LVGEM Real Estate has legally obtained aforesaid Real Estate Title Certificate and is the sole user of the buildings of the property and legally holds the ownership rights of the buildings of the property. LVGEM Real Estate has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the building ownership rights of the property in accordance with relevant PRC laws and regulations and the usage disclosed in the Real Estate Title Certificate, and in compliance with the provisions of the relevant mortgage contracts;

c. The Company's PRC legal advisers have reviewed the samples of tenancy agreements mentioned in note 3 and have a legal opinion that such samples of tenancy agreements are legal, valid and legally binding on the contractual parties upon signing and their contents do not contravene the relevant PRC laws and regulations;

d. The car parking spaces of the property have been constructed in accordance with the local planning provisions by LVGEM Real Estate, and LVGEM Real Estate is entitled to occupy and use such car parking spaces in accordance with the approved planning requirements and laws. Moreover, LVGEM Real Estate has obtained the operation permit for the car parking spaces issued by the relevant government authority and has the rights to legally operate and manage such car parking spaces in accordance with the laws and the contents and scope as stipulated in the permit; and

e. According to the Reorganized Target Group's written confirmation, except for the real estate mortgage situation mentioned above, the property is not subject to any restrictions arising from any sequestration, mortgage or any other rights.

7. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	N/A
b.	Real Estate Title Certificate	Yes

8. Our valuation has been made on the following basis and analysis:

a. LVGEM Real Estate has the rights to hold the property and receive incomes from operation of the property within its land use rights term expiring on 5 August 2080;

b. The overall occupancy rate of the shopping center of the property was about 98% as of the valuation date provided by LVGEM Real Estate. Based on our market research, the allowed vacancy rate losses adopted in our valuation range from 1% to 4% considering the particular location of individual units of the shopping center of the property;

c. In valuing the shopping center of the property, we have considered the actual rents in existing tenancy agreements and also compared with similar properties in the same district with similar tenants as the property for the calculation of market rent in considering (1) reversionary rental income after the expiry of the existing leases for occupied area, and (2) the rental income of vacant area. Ground floor monthly rents of the comparables range from RMB280 to RMB400 per sq.m. (in lettable area). Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the ground floor market rent. We further derived the market rents of the upper floors with analysis of the physical layout and condition, taking into account the existing rental rate on each floor of the property. For shopping centers, apart from other different attributes between the comparables and the property for ground floor, the upper floors of malls additionally varied differently in the ease of internal vertical circulation (eg. amount and location of lifts and escalators), therefore using comparable rent of the ground level as the staring basis of valuation analysis is considered more appropriate.

In our valuation, the term rents from existing tenancy agreements are basically parallel with the market rent derived from the comparables;

d. Based on our analysis of recent sales and lettings of similar premises in the same district, and also consider the location and characteristics of the property, we have applied a market yield of 5.5% as the capitalization rate in the valuation of the shopping center of the property;

e. For the car parking spaces of the property, we have applied a market yield of 3% and monthly rental of RMB250 per car parking spaces in our valuation considering their characteristics and market conditions.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 July 2015 *RMB*
13.	Various commercial units and car parking spaces of LVGEM Chanson Meilu Garden located at the western side of Minzhi Road Minzhi Community Bao'an District Shenzhen City Guangdong Province The PRC (香頌美廬園商業、車位)	The property comprises 9 commercial units on Level 1 and 90 car parking spaces within a development known as LVGEM Chanson Meilu Garden which was completed in 2013. The property is located at the junction of Minzhi Road and Bulong Road which are the main arterial roads in the area. The locality of the property is a newly developed residential area served by adequate public facilities. The property is within 15 minutes' walk to the metro stations of Lines 4 and 5. The property has a total gross floor area of approximately 3,674.43 sq.m. The details are set out as follows: **Usage** — **Gross Floor Area (sq.m.)** Commercial — 328.00 90 car parking spaces — 3,346.43 **Total:** — **3,674.43** The land use rights of the property have been granted for a term of 70 years expiring on 5 August 2080 for residential use.	Portions of the commercial units of the property with a total lettable area of approximately 190.61 sq.m. were leased to various tenants for commercial use as of the valuation date, whilst the remaining portion was vacant. For the car parking spaces of the property, please refer to note 4 for details.	24,100,000 (100% interest attributable to the Reorganized Target Group: RMB24,100,000)

Notes:

1. Pursuant to 9 Real Estate Title Certificates (the "**RETCs**"), 9 commercial units of the property with a total gross floor area of approximately 328 sq.m. are owned by Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司) ("**LVGEM Real Estate**", a wholly-owned subsidiary of the Target Company). The relevant land use rights of the property have been granted to LVGEM Real Estate for a term of 70 years expiring on 5 August 2080 for residential use. The details are set out as follows:

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(1)	Shen Fang Di Zi Di No. 5000594176	S-L101	25.03	Commercial
(2)	Shen Fang Di Zi Di No. 5000594178	N-L102	31.73	Commercial
(3)	Shen Fang Di Zi Di No. 5000594179	N-L103	35.01	Commercial
(4)	Shen Fang Di Zi Di No. 5000594183	N-L104	35.03	Commercial
(5)	Shen Fang Di Zi Di No. 5000594182	N-L105	35.04	Commercial
(6)	Shen Fang Di Zi Di No. 5000594186	N-L106	43.91	Commercial
(7)	Shen Fang Di Zi Di No. 5000594190	N-L107	34.59	Commercial
(8)	Shen Fang Di Zi Di No. 5000594373	N-L108	45.3	Commercial
(9)	Shen Fang Di Zi Di No. 5000594175	N-L109	42.36	Commercial
	Total:		**328.00**	

2. In respect of the 90 car parking spaces of the property, the Reorganized Target Group has obtained the operation permit issued by the relevant government authority.

3. As advised by the Reorganized Target Group, the commercial units of the property have a total lettable area of approximately 312.86 sq.m. According to 4 Tenancy Agreements, portions of the commercial units of the property with a total lettable area of approximately 190.61 sq.m. were leased to various tenants with expiry dates between 19 January 2018 and 22 November 2019. The total monthly rental as of the valuation date was approximately RMB47,000 exclusive of management fees, water and electricity charges.

4. As advised by the Reorganized Target Group, the car parking spaces of the property are mainly subject to tenancies on short-term monthly basis.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. LVGEM Real Estate is legally in possession of the land use rights of the property by the means of grant and is the sole legal user of the land use rights of the property. Within the land use rights term, LVGEM Real Estate has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of property in accordance with relevant land use rights grant contract and aforesaid Real Estate Title Certificate;

   b. LVGEM Real Estate has legally obtained aforesaid Real Estate Title Certificate and is the sole user of the buildings of the property and legally holds the ownership rights of the buildings of the property. LVGEM Real Estate has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the building ownership rights of the property in accordance with relevant PRC laws and regulations and the usage disclosed in the Real Estate Title Certificate;

   c. The Company's PRC legal advisers have reviewed the samples of tenancy agreements mentioned in note 3 and have a legal opinion that such samples of tenancy agreements are legal, valid and legally binding on the contractual parties upon signing and their contents do not contravene the relevant PRC laws and regulations;

d. The car parking spaces of the property have been constructed in accordance with the local planning provisions by LVGEM Real Estate, and LVGEM Real Estate is entitled to occupy and use such car parking spaces in accordance with the approved planning requirements and laws. Moreover, LVGEM Real Estate has obtained the operation permit for the car parking spaces issued by the relevant government authority and has the rights to legally operate and manage such car parking spaces in accordance with the laws and the contents and scope as stipulated in the Permit; and

e. According to the Reorganized Target Group's written confirmation, the property is not subject to any restrictions arising from any sequestration, mortgage or any other rights.

6. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	N/A
b.	Real Estate Title Certificate	Yes

7. Our valuation has been made on the following basis and analysis:

a. LVGEM Real Estate has the rights to hold the property and receive incomes from operation of the property within its land use rights term expiring on 5 August 2080;

b. Based on our market research, the allowed vacancy rate losses of the commercial units of the property adopted in our valuation range from 2% to 4% considering the particular location of individual units;

c. We have considered the actual rents in existing tenancy agreements of the commercial units of the property and also compared with similar properties in the same district with similar tenants as the commercial units of the property for the calculation of market rent in considering (1) reversionary rental income after the expiry of the existing leases for occupied area, and (2) the rental income of vacant area. We have adopted a market monthly rent of RMB250 per sq.m. The monthly rents of the comparables range from RMB240 to RMB260 per sq.m. (in lettable area), appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the market rent.

d. Based on our analysis of recent sales and lettings of similar premises in the same district, and also consider the location and characteristics of the commercial units of the property, we have applied a market yield of 5.5% as the capitalization rate in the valuation;

e. For the car parking spaces of the property, we have applied a market yield of 3% and monthly rental of RMB250 per car parking spaces in our valuation considering their characteristics and market conditions.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 July 2015 *RMB*
14.	Various commercial units and car parking spaces of City Garden located at the western side of Longxiang Avenue and the eastern side of Huangge Road Longgang District Shenzhen City Guangdong Province The PRC (城市立方花園商業、車位)	The property comprises 14 commercial units and 902 car parking spaces within a residential development known as City Garden which was completed in 2010. The property is located at the western side of Longxiang Avenue and the eastern side of Huangge Road in Longgang District of Shenzhen City. The subject area of the property is well-served by public transportation with 40 minutes' driving distance to the city centre. The locality of the property is a well-developed residential area. The property is within 20 minutes' walk to Longcheng Park and the metro station of Line 3. The property has a total gross floor area of approximately 38,969.50 sq.m. The details are set out as follows: **Usage** / **Gross Floor Area (sq.m.)** Commercial: 4,809.50 902 car parking spaces: 34,160.00 **Total: 38,969.50** The land use rights of the property have been granted for a term of 70 years expiring on 21 February 2071 for residential and commercial uses.	Portions of the commercial units of the property with a total lettable area of approximately 1,104.67 sq.m. were leased to various tenants for commercial use as of the valuation date, whilst the remaining portion was vacant. For the car parking spaces of the property, please refer to note 4 for details.	215,000,000 (100% interest attributable to the Reorganized Target Group: RMB215,000,000)

Notes:

1. Pursuant to 14 Real Estate Title Certificates (the "**RETCs**"), 14 commercial units of the property with a total gross floor area of approximately 4,809.50 sq.m. are owned by Shenzhen Longkanghong Investment Development Co., Ltd. (深圳市龍康弘投資發展有限公司) ("**Shenzhen Longkanghong**", a wholly-owned subsidiary of the Target Company). The relevant land use rights of the property have been granted to Shenzhen Longkanghong for a term of 70 years expiring on 21 February 2071 for residential and commercial uses. The details are set out as follows:

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(1)	Shen Fang Di Zi Di No. 6000463556	A4-B102	177.54	Commercial
(2)	Shen Fang Di Zi Di No. 6000463392	A4-B103	146.53	Commercial
(3)	Shen Fang Di Zi Di No. 6000463390	A5-B106	166.27	Commercial
(4)	Shen Fang Di Zi Di No. 6000463578	A6-B110	136.07	Commercial
(5)	Shen Fang Di Zi Di No. 6000463554	A7-B114	106.83	Commercial
(6)	Shen Fang Di Zi Di No. 6000463399	A7-B115	192.47	Commercial
(7)	Shen Fang Di Zi Di No. 6000463429	A8-C101	161.23	Commercial
(8)	Shen Fang Di Zi Di No. 6000463387	A8-02	914.38	Commercial
(9)	Shen Fang Di Zi Di No. 6000558358	B1-A101	163.34	Commercial
(10)	Shen Fang Di Zi Di No. 6000558059	B1-A102	131.23	Commercial
(11)	Shen Fang Di Zi Di No. 6000558357	B1-A103	211.99	Commercial
(12)	Shen Fang Di Zi Di No. 6000558058	B1-A104	102.63	Commercial
(13)	Shen Fang Di Zi Di No. 6000558055	B1-A203	1,257.17	Commercial
(14)	Shen Fang Di Zi Di No. 6000558348	B1-A204	941.82	Commercial
	Total:		**4,809.50**	

2. In respect of the 902 car parking spaces of the property, the Reorganized Target Group has obtained the operation permit issued by the relevant government authority.

3. As advised by the Reorganized Target Group, the commercial units of the property have a total lettable area of approximately 4,886.42 sq.m. According to 5 Tenancy Agreements and relevant Supplement Agreements, portions of the commercial units of the property with a total lettable area of approximately 1,104.67 sq.m. were leased to various tenants with expiry dates between 22 May 2018 and 31 December 2025. The total monthly rental as of the valuation date was approximately RMB52,000 exclusive of management fees, water and electricity charges.

4. As advised by the Reorganized Target Group, the car parking spaces of the property are mainly subject to tenancies on short-term monthly basis.

5. As advised by the Reorganized Target Group, 8 commercial units of the property mentioned in note 1 were subject to a mortgage in favour of Ping An Bank as of the valuation date.

6. As advised by the Reorganized Target Group, 4 commercial units of the property mentioned in note 1 were subject to a mortgage in favour of Bank of Communications, Tian'an Sub-branch as of the valuation date.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. Shenzhen Longkanghong is legally in possession of the land use rights of the property by the means of transfer and is the sole legal user of the land use rights of the property. Within the land use rights term, Shenzhen Longkanghong has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of property in accordance with relevant land use rights grant contract and aforesaid Real Estate Title Certificate, and in compliance with the provisions of the relevant mortgage contracts;

b. Shenzhen Longkanghong has legally obtained aforesaid Real Estate Title Certificate and is the sole user of the buildings of the property and legally holds the ownership rights of the buildings of the property. Shenzhen Longkanghong has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the buildings of the property in accordance with relevant PRC laws and regulations and the usage disclosed in the Real Estate Title Certificate, and in compliance with the provisions of the relevant mortgage contracts;

c. The Company's PRC legal advisers have reviewed the samples of tenancy agreements mentioned in note 3 and have a legal opinion that such samples of tenancy agreements are legal, valid and legally binding on the contractual parties upon signing and their contents do not contravene the relevant PRC laws and regulations;

d. The car parking spaces of the property have been constructed in accordance with the local planning provisions by Shenzhen Longkanghong, and Shenzhen Longkanghong is entitled to occupy and use such car parking spaces in accordance with the approved planning requirements and laws. Moreover, Shenzhen Longkanghong has obtained the operation permit for the car parking spaces issued by the relevant government authority and has the rights to legally operate and manage such car parking spaces in accordance with the laws and the contents and scope as stipulated in the Permit; and

e. According to the Reorganized Target Group's written confirmation, except for the real estate mortgage situation mentioned above, the property is not subject to any restrictions arising from any sequestration, mortgage or any other rights.

8. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	N/A
b.	Real Estate Title Certificate	Yes

9. Our valuation has been made on the following basis and analysis:

a. Shenzhen Longkanghong has the rights to hold the property and receive incomes from operation of the property within its land use rights term expiring on 21 February 2071;

b. Based on our market research, the allowed vacancy rate losses of the commercial units of the property adopted in our valuation range from 2% to 5% considering the particular location of individual units;

c. We have considered the actual rents in existing tenancy agreements of the commercial units of the property and also compared with similar properties in the same district with similar tenants as the commercial units of the property for the calculation of market rent in considering (1) reversionary rental income after the expiry of the existing leases for occupied area, and (2) the rental income of vacant area. We have adopted a market monthly rent from RMB70 to RMB220 per sq.m. The monthly rents of the comparables range from RMB170 to RMB200 per sq.m. (in lettable area), appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the market rent.

d. Based on our analysis of recent sales and lettings of similar premises in the same district, and also consider the location and characteristics of the property, we have applied a market yield of 4.5% as the capitalization rate in the valuation of commercial units.

e. For the car parking spaces of the property, we have applied a market yield of 3% and monthly rental of RMB250 per car parking spaces in our valuation considering their characteristics and market conditions.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 July 2015 *RMB*
15.	Various commercial units of LVGEM Hotel and various car parking spaces of Zhongcheng Tianyi Garden located at the western side of Xinzhou Road and the northern side of Xinzhou Sixth Road Futian District Shenzhen City Guangdong Province The PRC (中城天邑花園酒店商業、中城天邑花園車位)	The property comprises various commercial units of LVGEM Hotel and 1,077 car parking spaces within a residential development known as Zhongcheng Tianyi Garden, which was completed in 2008. The property is located at the western side of Xinzhou Road and the northern side of Xinzhou Sixth Road in Futian District of Shenzhen City and is close to Shawei Metro Station which is currently under construction. It is within 3 minutes' driving distance to Shenzhen Convention and Exhibition Center. In addition, the locality of the property is a developed residential area with a good natural environment and 20 minutes' walk to Shenzhen Golf Club and Shenzhen Bay. As advised by the Reorganized Target Group, the car parking spaces of the property has a total gross floor area of approximately 31,227 sq.m. and the commercial units of the property have a total lettable area of approximately 4,412 sq.m. The land use rights of the property have been granted for a term of 70 years expiring on 29 December 2073 for residential use.	The commercial units of the property with a total lettable area of approximately 4,412 sq.m. were leased to various tenants for commercial use as of the valuation date. For the car parking spaces of the property, please refer to note 5 for details.	179,300,000 (100% interest attributable to the Reorganized Target Group: RMB179,300,000)

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract - Shen Di He Zi (2003) No. 2029 and relevant supplemental agreement entered into among the Stated-owned Land Resources Bureau of Shenzhen City, Shenzhen Xinzhou industry Co., Ltd. (深圳市新洲實業股份有限公司) ("Xinzhou Industry"), Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司) ("LVGEM Real Estate", a wholly-owned subsidiary of the Target Company) and Shenzhen Dihui Investment Co., Ltd. (深圳市迪暉投資發展有限公司) ("Dihui Investment"), the land use rights of a parcel of land with a site area of approximately 24,659.96 sq.m. (without specific delineation of usage for commercial and other non-residential purposes) were contracted to be granted to Xinzhou Industry, LVGEM Real Estate and Dihui Investment. According to the supplemental agreement, a hotel with a gross floor area of approximately 25,998 sq.m. could be constructed.

2. Pursuant to a Real Estate Title Certificate – Shen Fang Di Zi Di No. 3000570792, LVGEM Hotel (including the commercial units of the property and property no.1) with a total gross floor area of approximately 25,750.73 sq.m. is owned by Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司) ("**LVGEM Real**

Estate", a wholly-owned subsidiary of the Target Company). LVGEM Hotel (including commercial units of the property and property no.1) is part of a residential development known as Zhongcheng Tianyi Garden. The relevant land use rights of the property have been granted to LVGEM Real Estate for a term of 70 years expiring on 29 December 2073 for residential use.

3. In respect of the 1,077 car parking spaces of the property, the Reorganized Target Group has obtained the operation permit issued by the relevant government authority.

4. As advised by the Reorganized Target Group, the commercial units of the property have a total lettable area of approximately 4,412 sq.m. According to 2 Tenancy Agreements and relevant Supplement Agreements, the commercial units of the property with a total lettable area of approximately 4,412 sq.m. were leased to 2 tenants with expiry dates between 30 June 2017 and 30 June 2019. The total monthly rent as of the valuation date were approximately RMB377,000 exclusive of management fees, water and electricity charges.

5. As advised by the Reorganized Target Group, the car parking spaces of the property are mainly subject to tenancies on short-term monthly basis.

6. As advised by the Reorganized Target Group, various commercial units of the property mentioned in note 2 were subject to a mortgage in favour of China Everbright Bank, Overseas Chinese Town Sub-branch as of the valuation date.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. LVGEM Real Estate is legally in possession of the land use rights of the property by the means of grant and is the sole legal user of the land use rights of the property. Within the land use rights term, LVGEM Real Estate has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of property in accordance with relevant land use rights grant contract and aforesaid Real Estate Title Certificate, and in compliance with the provisions of the relevant mortgage contracts;

   b. LVGEM Real Estate has legally obtained aforesaid Real Estate Title Certificate and is the sole user of the buildings of the property and legally holds the ownership rights of the buildings of the property. LVGEM Real Estate has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the building ownership rights of the property in accordance with relevant PRC laws and regulations and the usage disclosed in the Real Estate Title Certificate, and in compliance with the provisions of the relevant mortgage contracts;

   c. The Company's PRC legal advisers have reviewed the samples of tenancy agreements mentioned in note 4 and have a legal opinion that such samples of tenancy agreements are legal, valid and legally binding on the contractual parties upon signing and their contents do not contravene the relevant PRC laws and regulations;

   d. The car parking spaces of the property have been constructed in accordance with the local planning provisions by LVGEM Real Estate, and LVGEM Real Estate is entitled to occupy and use such car parking spaces in accordance with the approved planning requirements and laws. Moreover, LVGEM Real Estate has obtained the operation permit for the car parking spaces issued by the relevant government authority and has the rights to legally operate and manage such car parking spaces in accordance with the laws and the contents and scope as stipulated in the permit; and

   e. According to the Reorganized Target Group's written confirmation, except for the real estate mortgage situation mentioned above, the property is not subject to any restrictions arising from any sequestration, mortgage or any other rights.

8. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	N/A
b.	Real Estate Title Certificate	Yes

9. Our valuation has been made on the following basis and analysis:

a. LVGEM Real Estate has the rights to hold the property and receive incomes from operation of the property within its land use rights term expiring on 29 December 2073;

b. Based on our market research, the allowed vacancy rate losses of the commercial units of the property adopted in our valuation range from 2% to 3% considering the particular location of individual units;

c. We have considered the actual rents in existing tenancy agreements of the commercial units of the property and also compared with similar properties in the same district with similar tenants as the commercial units of the property for the calculation of market rent in considering (1) reversionary rental income after the expiry of the existing leases for occupied area, and (2) the rental income of vacant area. We have adopted a market monthly rent from RMB80 to RMB105 per sq.m. The monthly rents of the comparables range from RMB70 to RMB150 per sq.m. (in lettable area), appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the market rent.

d. Based on our analysis of recent sales and lettings of similar premises in the same district, and also consider the location and characteristics of the commercial units of the property, we have applied a market yield of 5% as the capitalization rate in the valuation;

e. For the residential and hotel car parking spaces of the property, we have applied a market yield from 3% to 3.5% and monthly rental from RMB250 to RMB1,050 per car parking spaces respectively in our valuation considering their characteristics and market conditions.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 July 2015 *RMB*
16.	Various commercial units and various car parking spaces of Phase I and II of LVGEM New Garden located at the eastern side of Xinzhou 2nd Street and the northern side of Xinzhou Ninth Street Futian District Shenzhen City Guangdong Province The PRC (綠景新苑一期、二期商業、車位)	The property comprises various commercial units and 216 car parking spaces within a residential development known as LVGEM New Garden which was completed in 2004. The property is located at the northeast corner of the junction of Xinzhou 2nd Street and Xinzhou Ninth Street in the core life area of Shenzhen City which is well-served by adequate public facilities and public transportation along the main roads. The property has a gross floor area of approximately 11,148.39 sq.m. The details are set out as follows: **Usage** — **Gross Floor Area (sq.m.)** Commercial — 4,436.39 216 car parking spaces — 6,712.00 **Total:** — **11,148.39** The land use rights of the property have been granted for a term of 70 years expiring on 13 April 2073 for residential and commercial uses.	The commercial unit of the property with a lettable area of approximately 4,757.78 sq.m. was leased to a tenant for commercial use as of the valuation date, whilst the remaining portion was vacant. For the car parking spaces of the property, please refer to note 4 for details.	155,800,000 (100% interest attributable to the Reorganized Target Group: RMB155,800,000)

Notes:

1. Pursuant to a Real Estate Title Certificate – Shen Fang Di Zi Di No. 3000334067, various commercial units of the property with a total gross floor area of approximately 4,436.39 sq.m. is owned by Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司) ("**LVGEM Real Estate**", a wholly-owned subsidiary of the Target Company). The relevant land use rights of the property have been granted to LVGEM Real Estate for a term of 70 years expiring on 13 April 2073 for residential and commercial uses.

2. In respect of the 216 car parking spaces of the property, the Reorganized Target Group has obtained the operation permit issued by the relevant government authority.

3. As advised by the Reorganized Target Group, the commercial units of the property have a total lettable area of approximately 4,863.69 sq.m. According to a Tenancy Agreement and relevant Supplement Agreement, the commercial unit of the property with a lettable area of approximately 4,757.78 sq.m. was leased to a tenant with expiry date on 27 April 2016. The total monthly rental as of the valuation date were approximately RMB215,000 exclusive of management fees, water and electricity charges.

4. As advised by the Reorganized Target Group, the car parking spaces of the property are mainly subject to tenancies on short-term monthly basis.

5. As advised by the Reorganized Target Group, a commercial unit of the property mentioned in note 1 was subject to a mortgage in favour of Bank of Communications, Tian'an Sub-branch as of the valuation date.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. LVGEM Real Estate is legally in possession of the land use rights of the property by the means of grant and is the sole legal user of the land use rights of the property. Within the land use rights term, LVGEM Real Estate has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of property in accordance with relevant land use rights grant contract and aforesaid Real Estate Title Certificate, and in compliance with the provisions of the relevant mortgage contracts;

   b. LVGEM Real Estate has legally obtained aforesaid Real Estate Title Certificate and is the sole user of the buildings of the property and legally holds the ownership rights of the buildings of the property. LVGEM Real Estate has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the buildings of the property in accordance with relevant PRC laws and regulations and the usage disclosed in the Real Estate Title Certificate, and in compliance with the provisions of the relevant mortgage contracts;

   c. The Company's PRC legal advisers have reviewed the samples of tenancy agreements mentioned in note 3 and have a legal opinion that such samples of tenancy agreements are legal, valid and legally binding on the contractual parties upon signing and their contents do not contravene the relevant PRC laws and regulations;

   d. The car parking spaces of the property have been constructed in accordance with the local planning provisions by LVGEM Real Estate, and LVGEM Real Estate is entitled to occupy and use such car parking spaces in accordance with the approved planning requirements and laws. Moreover, LVGEM Real Estate has obtained the operation permit for the car parking spaces issued by the relevant government authority and has the rights to legally operate and manage such car parking spaces in accordance with the laws and the contents and scope as stipulated in the Permit; and

   e. According to the Reorganized Target Group's written confirmation, except for the real estate mortgage situation mentioned above, the property is not subject to any restrictions arising from any sequestration, mortgage or any other rights.

7. A summary of major certificates/approvals is shown as follows:

   a. State-owned Land Use Rights Certificate — N/A

   b. Real Estate Title Certificate — Yes

8. Our valuation has been made on the following basis and analysis:

   a. LVGEM Real Estate has the rights to hold the property and receive incomes from operation of the property within its land use rights term expiring on 13 April 2073;

   b. Based on our market research, the allowed vacancy rate losses of the commercial units of the property adopted in our valuation range from 0% to 1% considering the particular location of individual units;

   c. We have considered the actual rents in existing tenancy agreements of the commercial units of the property and also compared with similar properties in the same district with similar tenants as the commercial units of the property for the calculation of market rent in considering (1) reversionary rental income after the expiry of the existing leases for occupied area, and (2) the rental income of vacant area. We have adopted a market monthly

rent from RMB110 to RMB380 per sq.m. The monthly rents of the comparables range from RMB150 to RMB310 per sq.m. (in lettable area), appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the market rent.

d. Based on our analysis of recent sales and lettings of similar premises in the same district, and also consider the location and characteristics of the commercial units of the property, we have applied a market yield of 5% as the capitalization rate in the valuation;

e. For the car parking spaces of the property, we have applied a market yield of 3% and monthly rental of RMB250 per car parking spaces in our valuation considering their characteristics and market conditions.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 July 2015 *RMB*
17.	Various commercial units and car parking spaces of Lanwan Peninsula Community located at the northern side of Furong Road Futian District Shenzhen City Guangdong Province The PRC (藍灣半島商業、車位)	The property comprises 9 commercial units and 934 car parking spaces within a residential development known as Lanwan Peninsula Community which was completed in 2004. The property is located at the northern side of Furong Road and close to Jindi 1st Road which is the core area of Futian District and well-served by adequate facilities and public transportation along the main roads. The locality of the property enjoys elegant environment and 20 minutes' walk to Shenzhen Bay and Community Library. The property has a total gross floor area of approximately 44,815.97 sq.m. The details are set out as below: **Level** — **Gross Floor Area (sq.m.)** L1 (commercial & 445 car parking spaces) — 22,824.84 B1 (489 car parking spaces) — 21,991.13 **Total:** — **44,815.97** The land use rights of the property have been granted for a term of 70 years expiring on 19 September 2071 for residential use.	Portions of the commercial units of the property with a total lettable area of approximately 4,077.37 sq.m. were leased to various tenants for commercial use as of the valuation date, whilst the remaining portion was vacant. For the car parking spaces of the property, please refer to note 4 for details.	247,000,000 (100% interest attributable to the Reorganized Target Group: RMB247,000,000)

Notes:

1. Pursuant to 9 Real Estate Title Certificates (the "**RETCs**"), various commercial units of the property with a total gross floor area of approximately 2,812.47 sq.m. are owned by Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司) ("**LVGEM Real Estate**", a wholly-owned subsidiary of the Target Company). The relevant land use rights of the property have been granted to LVGEM Real Estate for a term of 70 years expiring on 19 September 2071 for residential use. The details are set out as follows:

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(1)	Shen Fang Di Zi Di No. 3000326312	Shopping center unit No. 02	729.63	Commercial
(2)	Shen Fang Di Zi Di No. 3000326311	Shopping center unit No. 03	539.95	Commercial
(3)	Shen Fang Di Zi Di No. 3000326310	Shopping center unit No. 04	528.48	Commercial
(4)	Shen Fang Di Zi Di No. 3000326313	Commercial unit No. 01	65.92	Commercial
(5)	Shen Fang Di Zi Di No. 3000326314	Commercial unit No. 07	65.11	Commercial
(6)	Shen Fang Di Zi Di No. 3000326315	Commercial unit No. 08	65.11	Commercial
(7)	Shen Fang Di Zi Di No. 3000326307	Commercial unit No. 09	65.11	Commercial
(8)	Shen Fang Di Zi Di No. 3000326309	Commercial unit No. 10	65.92	Commercial
(9)	Shen Fang Di Zi Di No. 3000326316	Entertainment center	687.24	Commercial
	Total:		**2,812.47**	

2. In respect of the 934 car parking spaces of the property, the Reorganized Target Group has obtained the operation permit issued by the relevant government authority.

3. As advised by the Reorganized Target Group, the commercial units of the property have a total lettable area of approximately 5,292.61 sq.m. According to various Tenancy Agreements and relevant Supplement Agreements, portions of the commercial units of the property with a total lettable area of approximately 4,077.37 sq.m. were leased to various tenants with expiry dates between 31 January 2017 and 30 September 2021. The total monthly rental as of the valuation date were approximately RMB290,000 exclusive of management fees, water and electricity charges.

4. As advised by the Reorganized Target Group, the car parking spaces of the property are mainly subject to tenancies on short-term monthly basis.

5. As advised by the Reorganized Target Group, 2 shopping center units, 2 commercial units and an entertainment unit of the property mentioned in note 1 were subject to a mortgage in favour of Ping An Bank as of the valuation date.

6. As advised by the Reorganized Target Group, 4 commercial units of the property mentioned in note 1 were subject to a mortgage in favour of Bank of Communications, Tian'an Sub-branch as of the valuation date.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. LVGEM Real Estate is legally in possession of the land use rights of the property by the means of grant and is the sole legal user of the land use rights of the property. Within the land use rights term, LVGEM Real Estate has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of property in accordance with relevant land use rights grant contract and aforesaid Real Estate Title Certificate, and in compliance with the provisions of the relevant mortgage contracts;

b. LVGEM Real Estate has legally obtained aforesaid Real Estate Title Certificate and is the sole user of the buildings of the property and legally holds the ownership rights of the buildings of the property. LVGEM Real Estate has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the buildings of the property in accordance with relevant PRC laws and regulations and the usage disclosed in the Real Estate Title Certificate, in compliance with the provisions of the relevant mortgage contracts;

c. The Company's PRC legal advisers have reviewed the samples of tenancy agreements mentioned in note 3 and have a legal opinion that such samples of tenancy agreements are legal, valid and legally binding on the contractual parties upon signing and their contents do not contravene the relevant PRC laws and regulations;

d. The car parking spaces of the property have been constructed in accordance with the local planning provisions by LVGEM Real Estate, and LVGEM Real Estate is entitled to occupy and use such car parking spaces in accordance with the approved planning requirements and laws. Moreover, LVGEM Real Estate has obtained the operation permit for the car parking spaces issued by the relevant government authority and has the rights to legally operate and manage such car parking spaces in accordance with the laws and the contents and scope as stipulated in the Permit; and

e. According to the Reorganized Target Group's written confirmation, except for the real estate mortgage situation mentioned above, the property is not subject to any restrictions arising from any sequestration, mortgage or any other rights.

8. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	N/A
b.	Real Estate Title Certificate	Yes

9. Our valuation has been made on the following basis and analysis:

a. LVGEM Real Estate has the rights to hold the property and receive incomes from operation of the property within its land use rights term expiring on 19 September 2071;

b. Based on our market research, the allowed vacancy rate losses of the commercial units of the property adopted in our valuation range from 2% to 5% considering the particular location of individual units;

c. We have considered the actual rents in existing tenancy agreements of the commercial units of the property and also compared with similar properties in the same district with similar tenants as the commercial units of the property for the calculation of market rent in considering (1) reversionary rental income after the expiry of the existing leases for occupied area, and (2) the rental income of vacant area. We have adopted a market monthly rent from RMB60 to RMB270 per sq.m. The monthly rents of the comparables range from RMB200 to RMB300 per sq.m. (in lettable area), appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the market rent.

d. Based on our analysis of recent sales and lettings of similar premises in the same district, and also consider the location and characteristics of the commercial units of the property, we have applied a market yield of 5% as the capitalization rate in the valuation;

e. For the car parking spaces of the property, we have applied a market yield of 3% and monthly rental of RMB250 per car parking spaces in our valuation considering their characteristics and market conditions.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 July 2015 *RMB*
18.	Various commercial units, office units and car parking spaces of Tower A and various commercial units and car parking spaces of Tower B and Tower C of NEO Urban Commercial Complex located at the junction of Shennan Boulevard and Xiangmihu Road Futian District Shenzhen City Guangdong Province The PRC (綠景紀元大厦商業、辦公、車位；綠景廣場商業、車位)	The property comprises various commercial units on Levels 1, 3 and 4, various office units on Levels 5 to 12, 18 to 28, 30 to 42, 44 to 56 and 487 car parking spaces of Tower A and various commercial units on Levels 1 to 3 and 491 car parking spaces of Tower B and Tower C within a commercial complex known as NEO Urban Commercial Complex which was completed between in 2010 and 2011. The property is located at the junction of Shennan Boulevard and Xiangmihu Road which is the core area of Futian District and well-served by adequate facilities and public transportation along the main roads. The property is within 15 minutes' walk to the metro stations of Lines 1 and 2. The property has a total gross floor area of approximately 138,303.01 sq.m. The details are set out as follows: **Usage** — **Gross Floor Area (sq.m.)** Commercial — 15,322.20 Office — 85,630.70 Ancillary — 2,734.87 978 car parking spaces — 34,615.24 **Total:** — **138,303.01** The land use rights of the property have been granted for terms of 50 years expiring on 7 May 2055 and 70 years expiring on 25 February 2072 for commercial and office uses.	Portions of the commercial and office units of the property with a total lettable area of approximately 104,427.22 sq.m. were leased to various tenants for commercial and office uses as of the valuation date, whilst the remaining portion was vacant or occupied by the Reorganized Target Group for business operation purpose. For the car parking spaces of the property, please refer to note 6 for details.	6,110,000,000 (100% interest attributable to the Reorganized Target Group: RMB6,110,000,000)

Notes:

1. Pursuant to a Construction Works Completion and Inspection Certificate/Table – Shen Gui Tu Jian Yan No. ZS–2011–0008 dated 5 May 2011 issued by the Urban Planning land and Resources Commission of Shenzhen City in favour of Shenzhen Shangsha Industry Co., Ltd. (深圳市上沙實業股份有限公司) and Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司) ("**LVGEM Real Estate**", a wholly-owned subsidiary of the Target Company), the construction of Tower A of NEO Urban Commercial Complex with a total gross floor area of approximately 130,613.06 sq.m. (Including the commercial portions which have a total gross floor area of approximately 9,374.21 sq.m. and the underground portions) has been completed and passed the acceptance inspection.

2. Pursuant to 315 Real Estate Title Certificates (the "**RETCs**"), 4 commercial units and 311 office units of the property with a total gross floor area of approximately 92,270.04 sq.m. are owned by LVGEM Real Estate. The relevant land use rights of the property have been granted to LVGEM Real Estate for a term of 50 years expiring on 7 May 2055 for commercial and office uses. The details are set out as follows:

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(1)	Shen Fang Di Zi Di No.3000665798	1A	127.40	Commercial
(2)	Shen Fang Di Zi Di No.3000674267	01 Interlayer A	1,264.62	Commercial
(3)	Shen Fang Di Zi Di No.3000674269	03 floor A	3,233.94	Commercial
(4)	Shen Fang Di Zi Di No.3000674270	04 floor A	2,013.38	Commercial
(5)	Shen Fang Di Zi Di No.3000665799	5A	243.01	Office
(6)	Shen Fang Di Zi Di No.3000665807	5B	88.81	Office
(7)	Shen Fang Di Zi Di No.3000665815	5C	327.68	Office
(8)	Shen Fang Di Zi Di No.3000665726	5D	229.37	Office
(9)	Shen Fang Di Zi Di No.3000665737	5E	344.67	Office
(10)	Shen Fang Di Zi Di No.3000665747	5F	101.46	Office
(11)	Shen Fang Di Zi Di No.3000665756	5G	262.93	Office
(12)	Shen Fang Di Zi Di No.3000665898	5H	192.39	Office
(13)	Shen Fang Di Zi Di No.3000665905	5I	192.39	Office
(14)	Shen Fang Di Zi Di No.3000665800	6A	239.00	Office
(15)	Shen Fang Di Zi Di No.3000665808	6B	87.34	Office
(16)	Shen Fang Di Zi Di No.3000665816	6C	247.27	Office
(17)	Shen Fang Di Zi Di No.3000665727	6D	116.18	Office
(18)	Shen Fang Di Zi Di No.3000665738	6E	118.22	Office
(19)	Shen Fang Di Zi Di No.3000665748	6F	210.01	Office
(20)	Shen Fang Di Zi Di No.3000665757	6G	72.30	Office
(21)	Shen Fang Di Zi Di No.3000665899	6H	257.77	Office
(22)	Shen Fang Di Zi Di No.3000665906	6I	149.36	Office
(23)	Shen Fang Di Zi Di No.3000665914	6J	181.81	Office
(24)	Shen Fang Di Zi Di No.3000665921	6K	149.36	Office
(25)	Shen Fang Di Zi Di No.3000665801	7A	244.95	Office
(26)	Shen Fang Di Zi Di No.3000665809	7B	91.41	Office
(27)	Shen Fang Di Zi Di No.3000665817	7C	254.59	Office
(28)	Shen Fang Di Zi Di No.3000665728	7D	119.62	Office
(29)	Shen Fang Di Zi Di No.3000665739	7E	114.28	Office
(30)	Shen Fang Di Zi Di No.3000665749	7F	119.62	Office
(31)	Shen Fang Di Zi Di No.3000665758	7G	216.23	Office
(32)	Shen Fang Di Zi Di No.3000665900	7H	75.21	Office
(33)	Shen Fang Di Zi Di No.3000665907	7I	254.72	Office
(34)	Shen Fang Di Zi Di No.3000665915	7J	153.78	Office
(35)	Shen Fang Di Zi Di No.3000665922	7K	178.76	Office
(36)	Shen Fang Di Zi Di No.3000665928	7L	153.78	Office
(37)	Shen Fang Di Zi Di No.3000665802	8A	244.31	Office
(38)	Shen Fang Di Zi Di No.3000665810	8B	91.17	Office

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(39)	Shen Fang Di Zi Di No.3000665822	8C	253.93	Office
(40)	Shen Fang Di Zi Di No.3000665729	8D	120.67	Office
(41)	Shen Fang Di Zi Di No.3000665740	8E	115.25	Office
(42)	Shen Fang Di Zi Di No.3000665750	8F	120.67	Office
(43)	Shen Fang Di Zi Di No.3000665759	8G	215.67	Office
(44)	Shen Fang Di Zi Di No.3000665901	8H	75.36	Office
(45)	Shen Fang Di Zi Di No.3000665908	8I	266.39	Office
(46)	Shen Fang Di Zi Di No.3000665916	8J	153.38	Office
(47)	Shen Fang Di Zi Di No.3000665923	8K	178.30	Office
(48)	Shen Fang Di Zi Di No.3000665929	8L	153.38	Office
(49)	Shen Fang Di Zi Di No.3000665803	9A	244.31	Office
(50)	Shen Fang Di Zi Di No.3000665811	9B	91.17	Office
(51)	Shen Fang Di Zi Di No.3000665818	9C	253.93	Office
(52)	Shen Fang Di Zi Di No.3000665730	9D	120.67	Office
(53)	Shen Fang Di Zi Di No.3000665742	9E	115.25	Office
(54)	Shen Fang Di Zi Di No.3000665751	9F	120.67	Office
(55)	Shen Fang Di Zi Di No.3000665760	9G	215.67	Office
(56)	Shen Fang Di Zi Di No.3000665902	9H	75.36	Office
(57)	Shen Fang Di Zi Di No.3000665909	9I	266.39	Office
(58)	Shen Fang Di Zi Di No.3000665917	9J	153.38	Office
(59)	Shen Fang Di Zi Di No.3000665924	9K	178.30	Office
(60)	Shen Fang Di Zi Di No.3000665930	9L	153.38	Office
(61)	Shen Fang Di Zi Di No.3000665804	10A	244.31	Office
(62)	Shen Fang Di Zi Di No.3000665812	10B	91.17	Office
(63)	Shen Fang Di Zi Di No.3000665819	10C	253.93	Office
(64)	Shen Fang Di Zi Di No.3000665731	10D	120.67	Office
(65)	Shen Fang Di Zi Di No.3000665743	10E	115.25	Office
(66)	Shen Fang Di Zi Di No.3000665752	10F	120.67	Office
(67)	Shen Fang Di Zi Di No.3000665761	10G	215.67	Office
(68)	Shen Fang Di Zi Di No.3000665910	10H	75.36	Office
(69)	Shen Fang Di Zi Di No.3000665911	10I	266.39	Office
(70)	Shen Fang Di Zi Di No.3000665918	10J	153.38	Office
(71)	Shen Fang Di Zi Di No.3000665925	10K	178.30	Office
(72)	Shen Fang Di Zi Di No.3000665931	10L	153.38	Office
(73)	Shen Fang Di Zi Di No.3000665805	11A	244.44	Office
(74)	Shen Fang Di Zi Di No.3000665813	11B	91.22	Office
(75)	Shen Fang Di Zi Di No.3000665820	11C	254.06	Office
(76)	Shen Fang Di Zi Di No.3000665732	11D	120.73	Office
(77)	Shen Fang Di Zi Di No.3000665744	11E	115.31	Office
(78)	Shen Fang Di Zi Di No.3000665753	11F	120.73	Office
(79)	Shen Fang Di Zi Di No.3000665762	11G	215.78	Office
(80)	Shen Fang Di Zi Di No.3000665903	11H	75.40	Office
(81)	Shen Fang Di Zi Di No.3000665912	11I	266.53	Office
(82)	Shen Fang Di Zi Di No.3000665919	11J	153.46	Office
(83)	Shen Fang Di Zi Di No.3000665926	11K	175.23	Office
(84)	Shen Fang Di Zi Di No.3000665932	11L	153.46	Office
(85)	Shen Fang Di Zi Di No.3000665806	12A	244.44	Office
(86)	Shen Fang Di Zi Di No.3000665814	12B	91.22	Office
(87)	Shen Fang Di Zi Di No.3000665821	12C	254.06	Office
(88)	Shen Fang Di Zi Di No.3000665733	12D	120.73	Office

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(89)	Shen Fang Di Zi Di No.3000665745	12E	115.31	Office
(90)	Shen Fang Di Zi Di No.3000665754	12F	120.73	Office
(91)	Shen Fang Di Zi Di No.3000665763	12G	215.78	Office
(92)	Shen Fang Di Zi Di No.3000665904	12H	75.40	Office
(93)	Shen Fang Di Zi Di No.3000665913	12I	266.53	Office
(94)	Shen Fang Di Zi Di No.3000665920	12J	153.46	Office
(95)	Shen Fang Di Zi Di No.3000665927	12K	175.23	Office
(96)	Shen Fang Di Zi Di No.3000665933	12L	153.46	Office
(97)	Shen Fang Di Zi Di No.3000665734	18B	91.90	Office
(98)	Shen Fang Di Zi Di No.3000665735	18C	255.97	Office
(99)	Shen Fang Di Zi Di No.3000665736	18D	119.09	Office
(100)	Shen Fang Di Zi Di No.3000665746	18E	114.97	Office
(101)	Shen Fang Di Zi Di No.3000665755	18F	119.09	Office
(102)	Shen Fang Di Zi Di No.3000665897	18G	217.80	Office
(103)	Shen Fang Di Zi Di No.3000664395	19A	246.53	Office
(104)	Shen Fang Di Zi Di No.3000664400	19B	91.88	Office
(105)	Shen Fang Di Zi Di No.3000664446	19C	255.92	Office
(106)	Shen Fang Di Zi Di No.3000664452	19D	119.07	Office
(107)	Shen Fang Di Zi Di No.3000664458	19E	114.94	Office
(108)	Shen Fang Di Zi Di No.3000664463	19F	119.07	Office
(109)	Shen Fang Di Zi Di No.3000664468	19G	217.76	Office
(110)	Shen Fang Di Zi Di No.3000664474	19H	76.11	Office
(111)	Shen Fang Di Zi Di No.3000664479	19I	268.55	Office
(112)	Shen Fang Di Zi Di No.3000664484	19J	152.58	Office
(113)	Shen Fang Di Zi Di No.3000665788	19K	178.17	Office
(114)	Shen Fang Di Zi Di No.3000665793	19L	152.58	Office
(115)	Shen Fang Di Zi Di No.3000664396	20A	246.53	Office
(116)	Shen Fang Di Zi Di No.3000664401	20B	91.88	Office
(117)	Shen Fang Di Zi Di No.3000664447	20C	255.92	Office
(118)	Shen Fang Di Zi Di No.3000664453	20D	119.07	Office
(119)	Shen Fang Di Zi Di No.3000664459	20E	114.94	Office
(120)	Shen Fang Di Zi Di No.3000664464	20F	119.07	Office
(121)	Shen Fang Di Zi Di No.3000664469	20G	217.76	Office
(122)	Shen Fang Di Zi Di No.3000664475	20H	76.11	Office
(123)	Shen Fang Di Zi Di No.3000664480	20I	268.55	Office
(124)	Shen Fang Di Zi Di No.3000664485	20J	152.58	Office
(125)	Shen Fang Di Zi Di No.3000665789	20K	178.17	Office
(126)	Shen Fang Di Zi Di No.3000665794	20L	152.58	Office
(127)	Shen Fang Di Zi Di No.3000664397	21A	246.53	Office
(128)	Shen Fang Di Zi Di No.3000664402	21B	91.88	Office
(129)	Shen Fang Di Zi Di No.3000664449	21C	255.92	Office
(130)	Shen Fang Di Zi Di No.3000664454	21D	119.07	Office
(131)	Shen Fang Di Zi Di No.3000664460	21E	114.94	Office
(132)	Shen Fang Di Zi Di No.3000664465	21F	119.07	Office
(133)	Shen Fang Di Zi Di No.3000664470	21G	217.76	Office
(134)	Shen Fang Di Zi Di No.3000664476	21H	76.11	Office
(135)	Shen Fang Di Zi Di No.3000664481	21I	268.55	Office
(136)	Shen Fang Di Zi Di No.3000665785	21J	152.58	Office
(137)	Shen Fang Di Zi Di No.3000665790	21K	178.17	Office
(138)	Shen Fang Di Zi Di No.3000665795	21L	152.58	Office

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(139)	Shen Fang Di Zi Di No.3000664398	22A	246.00	Office
(140)	Shen Fang Di Zi Di No.3000664403	22B	91.68	Office
(141)	Shen Fang Di Zi Di No.3000664450	22C	255.36	Office
(142)	Shen Fang Di Zi Di No.3000664455	22D	120.15	Office
(143)	Shen Fang Di Zi Di No.3000664461	22E	115.95	Office
(144)	Shen Fang Di Zi Di No.3000664466	22F	120.15	Office
(145)	Shen Fang Di Zi Di No.3000664471	22G	217.28	Office
(146)	Shen Fang Di Zi Di No.3000664477	22H	75.95	Office
(147)	Shen Fang Di Zi Di No.3000664482	22I	267.97	Office
(148)	Shen Fang Di Zi Di No.3000665786	22J	153.59	Office
(149)	Shen Fang Di Zi Di No.3000665791	22K	178.12	Office
(150)	Shen Fang Di Zi Di No.3000665796	22L	153.59	Office
(151)	Shen Fang Di Zi Di No.3000664399	23A	245.86	Office
(152)	Shen Fang Di Zi Di No.3000664404	23B	91.63	Office
(153)	Shen Fang Di Zi Di No.3000664451	23C	255.22	Office
(154)	Shen Fang Di Zi Di No.3000664456	23D	120.09	Office
(155)	Shen Fang Di Zi Di No.3000664462	23E	115.89	Office
(156)	Shen Fang Di Zi Di No.3000664467	23F	120.09	Office
(157)	Shen Fang Di Zi Di No.3000664472	23G	217.17	Office
(158)	Shen Fang Di Zi Di No.3000664478	23H	75.91	Office
(159)	Shen Fang Di Zi Di No.3000664483	23I	267.83	Office
(160)	Shen Fang Di Zi Di No.3000665787	23J	152.32	Office
(161)	Shen Fang Di Zi Di No.3000665792	23K	179.87	Office
(162)	Shen Fang Di Zi Di No.3000665797	23L	153.51	Office
(163)	Shen Fang Di Zi Di No.3000664487	24A	287.91	Office
(164)	Shen Fang Di Zi Di No.3000664495	24B	315.54	Office
(165)	Shen Fang Di Zi Di No.3000664500	24C	115.27	Office
(166)	Shen Fang Di Zi Di No.3000664507	24D	117.98	Office
(167)	Shen Fang Di Zi Di No.3000664513	24E	129.26	Office
(168)	Shen Fang Di Zi Di No.3000664556	24F	298.38	Office
(169)	Shen Fang Di Zi Di No.3000664561	24G	272.68	Office
(170)	Shen Fang Di Zi Di No.3000664566	24H	165.71	Office
(171)	Shen Fang Di Zi Di No.3000664571	24I	143.43	Office
(172)	Shen Fang Di Zi Di No.3000664387	24J	146.86	Office
(173)	Shen Fang Di Zi Di No.3000664488	25A	286.83	Office
(174)	Shen Fang Di Zi Di No.3000664496	25B	314.35	Office
(175)	Shen Fang Di Zi Di No.3000664501	25C	114.84	Office
(176)	Shen Fang Di Zi Di No.3000664508	25D	117.53	Office
(177)	Shen Fang Di Zi Di No.3000664514	25E	128.77	Office
(178)	Shen Fang Di Zi Di No.3000664557	25F	297.26	Office
(179)	Shen Fang Di Zi Di No.3000664562	25G	271.65	Office
(180)	Shen Fang Di Zi Di No.3000664567	25H	165.08	Office
(181)	Shen Fang Di Zi Di No.3000664572	25I	142.89	Office
(182)	Shen Fang Di Zi Di No.3000664388	25J	146.31	Office
(183)	Shen Fang Di Zi Di No.3000664489	26A	283.93	Office
(184)	Shen Fang Di Zi Di No.3000664497	26B	311.18	Office
(185)	Shen Fang Di Zi Di No.3000664503	26C	113.68	Office
(186)	Shen Fang Di Zi Di No.3000664510	26D	116.35	Office
(187)	Shen Fang Di Zi Di No.3000664553	26E	127.47	Office
(188)	Shen Fang Di Zi Di No.3000664558	26F	294.26	Office

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(189)	Shen Fang Di Zi Di No.3000664563	26G	268.91	Office
(190)	Shen Fang Di Zi Di No.3000664568	26H	163.42	Office
(191)	Shen Fang Di Zi Di No.3000664370	26I	141.45	Office
(192)	Shen Fang Di Zi Di No.3000664389	26J	144.83	Office
(193)	Shen Fang Di Zi Di No.3000664392	26K	140.58	Office
(194)	Shen Fang Di Zi Di No.3000664491	27A	283.93	Office
(195)	Shen Fang Di Zi Di No.3000664498	27B	311.18	Office
(196)	Shen Fang Di Zi Di No.3000664504	27C	113.68	Office
(197)	Shen Fang Di Zi Di No.3000664511	27D	116.35	Office
(198)	Shen Fang Di Zi Di No.3000664554	27E	127.47	Office
(199)	Shen Fang Di Zi Di No.3000664559	27F	294.26	Office
(200)	Shen Fang Di Zi Di No.3000664564	27G	268.91	Office
(201)	Shen Fang Di Zi Di No.3000664569	27H	163.42	Office
(202)	Shen Fang Di Zi Di No.3000664385	27I	141.45	Office
(203)	Shen Fang Di Zi Di No.3000664390	27J	144.83	Office
(204)	Shen Fang Di Zi Di No.3000664393	27K	140.58	Office
(205)	Shen Fang Di Zi Di No.3000664493	28A	283.60	Office
(206)	Shen Fang Di Zi Di No.3000664499	28B	310.81	Office
(207)	Shen Fang Di Zi Di No.3000664506	28C	114.82	Office
(208)	Shen Fang Di Zi Di No.3000664512	28D	117.47	Office
(209)	Shen Fang Di Zi Di No.3000664555	28E	128.74	Office
(210)	Shen Fang Di Zi Di No.3000664560	28F	293.91	Office
(211)	Shen Fang Di Zi Di No.3000664565	28G	268.59	Office
(212)	Shen Fang Di Zi Di No.3000664570	28H	163.22	Office
(213)	Shen Fang Di Zi Di No.3000664386	28I	141.28	Office
(214)	Shen Fang Di Zi Di No.3000664391	28J	144.66	Office
(215)	Shen Fang Di Zi Di No.3000664394	28K	140.41	Office
(216)	Shen Fang Di Zi Di No.3000663636	30A	274.26	Office
(217)	Shen Fang Di Zi Di No.3000663638	30B	300.05	Office
(218)	Shen Fang Di Zi Di No.3000663640	30C	477.21	Office
(219)	Shen Fang Di Zi Di No.3000663642	30D	248.49	Office
(220)	Shen Fang Di Zi Di No.3000663644	30E	477.88	Office
(221)	Shen Fang Di Zi Di No.3000663646	30F	333.47	Office
(222)	Shen Fang Di Zi Di No.3000663637	31A	274.26	Office
(223)	Shen Fang Di Zi Di No.3000663639	31B	300.05	Office
(224)	Shen Fang Di Zi Di No.3000663641	31C	477.21	Office
(225)	Shen Fang Di Zi Di No.3000663643	31D	248.49	Office
(226)	Shen Fang Di Zi Di No.3000663645	31E	477.88	Office
(227)	Shen Fang Di Zi Di No.3000663647	31F	333.47	Office
(228)	Shen Fang Di Zi Di No.3000664578	32A	274.26	Office
(229)	Shen Fang Di Zi Di No.3000664586	32B	300.05	Office
(230)	Shen Fang Di Zi Di No.3000664594	32C	477.21	Office
(231)	Shen Fang Di Zi Di No.3000664601	32D	248.49	Office
(232)	Shen Fang Di Zi Di No.3000664610	32E	477.88	Office
(233)	Shen Fang Di Zi Di No.3000664617	32F	333.47	Office
(234)	Shen Fang Di Zi Di No.3000664579	33A	274.26	Office
(235)	Shen Fang Di Zi Di No.3000664587	33B	300.05	Office
(236)	Shen Fang Di Zi Di No.3000664595	33C	477.21	Office
(237)	Shen Fang Di Zi Di No.3000664602	33D	248.49	Office
(238)	Shen Fang Di Zi Di No.3000664611	33E	477.88	Office

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(239)	Shen Fang Di Zi Di No.3000664618	33F	333.47	Office
(240)	Shen Fang Di Zi Di No.3000664580	34A	274.26	Office
(241)	Shen Fang Di Zi Di No.3000664588	34B	300.05	Office
(242)	Shen Fang Di Zi Di No.3000664596	34C	477.21	Office
(243)	Shen Fang Di Zi Di No.3000664603	34D	248.49	Office
(244)	Shen Fang Di Zi Di No.3000664612	34E	477.88	Office
(245)	Shen Fang Di Zi Di No.3000664619	34F	333.47	Office
(246)	Shen Fang Di Zi Di No.3000664581	35A	274.26	Office
(247)	Shen Fang Di Zi Di No.3000664589	35B	300.05	Office
(248)	Shen Fang Di Zi Di No.3000664577	35C	477.21	Office
(249)	Shen Fang Di Zi Di No.3000664605	35D	248.49	Office
(250)	Shen Fang Di Zi Di No.3000664613	35E	477.88	Office
(251)	Shen Fang Di Zi Di No.3000664620	35F	333.47	Office
(252)	Shen Fang Di Zi Di No.3000664582	36A	274.26	Office
(253)	Shen Fang Di Zi Di No.3000664590	36B	300.05	Office
(254)	Shen Fang Di Zi Di No.3000664597	36C	477.21	Office
(255)	Shen Fang Di Zi Di No.3000664606	36D	248.49	Office
(256)	Shen Fang Di Zi Di No.3000664614	36E	477.88	Office
(257)	Shen Fang Di Zi Di No.3000664621	36F	333.47	Office
(258)	Shen Fang Di Zi Di No.3000664583	37A	274.26	Office
(259)	Shen Fang Di Zi Di No.3000664591	37B	300.05	Office
(260)	Shen Fang Di Zi Di No.3000664598	37C	477.21	Office
(261)	Shen Fang Di Zi Di No.3000664607	37D	248.49	Office
(262)	Shen Fang Di Zi Di No.3000664615	37E	477.88	Office
(263)	Shen Fang Di Zi Di No.3000664622	37F	333.47	Office
(264)	Shen Fang Di Zi Di No.3000664584	38A	274.26	Office
(265)	Shen Fang Di Zi Di No.3000664592	38B	300.05	Office
(266)	Shen Fang Di Zi Di No.3000664599	38C	477.21	Office
(267)	Shen Fang Di Zi Di No.3000664608	38D	248.49	Office
(268)	Shen Fang Di Zi Di No.3000664616	38E	477.88	Office
(269)	Shen Fang Di Zi Di No.3000664623	38F	333.47	Office
(270)	Shen Fang Di Zi Di No.3000664585	39A	891.53	Office
(271)	Shen Fang Di Zi Di No.3000664593	39B	384.35	Office
(272)	Shen Fang Di Zi Di No.3000664600	39C	438.72	Office
(273)	Shen Fang Di Zi Di No.3000664609	39D	336.65	Office
(274)	Shen Fang Di Zi Di No.3000664405	40A	2,049.73	Office
(275)	Shen Fang Di Zi Di No.3000664406	41A	541.01	Office
(276)	Shen Fang Di Zi Di No.3000664420	41B	545.15	Office
(277)	Shen Fang Di Zi Di No.3000664433	41C	456.98	Office
(278)	Shen Fang Di Zi Di No.3000664429	41D	517.40	Office
(279)	Shen Fang Di Zi Di No.3000664407	42A	511.23	Office
(280)	Shen Fang Di Zi Di No.3000664421	42B	541.40	Office
(281)	Shen Fang Di Zi Di No.3000664432	42C	448.08	Office
(282)	Shen Fang Di Zi Di No.3000664445	42D	547.05	Office
(283)	Shen Fang Di Zi Di No.3000664408	44A	584.75	Office
(284)	Shen Fang Di Zi Di No.3000664423	44B	1,009.76	Office
(285)	Shen Fang Di Zi Di No.3000664431	44C	606.28	Office
(286)	Shen Fang Di Zi Di No.3000664409	45A	613.53	Office
(287)	Shen Fang Di Zi Di No.3000664424	45B	392.86	Office
(288)	Shen Fang Di Zi Di No.3000664430	45C	636.12	Office

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(289)	Shen Fang Di Zi Di No.3000664410	46A	584.75	Office
(290)	Shen Fang Di Zi Di No.3000664425	46B	1,009.76	Office
(291)	Shen Fang Di Zi Di No.3000664438	46C	606.28	Office
(292)	Shen Fang Di Zi Di No.3000664411	47A	613.53	Office
(293)	Shen Fang Di Zi Di No.3000664426	47B	392.86	Office
(294)	Shen Fang Di Zi Di No.3000664439	47C	636.12	Office
(295)	Shen Fang Di Zi Di No.3000664412	48A	584.75	Office
(296)	Shen Fang Di Zi Di No.3000664427	48B	1,009.76	Office
(297)	Shen Fang Di Zi Di No.3000664440	48C	606.28	Office
(298)	Shen Fang Di Zi Di No.3000664413	49A	613.53	Office
(299)	Shen Fang Di Zi Di No.3000664428	49B	392.86	Office
(300)	Shen Fang Di Zi Di No.3000664441	49C	636.12	Office
(301)	Shen Fang Di Zi Di No.3000664414	50A	584.75	Office
(302)	Shen Fang Di Zi Di No.3000664436	50B	1,009.76	Office
(303)	Shen Fang Di Zi Di No.3000664442	50C	606.28	Office
(304)	Shen Fang Di Zi Di No.3000664415	51A	613.53	Office
(305)	Shen Fang Di Zi Di No.3000664435	51B	392.86	Office
(306)	Shen Fang Di Zi Di No.3000664443	51C	636.12	Office
(307)	Shen Fang Di Zi Di No.3000664416	52A	584.75	Office
(308)	Shen Fang Di Zi Di No.3000664437	52B	1,009.76	Office
(309)	Shen Fang Di Zi Di No.3000664444	52C	606.28	Office
(310)	Shen Fang Di Zi Di No.3000664417	53A	616.68	Office
(311)	Shen Fang Di Zi Di No.3000664434	53B	395.15	Office
(312)	Shen Fang Di Zi Di No.3000664422	53C	629.97	Office
(313)	Shen Fang Di Zi Di No.3000663635	54A	1,177.90	Office
(314)	Shen Fang Di Zi Di No.3000664418	55A	625.44	Office
(315)	Shen Fang Di Zi Di No.3000664419	56A	485.99	Office
	Total:		**92,270.04**	

3. Pursuant to a Real Estate Title Certificate – Shen Fang Di Zi Di No. 3000637026, various commercial units of the property with a total gross floor area of approximately 8,682.86 sq.m. are owned by Shenzhen LVGEM Asset Management Co., Ltd. (深圳市綠景資產管理有限公司) ("**LVGEM Asset Management**", a wholly-owned subsidiary of the Target Company). The relevant land use rights of the property have been granted to LVGEM Asset Management for a term of 70 years expiring on 25 February 2072 for commercial and office uses.

4. In respect of the 978 car parking spaces of the property, the Reorganized Target Group has obtained the operation permit issued by the relevant government authority.

5. As advised by the Reorganized Target Group, the commercial and office units of the property have a total lettable area of approximately 105,870.22 sq.m. According to various Tenancy Agreements and relevant Supplement Agreements, portions of the commercial and office units of property with a total lettable area of approximately 104,427.22 sq.m. were leased to various tenants with expiry dates between 14 August 2015 and 4 March 2022. The total monthly rental as of the valuation date were approximately RMB22,828,000 exclusive of management fees, water and electricity charges.

6. As advised by the Reorganized Target Group, the car parking spaces of the property are mainly subject to tenancies on short-term monthly basis.

7. As advised by the Reorganized Target Group, 2 commercial units of the property mentioned in note 2 were subject to a mortgage in favour of Bank of China, CBD Sub-Branch as of the valuation date.

8. As advised by the Reorganized Target Group, 2 commercial units of the property mentioned in note 2 were subject to a mortgage in favour of Bank of Communications, Tian'an Sub-branch as of the valuation date.

9. As advised by the Reorganized Target Group, 169 office units on Levels 5 to 12, 18B to 24, 55 to 56 of the property mentioned in note 2 were subject to a mortgage in favour of Agricultural Bank of China, Futian Sub-branch as of the valuation date.

10. As advised by the Reorganized Target Group, 121 office units on Levels 25 to 28, 32 to 46, 48, 50 to 54 of the property mentioned in note 2 were subject to a mortgage in favour of China Everbright Bank, Overseas Chinese Town Sub-branch as of the valuation date.

11. As advised by the Reorganized Target Group, 18 office units on Levels 30, 31, 47 and 49 of the property mentioned in note 2 were subject to a mortgage in favour of Chinese Mercantile Bank as of the valuation date.

12. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

    a. LVGEM Real Estate is legally in possession of the land use rights of the buildings mentioned in note 2 by the means of grant and is the sole legal user of the land use rights of the buildings mentioned in note 2. Within the land use rights term, LVGEM Real Estate has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of the buildings in accordance with relevant land use rights grant contract and aforesaid Real Estate Title Certificate mentioned in note 2, and in compliance with the provisions of the relevant mortgage contracts;

    b. LVGEM Real Estate and LVGEM Asset Management have legally obtained aforesaid Real Estate Title Certificate mentioned in notes 2 and 3 and are the sole user of the buildings mentioned in notes 2 and 3 and legally holds the ownership rights of the buildings mentioned in notes 2 and 3. LVGEM Real Estate and LVGEM Asset Management have the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the buildings mentioned in notes 2 and 3 in accordance with relevant PRC laws and regulations and the usage disclosed in the Real Estate Title Certificate, in compliance with the provisions of the relevant mortgage contracts;

    c. The Company's PRC legal advisers have reviewed the samples of tenancy agreements mentioned in note 5 and have a legal opinion that such samples of tenancy agreements are legal, valid and legally binding on the contractual parties upon signing and their contents do not contravene the relevant PRC laws and regulations;

    d. The car parking spaces of the property have been constructed in accordance with the local planning provisions by the Reorganized Target Group, and the Reorganized Target Group is entitled to occupy and use such car parking spaces in accordance with the approved planning requirements and laws. Moreover, the Reorganized Target Group has obtained the operation permit for the car parking spaces issued by the relevant government authority and has the rights to legally operate and manage such car parking spaces in accordance with the laws and the contents and scope as stipulated in the Permit; and

    e. According to the Reorganized Target Group's written confirmation, except for the real estate mortgage situation mentioned above, the property is not subject to any restrictions arising from any sequestration, mortgage or any other rights.

13. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	N/A
b.	Real Estate Title Certificate	Yes

14. Our valuation has been made on the following basis and analysis:

a. LVGEM Real Estate and LVGEM Asset Management have the rights to hold the property and receive incomes from operation of the property within its land use rights terms of 50 years expiring on 7 May 2055 and 70 years expiring on 25 February 2072;

b. Based on our market research, the allowed vacancy rate losses of the commercial units of the property adopted in our valuation range from 1% to 2% considering the particular location of individual units;

c. We have considered the actual rents in existing tenancy agreements of the commercial and office units of the property and also compared with similar properties in the same district with similar tenants as the commercial units of the property for the calculation of market rent in considering (1) reversionary rental income after the expiry of the existing leases for occupied area, and (2) the rental income of vacant area. We have adopted a market monthly rent of commercial units from RMB140 to RMB480 per sq.m. (in lettable area) and a market monthly rent of office units from RMB200 to RMB590 per sq.m. (in lettable area). The monthly rents of commercial comparables range from RMB470 to RMB540 per sq.m. (in lettable area) and office comparables range from RMB320 to RMB420 per sq.m. (in lettable area), appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the market rent.

d. Based on our analysis of recent sales and lettings of similar premises in the same district, and also consider the location and characteristics of the commercial units of the property, we have applied a market yield of 5% for commercial portion and 4.5% for office portion as the capitalization rate in the valuation;

e. For the car parking spaces of the property, we have applied a market yield of 3.5% and monthly rental from RMB800 to RMB1800 per car parking spaces in our valuation considering their characteristics and market conditions.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 July 2015 *RMB*
19.	Various commercial units and car parking spaces of Phase II of LVGEM Garden located at the western side of Xinzhou Road and the northern side of Fuqiang Road Futian District Shenzhen City Guangdong Province The PRC (綠景花園二期商業、車位)	The property comprises various commercial units on Levels 1 and 2 and 648 car parking spaces within a residential development known as Phase II of LVGEM Garden which was completed in 2005. The property is located at the western side of Xinzhou Road and the northern side of Fuqiang Road in Futian District of Shenzhen City and is close to Shawei Metro Station which is currently under construction. It is within 3 minutes' driving distance to Shenzhen Convention and Exhibition Center. In addition, the locality of the property is a developed residential area with a good natural environment with 20 minutes' walk to Shenzhen Golf Club and Shenzhen Bay. The property has a total gross floor area of approximately 41,278.64 sq.m. The details are set out as follows: **Usage** / **Gross Floor Area (sq.m.)** Commercial 20,611.54 648 car parking spaces 20,667.10 **Total: 41,278.64** The land use rights of the property have been granted for a term of 70 years expiring on 4 February 2071 for commercial, residential, office and ancillary uses.	The commercial units of the property with a total lettable area of approximately 20,986.92 sq.m. were leased to various tenants for commercial use as of the valuation date. For the car parking spaces of the property, please refer to note 4 for details.	488,400,000 (100% interest attributable to the Reorganized Target Group: RMB488,400,000)

Notes:

1. Pursuant to 3 Real Estate Title Certificates (the "**RETCs**"), 3 commercial units of the property with a total gross floor area of approximately 20,611.54 sq.m. are owned by Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司) ("**LVGEM Real Estate**", a wholly-owned subsidiary of the Target Company). The relevant land use rights of the property have been granted to LVGEM Real Estate for a term of 70 years expiring on 4 February 2071 for commercial, residential, office and ancillary uses. The details are set out as follows:

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(1)	Shen Fang Di Zi Di No. 3000415301	No. 104 of the podium	351.99	Commercial
(2)	Shen Fang Di Zi Di No. 3000357992	No. 101 of the podium	19,201.83	Commercial
(3)	Shen Fang Di Zi Di No. 3000415304	No. 202 of the podium	1,057.72	Commercial
	Total:		**20,611.54**	

2. In respect of the 648 car parking spaces of the property, the Reorganized Target Group has obtained the operation permit issued by the relevant government authority.

3. As advised by the Reorganized Target Group, the commercial units of the property have a total lettable area of approximately 20,986.92 sq.m. According to 12 Tenancy Agreements, the commercial units of the property with a total lettable area of approximately 20,986.92 sq.m. were leased to various tenants with expiry dates between 31 October 2015 and 30 April 2024. The total monthly rental as of the valuation date were approximately RMB1,294,000 exclusive of management fees, water and electricity charges.

4. As advised by the Reorganized Target Group, the car parking spaces of the property are mainly subject to tenancies on short-term monthly basis.

5. As advised by the Reorganized Target Group, 2 commercial units of the property mentioned in note 1 were subject to a mortgage in favour of Agricultural Bank of China, Futian Sub-branch as of the valuation date.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. LVGEM Real Estate is legally in possession of the land use rights of the property by the means of grant and is the sole legal user of the land use rights of the property. Within the land use rights term, LVGEM Real Estate has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of property in accordance with relevant land use rights grant contract and aforesaid Real Estate Title Certificate, and in compliance with the provisions of the relevant mortgage contracts;

   b. LVGEM Real Estate has legally obtained aforesaid Real Estate Title Certificate and is the sole user of the buildings of the property and legally holds the ownership rights of the buildings of the property. LVGEM Real Estate has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the buildings of the property in accordance with relevant PRC laws and regulations and the usage disclosed in the Real Estate Title Certificate, and in compliance with the provisions of the relevant mortgage contracts;

   c. The Company's PRC legal advisers have reviewed the samples of tenancy agreements mentioned in note 3 and have a legal opinion that such samples of tenancy agreements are legal, valid and legally binding on the contractual parties upon signing and their contents do not contravene the relevant PRC laws and regulations;

d. The car parking spaces of the property have been constructed in accordance with the local planning provisions by LVGEM Real Estate, and LVGEM Real Estate is entitled to occupy and use such car parking spaces in accordance with the approved planning requirements and laws. Moreover, LVGEM Real Estate has obtained the operation permit for the car parking spaces issued by the relevant government authority and has the rights to legally operate and manage such car parking spaces in accordance with the laws and the contents and scope as stipulated in the Permit; and

e. According to the Reorganized Target Group's written confirmation, except for the real estate mortgage situation mentioned above, the property is not subject to any restrictions arising from any sequestration, mortgage or any other rights.

7. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	N/A
b.	Real Estate Title Certificate	Yes

8. Our valuation has been made on the following basis and analysis:

a. LVGEM Real Estate has the rights to hold the property and receive incomes from operation of the property within its land use rights term expiring on 4 February 2071;

b. Based on our market research, the allowed vacancy rate losses of the commercial units of the property adopted in our valuation range from 0% to 3% considering the particular location of individual units;

c. We have considered the actual rents in existing tenancy agreements of the commercial units of the property and also compared with similar properties in the same district with similar tenants as the commercial units of the property for the calculation of market rent in considering (1) reversionary rental income after the expiry of the existing leases for occupied area, and (2) the rental income of vacant area. We have adopted a market monthly rent from RMB100 to RMB500 per sq.m. The monthly rents of the comparables range from RMB300 to RMB500 per sq.m. (in lettable area), appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the market rent.

d. Based on our analysis of recent sales and lettings of similar premises in the same district, and also consider the location and characteristics of the commercial units of the property, we have applied a market yield of 5% as the capitalization rate in the valuation;

e. For the car parking spaces of the property, we have applied a market yield of 3% and monthly rental of RMB250 per car parking spaces in our valuation considering their characteristics and market conditions.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 July 2015 *RMB*
20.	Various commercial units, ancillary units and car parking spaces of LVGEM Garden Estate located at No. 1185 Jin Dao Tian Road Luohu District Shenzhen City Guangdong Province The PRC (綠景山莊商業、車位)	The property comprises various commercial units, ancillary units and 100 car parking spaces within a residential development known as known as LVGEM Garden Estate which was completed in 2000. The property is located at the southern side of Jin Dao Tian Road and close to Guohuai Road in Caopu area in Luohu District of Shenzhen City. The subject area of the property is served by several bus lines, Longgang Railway Line and well-established public facilities. The locality of the property is a mature residential area with several parks and schools. The property has a total gross floor area of approximately 7,016.25 sq.m. The details are set out as follows: **Usage** / **Planned Gross Floor Area (sq.m.)** Commercial 1,431.39 Market 580.00 Ancillary 1,804.86 100 car parking spaces 3,200.00 **Total: 7,016.25** The land use rights of the property have been granted for a term of 70 years expiring on 8 March 2068 for residential and commercial uses.	The commercial and ancillary units of the property with a total lettable area of approximately 3,819.64 sq.m. were leased to various tenants for commercial and ancillary uses as of the valuation date. For the car parking spaces of the property, please refer to note 4 for details.	82,500,000 (100% interest attributable to the Reorganized Target Group: RMB82,500,000)

Notes:

1. Pursuant to 18 Real Estate Title Certificates (the "**RETCs**"), 13 commercial units, a market and 4 ancillary units of the property with a total gross floor area of approximately 3,816.25 sq.m. are owned by Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司) ("**LVGEM Real Estate**", a wholly-owned subsidiary of the Target Company). The relevant land use rights of the property have been granted to LVGEM Real Estate for a term of 70 years expiring on 8 March 2068 for commercial, financial, market, apartment and ancillary uses. The details are set out as follows:

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage
(1)	Shen Fang Di Zi Di No. 2000249434	Commercial podium 0102	70.11	Commercial and Financial
(2)	Shen Fang Di Zi Di No. 2000249435	Commercial podium 0107	87.94	Commercial and Financial
(3)	Shen Fang Di Zi Di No. 2000249436	Commercial podium 0111	87.94	Commercial and Financial
(4)	Shen Fang Di Zi Di No. 2000249437	Commercial podium 0113	130.06	Commercial and Financial
(5)	Shen Fang Di Zi Di No. 2000249438	Commercial podium 0114	85.89	Commercial and Financial
(6)	Shen Fang Di Zi Di No. 2000249439	Commercial podium 0115	87.94	Commercial and Financial
(7)	Shen Fang Di Zi Di No. 2000249440	Commercial podium 0116	191.94	Commercial and Financial
(8)	Shen Fang Di Zi Di No. 2000249441	Commercial podium 0118	104.00	Commercial and Financial
(9)	Shen Fang Di Zi Di No. 2000249442	Commercial podium 0119	87.94	Commercial and Financial
(10)	Shen Fang Di Zi Di No. 2000249443	Commercial podium 0120	87.94	Commercial and Financial
(11)	Shen Fang Di Zi Di No. 2000249444	Commercial podium 0103	54.87	Commercial and Financial
(12)	Shen Fang Di Zi Di No. 2000250265	Commercial podium 0122	268.93	Commercial and Financial
(13)	Shen Fang Di Zi Di No. 2000250266	Commercial podium 0121	85.89	Commercial and Financial
(14)	Shen Fang Di Zi Di No. 2000314897	Level 2 of Commercial podium East	580.00	Market
(15)	Shen Fang Di Zi Di No. 2000316211	Kindergarten 01	479.79	Ancillary
(16)	Shen Fang Di Zi Di No. 2000316219	Kindergarten 02	619.31	Ancillary
(17)	Shen Fang Di Zi Di No. 2000316217	Kindergarten 03	454.95	Ancillary
(18)	Shen Fang Di Zi Di No. 2000316216	Kindergarten 04	250.81	Ancillary
	Total:		**3,816.25**	

2. In respect of the 100 car parking spaces of the property, the Reorganized Target Group has obtained the operation permit issued by the relevant government authority.

3. As advised by the Reorganized Target Group, the commercial and ancillary units of the property have a total lettable area of approximately 3,819.64 sq.m. According to 3 Tenancy Agreements and relevant Supplement Agreements, the commercial and ancillary units of the property with a total lettable area of approximately 3,819.64 sq.m. were leased to various tenants with expiry dates between 31 August 2016 and 30 September 2019. The total monthly rental as of the valuation date were approximately RMB148,000 exclusive of management fees, water and electricity charges.

4. As advised by the Reorganized Target Group, the car parking spaces of the property are mainly subject to tenancies on short-term monthly basis.

5. As advised by the Reorganized Target Group, 11 commercial and financial units of the property mentioned in note 1 were subject to a mortgage in favour of Bank of Communications, Tian'an Sub-branch as of the valuation date.

6. As advised by the Reorganized Target Group, the market on Level 2 of Commercial podium East of the property mentioned in note 1 was subject to a mortgage in favour of Ping An Bank as of the valuation date.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. LVGEM Real Estate is legally in possession of the land use rights of the property by the means of grant and is the sole legal user of the land use rights of the property. Within the land use rights term, LVGEM Real Estate has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of property in accordance with relevant land use rights grant contract and aforesaid Real Estate Title Certificate, and in compliance with the provisions of the relevant mortgage contracts;

   b. LVGEM Real Estate has legally obtained aforesaid Real Estate Title Certificate and is the sole user of the buildings of the property and legally holds the ownership rights of the buildings of the property. LVGEM Real Estate has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the buildings of the property in accordance with relevant PRC laws and regulations and the usage disclosed in the Real Estate Title Certificate, and in compliance with the provisions of the relevant mortgage contracts;

   c. The Company's PRC legal advisers have reviewed the samples of tenancy agreements mentioned in note 3 and have a legal opinion that such samples of tenancy agreements are legal, valid and legally binding on the contractual parties upon signing and their contents do not contravene the relevant PRC laws and regulations;

   d. The car parking spaces of the property have been constructed in accordance with the local planning provisions by LVGEM Real Estate, and LVGEM Real Estate is entitled to occupy and use such car parking spaces in accordance with the approved planning requirements and laws. Moreover, LVGEM Real Estate has obtained the operation permit for the car parking spaces issued by the relevant government authority and has the rights to legally operate and manage such car parking spaces in accordance with the laws and the contents and scope as stipulated in the Permit; and

   e. According to the Reorganized Target Group's written confirmation, except for the real estate mortgage situation mentioned above, the property is not subject to any restrictions arising from any sequestration, mortgage or any other rights.

8. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	N/A
b.	Real Estate Title Certificate	Yes

9. Our valuation has been made on the following basis and analysis:

a. LVGEM Real Estate has the rights to hold the property and receive incomes from operation of the property within its land use rights term expiring on 8 March 2068;

b. Based on our market research, the allowed vacancy rate losses of the commercial units of the property adopted in our valuation range from 1% to 2% considering the particular location of individual units;

c. We have considered the actual rents in existing tenancy agreements of the commercial and ancillary units of the property and also compared with similar properties in the same district with similar tenants as the commercial units of the property for the calculation of market rent in considering (1) reversionary rental income after the expiry of the existing leases for occupied area, and (2) the rental income of vacant area. We have adopted a market monthly rent of commercial units from RMB100 to RMB160 per sq.m. (in lettable area) and a market monthly rent of ancillary units of RMB30 per sq.m. (in lettable area). The monthly rents of commercial comparables range from RMB80 to RMB150 per sq.m. (in lettable area) and ancillary comparables range from RMB20 to RMB40 per sq.m. (in lettable area), appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the market rent.

d. Based on our analysis of recent sales and lettings of similar premises in the same district, and also consider the location and characteristics of the commercial units of the property, we have applied a market yield of 4.5% for commercial portion and 3% for office portion as the capitalization rate in the valuation;

e. For the car parking spaces of the property, we have applied a market yield of 3% and monthly rental from RMB250 per car parking spaces in our valuation considering their characteristics and market conditions.

VALUATION CERTIFICATE

Group IV – Property interests held under development by the Reorganized Target Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 July 2015 *RMB*
21.	Hongwan Garden located at the northern side of North Ring Avenue and the eastern side of Meilin Road Futian District Shenzhen City Guangdong Province The PRC (虹灣花園)	The property comprises a parcel of land with a site area of approximately 32,785.1 sq.m. and a residential and commercial development (known as Hongwan Garden) which was being constructed thereon as of the valuation date. The property is located at the northern side of North Ring Avenue and the eastern side of Meilin Road in Futian District of Shenzhen City. The subject area of the property is well-served by public transportation with 10 minutes' driving distance to the city centre. The property is within 20 minutes' walk to Tanglang Mountain Park, Lianhua Mountain Park, Meilin Park and the metro station of Line 2. The development of the property is scheduled to be completed in October 2015. Upon completion, the development will have a total planned gross floor area of approximately 367,372.48 sq.m. The details are set out as below:	The property was under construction as of the valuation date.	6,260,000,000 (100% interest attributable to the Reorganized Target Group: RMB6,260,000,000)

Usage	Planned Gross Floor Area (sq.m.)
Residential	114,035.56
Resettlement housing	65,375.47
Commercial	34,481.06
Resettlement commercial	5,885.57
Public facilities and others	14,885.42
Basement (including 1,310 car parking spaces)	132,709.40
Total:	**367,372.48**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 July 2015 *RMB*
		(Please refer to note 7 for details.) The total construction cost is estimated to be approximately RMB2,533,000,000, of which approximately RMB1,424,000,000 had been paid as of the valuation date. The land use rights of the property have been granted for a term of 70 years expiring on 15 December 2081 for residential and commercial uses.		

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – Shen Di He Zi (2011) No.6017 dated 21 December 2011 entered into between the Planning and Land Administration Bureau of Futian District of Shenzhen City, Shenzhen Xiameilin Industry Co., Ltd. (深圳市下梅林實業股份有限公司) ("**Xiameilin Industry**") and Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司) ("**LVGEM Real Estate**", a wholly-owned subsidiary of the Target Company), the land use rights of a parcel of land were contracted to be granted to Xiameilin Industry and LVGEM Real Estate with the particulars as follows.

Site Area	:	32,361.44 sq.m.
Land Use	:	Residential
Land Term	:	70 years for residential use
Plot Ratio	:	≤6.9
Land Premium	:	RMB107,733,610

2. Pursuant to a Construction Land Planning Permit – Shen Gui Tu Xu No. ZS-2011-0029, permission towards the planning of the aforesaid land parcel with a site area of approximately 32,785.1 sq.m. has been granted to LVGEM Real Estate and Xiameilin Industry.

3. Pursuant to a State-owned Land Use Rights Certificate – Shen Fang Di Zi Di No. 3000678132, the land use rights of the property with a site area of approximately 32,785.1 sq.m. have been granted to LVGEM Real Estate and Xiameilin Industry for a term of 70 years expiring on 15 December 2081 for residential and commercial uses.

4. Pursuant to a Construction Work Planning Permit – Shen Gui Tu Jian Xu Zi No. ZS-2012-0043 issued by the Urban Planning land and Resources Commission of Shenzhen City in favour of LVGEM Real Estate and Xiameilin Industry, the construction works of Hongwan Garden with a gross floor area of approximately 367,372.48 sq.m. have been approved.

5. Pursuant to a Construction Work Commencement Permit – No. 44030420120404001 issued by the Housing and Construction Bureau of Futian District of Shenzhen City in favour of LVGEM Real Estate and Xiameilin Industry, the commencement of the construction works of Hongwan Garden with a gross floor area of approximately 367,372.48 sq.m. has been permitted.

6. Pursuant to a Pre-sale Permit – Shen Fang Xu Zi (2014) Fu Tian No. 011, LVGEM Real Estate and Xiameilin Industry is entitled to sell 1,211 residential units of Hongwan Garden with a total gross floor area of approximately 113,895.09 sq.m. to purchasers.

7. As advised by the Reorganized Target Group, portions of the property with a total gross floor area of approximately 75,294.94 sq.m. have been pre-sold to various purchasers at a total consideration of RMB3,594,870,002. Such portions of the property have not been legally and virtually transferred to purchasers and therefore have been included in our valuation. In arriving at our opinion of the market value of the property, we have taken into account the contracted price of such portions.

   The market value of the property as if completed as of the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB 7,029,000,000. Furthermore, the resettlement housing portion with a total gross floor area of approximately 65,375.47 sq.m. and the resettlement commercial portion with a total gross floor area of approximately 5,885.57 sq.m. have not been taken into account in the market value of the property as if completed as at the valuation date.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. LVGEM Real Estate is legally in possession of the land use rights of the property by the means of grant and is the sole legal user of the land use rights of the property (except for the land use rights of Xiameilin Industry and public facilities). Within the land use rights term, LVGEM Real Estate has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of property in accordance with relevant Land Use Rights Grant Contract and aforesaid Real Estate Title Certificate;

   b. LVGEM Real Estate has obtained all the necessary approvals, permits and certificates for the current stage of the construction work. As advised by the Company's PRC legal advisors, there is no evidence that the obtained approvals, permits and certificates of the construction works are abolished, modified, repealed or revoked;

   c. LVGEM Real Estate and Xiameilin Industry have obtained necessary Pre-Sale Permit, LVGEM Real Estate and Xiameilin Industry are entitled to pre-sale the pre-sale scope according to the Pre-Sale Permit; and

   d. According to the Reorganized Target Group's written confirmation, the property is not subject to any restrictions arising from any sequestration, mortgage or any other rights.

9. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Construction Land Planning Permit	Yes
d.	Construction Work Planning Permit	Yes
e.	Construction Work Commencement Permit	Yes
f.	Pre-sale Permit	Yes
g.	Construction Work Completion and Inspection Certificate/Table	N/A

10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation of the property as if completed, we have made reference to various recent sales prices of residential and commercial premises as well as car parking spaces within the same district. These comparable properties are selected as they have characteristics comparable to the property. We have gathered the comparables of the similar type of residential development within the same district. The prices of residential premises range from RMB45,000 to RMB50,000 per sq.m. The prices of commercial premises of ground floor range from RMB35,000 to RMB45,000 per sq.m. In respect of car parking spaces, the prices range from RMB80,000 to RMB130,000 per lot. The unit rates assumed by us are consistent with the sales prices of relevant comparables after due adjustment. Due adjustments to the unit rates of those sales prices have been made to reflect to the difference in building age, location, size and condition and other characters. In valuing the property, we have adopted the assumed average unit rate of RMB48,000 per sq.m. for the residential portion, RMB41,500 per sq.m. for the commercial portion and RMB86,000 to RMB125,000 per lot for the car parking spaces portion.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 July 2015 *RMB*
22.	Mangrove Luxury Garden located at the junction of Shazui Road and Jindi First Road Futian District Shenzhen City Guangdong Province The PRC (紅樹華府)	The property comprises a parcel of land with a total site area of approximately 24,423.61 sq.m. and a residential and commercial development (known as Mangrove Luxury Garden) which was being constructed thereon as of the valuation date. The property is located at the junction of Shazui Road and Jindi First Road. The locality of the property enjoys elegant environment with 20 minutes' walk to Mangrove Seashore Park and the beautiful sea view. The subject area is well-served by adequate facilities and public transportation along the main roads. The development of the property is scheduled to be completed in March 2017. Upon completion, the development will have a total planned gross floor area of approximately 305,450.41 sq.m. The details are set out as below: **Usage** / **Planned Gross Floor Area (sq.m.)** Residential 91,054.00 Apartment 27,633.00 Commercial 11,500.00 Resettlement commercial 14,000.00 Office 4,000.00 Resettlement office 30,184.00 Resettlement hotel 29,816.00 Public facilities and others 10,105.51 Basement (including 9,000 sq.m. commercial units and 1,200 car parking spaces) 87,157.90 **Total: 305,450.41** (Please refer to note 6 for details.)	The property was under construction as of the valuation date.	5,900,000,000 (100% interest attributable to the Reorganized Target Group: RMB5,900,000,000)

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 July 2015 *RMB*
		The total construction cost is estimated to be approximately RMB1,731,000,000, of which approximately RMB619,000,000 had been paid as of the valuation date. The land use rights of the property have been granted for a term of 50 years expiring on 22 November 2062 for residential and commercial service uses.		

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – Shen Di He Zi (2012) No. 6023 dated 27 December 2012 entered into between the Planning and Land Administration Bureau of Futian District of Shenzhen City, Shenzhen Shaju Industry Co., Ltd. (深圳市沙咀實業股份有限公司), ("**Shaju Industry**") and Shenzhen Longkanghong Investment Development Co., Ltd. (深圳市龍康弘投資發展有限公司), ("**Shenzhen Longkanghong**", a wholly-owned subsidiary of the Target Company), the land use rights of a parcel of land were contracted to be granted to Shaju Industry and Shenzhen Longkanghong with the particulars as follows.

Site Area	:	24,423.61sq.m.
Land Use	:	Residential and Commercial
Land Term	:	50 years
Plot Ratio	:	≤8.59
Land Premium	:	RMB256,638,058

2. Pursuant to a Construction Land Planning Permit – Shen Gui Tu Xu No. ZS-2015-0008, permission towards the planning of the aforesaid land parcel with a total site area of approximately 24,423.61 sq.m. has been granted to Shenzhen Longkanghong and Shaju Industry.

3. Pursuant to a State-owned Land Use Rights Certificate – Shen Fang Di Zi Di No. 3000748772, the land use rights of the property with a site area of approximately 24,423.61 sq.m. have been granted to Shenzhen Longkanghong and Shaju Industry for a term of 50 years expiring on 22 November 2062 for residential and commercial service uses.

4. Pursuant to a Construction Work Planning Permit – Shen Gui Tu Jian Xu Zi No. ZS-2014-0040 issued by the Urban Planning land and Resources Commission of Shenzhen City in favour of Shenzhen Longkanghong and Shaju Industry, the construction works of Mangrove Luxury Garden with a total planned gross floor area of approximately 305,450.41 sq.m. have been approved.

5. Pursuant to a Construction Work Commencement Permit – No. 44030420140009002 dated 25 July 2014 issued by the Housing and Construction Bureau of Futian District of Shenzhen City in favour of Shenzhen Longkanghong and Shaju Industry, the commencement of the construction works of Mangrove Luxury Garden with a gross floor area of approximately 305,450.41 sq.m. has been permitted.

6. The market value of the property as if completed as of the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB8,492,000,000. Furthermore, the resettlement commercial portion with a total gross floor area of approximately 14,000 sq.m., the resettlement office portion with a total gross floor area of approximately 30,184 sq.m. and the resettlement hotel portion with a total gross floor area of approximately 29,816 sq.m. have not been taken into account in the market value of the property as if completed as at the valuation date.

7. As advised by the Reorganized Target Group, a land parcel of the property mentioned in note 3 was subject to a mortgage in favour of Bo Hai International Trust Co., Ltd. and Bank of Shang Hai as of the valuation date.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. Shenzhen Longkanghong is legally in possession of the land use rights of the property by the means of grant. Shenzhen Longkanghong and Shaju Industry are the legal users of the land use rights of the property. Within the land use rights term, Shenzhen Longkanghong has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of property in accordance with relevant Land Use Rights Grant Contract and the State-owned Land Use Rights Certificate, in compliance with the provisions of the relevant mortgage contracts;

   b. Shenzhen Longkanghong has obtained all the necessary approvals, permits and certificates for the current stage of the construction work. As advised by the Company's PRC legal advisors, there is no evidence that the obtained approvals, permits and certificates of the construction works are abolished, modified, repealed or revoked, in compliance with the provisions of the relevant mortgage contracts; and

   c. According to the Reorganized Target Group's written confirmation, except for the land use right mortgage mentioned above, the property is not subject to any restrictions arising from any sequestration, mortgage or any other rights.

9. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Construction Land Planning Permit	Yes
d.	Construction Work Planning Permit	Yes
e.	Construction Work Commencement Permit	Yes
f.	Pre-sale Permit	N/A
g.	Construction Work Completion and Inspection Certificate/Table	N/A

10. Our valuation has been made on the following basis and analysis:

    In undertaking our valuation of the property as if completed, we have made reference to various recent sales prices of residential, apartment and commercial premises as well as car parking spaces within the same district. These comparable properties are selected as they have characteristics comparable to the property. We have gathered the comparables of the similar type of residential development within the same district. The prices of residential premises range from RMB55,000 to RMB70,000 per sq.m. The price of commercial premises range from RMB35,000 to RMB45,000 per sq.m. The price of office premises range from RMB40,000 to RMB60,000 per sq.m. In respect of car parking spaces, the prices range from RMB75,000 to RMB100,000 per lot. The unit rates assumed by us are consistent with the sales prices of relevant comparables after due adjustment. Due adjustments to the unit rates of those sales prices have been made to reflect to the difference in building age, location, size and condition and other characters. In valuing the property as if completed, we have assumed unit rate from RMB60,000 to RMB63,000 per sq.m. for the residential portion, RMB41,500 per sq.m. for the commercial portion, RMB40,000 to RMB50,000 per sq.m. for the office portion and RMB76,000 to RMB100,000 per lot for the car parking spaces portion.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 July 2015 *RMB*
23.	Block A2 of LVGEM International Garden located at the northwest side of Juzhou Park, Hexi Road Huazhou County Maoming City Guangdong Province The PRC (綠景國際花城A2區)	The property comprises 3 parcels of land with a total site area of approximately 55,032.20 sq.m. and a commercial and residential development known as Block A2 of LVGEM International Garden which was being constructed thereon as of the valuation date. The property is located at the northwest side of Juzhou Park, Hexi Road, Huazhou County, Maoming City. The subject area of the property is well-served by public transportation with 10 minutes' driving distance to the city centre. The locality of the property is a well-developed residential area with a good natural environment with and 20 minutes' walk to Juzhou Park. The development of the property is scheduled to be completed in November 2015. Upon completion, the development will have a total planned gross floor area of approximately 211,838.67 sq.m. The details are set out as below:	The property was under construction as of the valuation date.	819,000,000 (100% interest attributable to the Reorganized Target Group: RMB819,000,000)

Usage	Planned Gross Floor Area (sq.m.)
Residential	144,179.19
Commercial	25,198.96
Others	5,366.04
Basement (including 922 car parking spaces)	37,094.48
Total:	**211,838.67**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 July 2015 *RMB*
		The total construction cost is estimated to be approximately RMB578,000,000 of which approximately RMB479,000,000 had been paid as of the valuation date. The land use rights of the property have been granted for terms of 70 years expiring on 22 April 2082, 7 November 2083 and 14 Mar 2084, for residential use and 40 years expiring on 22 April 2052, 7 November 2053 and 14 Mar 2054 for commercial use, respectively.		

Notes:

1. Pursuant to 3 State-owned Land Use Rights Grant Contracts – Nos. 440982-2012-000007, 440982-2013-000013 and 440982-2014-000012 dated 31 December 2011, 16 May 2013 and 10 April 2014 respectively entered into between the State-owned Land Resources Bureau of Huazhou County and Huazhou LVGEM Real Estate Development Co., Ltd. (化州市綠景房地產開發有限公司) ("**Huazhou LVGEM**", a wholly-owned subsidiary of the Target Company), the land use rights of parcels of land (including the land use rights of the property) were contracted to be granted to Huazhou LVGEM with the particulars as follows:

Contract No.	:	No. 440982-2012-000007
Site Area	:	40,338.16 sq.m.
Land Use	:	Residential and Commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	≥1 and ≤3
Land Premium	:	RMB13,739,581

Contract No.	:	No. 440982-2013-000013
Site Area	:	11,477.04 sq.m.
Land Use	:	Residential and Commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	≥1 and ≤3
Land Premium	:	RMB22,040,000

Contract No.	:	No. 440982-2014-000012
Site Area	:	3,217 sq.m.
Land Use	:	Residential and Commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	≥1 and ≤3
Land Premium	:	RMB6,031,875

2. Pursuant to 2 Construction Land Planning Permits, permission towards the planning of the aforesaid land parcels with a total site area of approximately 55,032.64 sq.m. has been granted to Huazhou LVGEM. The details are set out as follows:

No.	Permit No.	Site Area (sq.m.)	Issuance date
(1)	Di Zi Di Jian Di No.[2013]136	11,477.04	30 September 2013
(2)	Di Zi Di Jian Di No.[2014]44	43,555.60	15 March 2014
	Total:	**55,032.64**	

3. Pursuant to 3 State-owned Land Use Rights Certificates (the "**LURCs**"), the land use rights of the property with a total site area of approximately 55,032.20 sq.m. have been granted to Huazhou LVGEM. The details are set out as follows:

No.	LURC No.	Site Area (sq.m.)	Expiry Date	Usage
(1)	Hua Guo Yong (2012) Di No. 0000347	40,338.16	22 April 2082	Residential
			22 April 2052	Commercial
(2)	Hua Guo Yong (2013) Di No. 0000911	11,477.04	7 November 2083	Residential
			7 November 2053	Commercial
(3)	Hua Guo Yong (2014) Di No. 0000235	3,217.00	14 Mar 2084	Residential
			14 Mar 2054	Commercial
	Total:	**55,032.20**		

4. Pursuant to a Construction Work Planning Permit – Di Zi Jian Zi Di No. [2014] 38 dated 20 March 2014 issued by the Urban Construction Bureau of Huazhou County in favour of Huazhou LVGEM, the construction works of Block A2 of LVGEM International Garden with a total gross floor area of approximately 212,134.93 sq.m. have been approved.

5. Pursuant to 2 Construction Work Commencement Permits issued by the Urban and Rural Construction Bureau of Huazhou County in favour of Huazhou LVGEM, the commencement of the construction works of Block A2 of LVGEM International Garden with a total gross floor area of approximately 212,134.93 sq.m. has been permitted. The details are set out as follows:

No.	Permit No.	Gross Floor Area (sq.m.)	Issuance date
(1)	440982201404230101	33,409.09	23 April 2014
(2)	440982201403270101	178,725.84	27 Mar 2014
	Total:	**212,134.93**	

6. Pursuant to a Pre-sale Permit – Hua Fang (Pre-sale) Xu Zi [2014] Di No. 12 dated 26 August 2014, Huazhou LVGEM is entitled to sell 6 buildings (Blocks A2-1, A2-2, A2-3, A2-5, A2-6, and A2-7) of Block A2 of LVGEM International Garden with a total gross floor area of approximately 144,180 sq.m. to purchasers.

7. As advised by the Reorganized Target Group, portion of the property with a total gross floor area of 65,485.2 sq.m. have been pre-sold to various purchasers at a total consideration of RMB267,679,483. Such portions of the property have not been legally and virtually transferred and therefore we have included the portions in our valuation. In arriving at our opinion of the market value of the property, we have taken into account the contracted prices of such portions.

8. The market value of the property as if completed as of the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB898,110,000.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. Huazhou LVGEM is legally in possession of the land use rights of the property by the means of grant and is the sole legal user of the land use rights of the property. Within the land use rights term, Huazhou LVGEM has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of property in accordance with relevant land use rights grant contract and aforesaid State-owned Land Use Rights Certificate;

   b. Huazhou LVGEM has obtained all the necessary approvals, permits and certificates for the current stage of the construction work. As advised by the Company's PRC legal advisors, there is no evidence that the obtained approvals, permits and certificates of the construction works are abolished, modified, repealed or revoked;

   c. Huazhou LVGEM has obtained necessary Pre-sale Permit, Huazhou LVGEM is entitled to pre-sale the pre-sale scope according to the Pre-Sale Permit; and

   d. According to the Reorganized Target Group's written confirmation, the property is not subject to any restrictions arising from any sequestration, mortgage or any other rights.

10. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Construction Land Planning Permit	Yes
d.	Construction Work Planning Permit	Yes
e.	Construction Work Commencement Permit	Yes
f.	Pre-sale Permit	Yes
g.	Construction Work Completion and Inspection Certificate/Table	N/A

11. Our valuation has been made on the following basis and analysis:

    In undertaking our valuation of the property, we have made reference to various recent sales prices of residential and commercial premises as well as car parking spaces within the same district. These comparable properties are selected as they have characteristics comparable to the property. We have gathered the comparables of the similar type of residential development within the same district. The prices of residential premises range from RMB4,000 to RMB4,700 per sq.m. The prices of commercial premises of ground floor range from RMB9,000 to RMB22,000 per sq.m. In respect of car parking spaces, the prices range from RMB90,000 to RMB130,000 per lot. The unit rates assumed by us are consistent with the sales prices of relevant comparables after due adjustment. Due adjustments to the unit rates of those sales prices have been made to reflect to the difference in building age, location, size and condition and other characters. In undertaking our valuation of the property as if completed, we have adopted the assumed average unit rate of RMB4,100 for the residential portion, RMB4,800 to RMB12,000 per sq.m. for the commercial portion and RMB100,000 per lot for the car parking spaces portion.

VALUATION CERTIFICATE

Group V – Property interests held for future development by the Reorganized Target Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 July 2015 *RMB*
24.	20 parcels of land of LVGEM International Garden located at the northwest side of Juzhou Park, Hexi Road Huazhou County Maoming City Guangdong Province The PRC (綠景國際花城)	The property comprises 20 parcels of land with a site area of approximately 714,534.35 sq.m. which is planned to be developed into a commercial and residential development known as LVGEM International Garden. The property is located at the northwest side of Juzhou Park, Hexi Road, Huazhou County, Maoming City. The subject area of the property is well-served by public transportation with 10 minutes' driving distance to the city centre. The locality of the property is a well-developed residential area with a good natural environment and 20 minutes' walk to Juzhou Park. The land use rights of the property have been granted for terms of 40 years expiring on 22 April 2052 for commercial use and 70 years expiring on 22 April 2082 for residential use, respectively.	The property was vacant as of the valuation date.	1,340,000,000 (100% interest attributable to the Reorganized Target Group: RMB1,340,000,000)

Notes:

1. Pursuant to 20 State-owned Land Use Rights Grant Contracts – Nos. 440982-2012-000010 to 440982-2012-000029 dated 31 November 2011 entered into between the State-owned Land Resources Bureau of Huazhou County and Huazhou LVGEM Real Estate Development Co., Ltd. (化州市綠景房地產開發有限公司) ("**Huazhou LVGEM**", a wholly-owned subsidiary of the Target Company), the land use rights of 20 parcels of land (including the land use rights of the property) were contracted to be granted to Huazhou LVGEM with the particulars as follows:

Contract No	:	440982-2012-000010
Site Area	:	52,742.57 sq.m.
Land Use	:	Residential and Commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	≥1 and ≤3

Contract No	:	440982-2012-000011
Site Area	:	37,700.35 sq.m.
Land Use	:	Residential and Commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	≥1 and ≤3
Land Premium	:	RMB12,841,116

Contract No	:	440982-2012-000012
Site Area	:	69,842.07 sq.m.
Land Use	:	Residential and Commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	≥1 and ≤3
Land Premium	:	RMB23,788,907

Contract No	:	440982-2012-000013
Site Area	:	39,802.2 sq.m.
Land Use	:	Residential and Commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	≥1 and ≤3
Land Premium	:	RMB13,557,027

Contract No	:	440982-2012-000014
Site Area	:	61,490.16 sq.m.
Land Use	:	Residential and Commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	≥1 and ≤3
Land Premium	:	RMB20,944,163

Contract No	:	440982-2012-000015
Site Area	:	58,476.64 sq.m.
Land Use	:	Residential and Commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	≥1 and ≤3
Land Premium	:	RMB19,917,728

Contract No	:	440982-2012-000016
Site Area	:	31,345.58 sq.m.
Land Use	:	Residential and Commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	≥1 and ≤3
Land Premium	:	RMB10,676,618

Contract No	:	440982-2012-000017
Site Area	:	54,547.34 sq.m.
Land Use	:	Residential and Commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	≥1 and ≤3
Land Premium	:	RMB18,579,369

Contract No	:	440982-2012-000018
Site Area	:	35,530.41 sq.m.
Land Use	:	Residential and Commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	≥1 and ≤3
Land Premium	:	RMB12,102,013

Contract No	:	440982-2012-000019
Site Area	:	35,013.08 sq.m.
Land Use	:	Residential and Commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	≥1 and ≤3
Land Premium	:	RMB11,925,805

Contract No	:	440982-2012-000020
Site Area	:	26,850.01 sq.m.
Land Use	:	Residential and Commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	≥1 and ≤3
Land Premium	:	RMB9,145,382

Contract No	:	440982-2012-000021
Site Area	:	23,978.02 sq.m.
Land Use	:	Residential and Commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	≥1 and ≤3
Land Premium	:	RMB8,167,153

Contract No	:	440982-2012-000022
Site Area	:	47,107.58 sq.m.
Land Use	:	Residential and Commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	≥1 and ≤3
Land Premium	:	RMB16,045,313

Contract No	:	440982-2012-000023
Site Area	:	36,163.73 sq.m.
Land Use	:	Residential and Commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	≥1 and ≤3
Land Premium	:	RMB12,317,728

Contract No	:	440982-2012-000024
Site Area	:	18,848.14 sq.m.
Land Use	:	Residential and Commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	≥1 and ≤3
Land Premium	:	RMB6,419,865

Contract No	:	440982-2012-000025
Site Area	:	20,389.59 sq.m.
Land Use	:	Residential and Commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	≥1 and ≤3
Land Premium	:	RMB6,944,898

Contract No	:	440982-2012-000026
Site Area	:	21,168.77 sq.m.
Land Use	:	Residential and Commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	≥1 and ≤3
Land Premium	:	RMB7,210,295

Contract No	:	440982-2012-000027
Site Area	:	16,123.46 sq.m.
Land Use	:	Residential and Commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	≥1 and ≤3
Land Premium	:	RMB5,491,812

Contract No	:	440982-2012-000028
Site Area	:	23,789.52 sq.m.
Land Use	:	Residential and Commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	≥1 and ≤3
Land Premium	:	RMB8,102,948

Contract No	:	440982-2012-000029
Site Area	:	6,061.29 sq.m.
Land Use	:	Residential and Commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	≥1 and ≤3
Land Premium	:	RMB2,064,536

2. Pursuant to a Construction Land Planning Permit – Di Zi Di Jian Di No. [2013]163, permission towards the planning of portions of the aforesaid land parcels with a total site area of approximately 269,115 sq.m. has been granted to Huazhou LVGEM.

3. Pursuant to 20 State-owned Land Use Rights Certificates (the "**LURCs**"), the land use rights of the property with a total site area of approximately 714,534.35 sq.m. have been granted to Huazhou LVGEM. The details are set out as follows:

No.	**LURC No.**	**Site Area (sq.m.)**	**Expiry Date**	**Usage**
(1)	Hua Guo Yong (2012) Di No. 0000337	52,742.57	22 April 2082	Residential
			22 April 2052	Commercial
(2)	Hua Guo Yong (2012) Di No. 0000345	37,700.35	22 April 2082	Residential
			22 April 2052	Commercial
(3)	Hua Guo Yong (2012) Di No. 0000343	69,842.07	22 April 2082	Residential
			22 April 2052	Commercial

No.	LURC No.	Site Area (sq.m.)	Expiry Date	Usage
(4)	Hua Guo Yong (2012) Di No. 0000339	39,802.2	22 April 2082	Residential
			22 April 2052	Commercial
(5)	Hua Guo Yong (2012) Di No. 0000336	61,490.16	22 April 2082	Residential
			22 April 2052	Commercial
(6)	Hua Guo Yong (2012) Di No. 0000354	58,476.64	22 April 2082	Residential
			22 April 2052	Commercial
(7)	Hua Guo Yong (2012) Di No. 0000334	31,345.58	22 April 2082	Residential
			22 April 2052	Commercial
(8)	Hua Guo Yong (2012) Di No. 0000340	54,547.34	22 April 2082	Residential
			22 April 2052	Commercial
(9)	Hua Guo Yong (2012) Di No. 0000353	35,530.41	22 April 2082	Residential
			22 April 2052	Commercial
(10)	Hua Guo Yong (2012) Di No. 0000341	35,013.08	22 April 2082	Residential
			22 April 2052	Commercial
(11)	Hua Guo Yong (2012) Di No. 0000348	26,850.01	22 April 2082	Residential
			22 April 2052	Commercial
(12)	Hua Guo Yong (2012) Di No. 0000335	23,978.02	22 April 2082	Residential
			22 April 2052	Commercial
(13)	Hua Guo Yong (2012) Di No. 0000338	47,107.58	22 April 2082	Residential
			22 April 2052	Commercial
(14)	Hua Guo Yong (2014) Di No. 0000236	33,727.57	22 April 2082	Residential
			22 April 2052	Commercial
(15)	Hua Guo Yong (2012) Di No. 0000350	18,848.14	22 April 2082	Residential
			22 April 2052	Commercial
(16)	Hua Guo Yong (2012) Di No. 0000342	20,389.59	22 April 2082	Residential
			22 April 2052	Commercial
(17)	Hua Guo Yong (2012) Di No. 0000351	21,168.77	22 April 2082	Residential
			22 April 2052	Commercial
(18)	Hua Guo Yong (2012) Di No. 0000349	16,123.46	22 April 2082	Residential
			22 April 2052	Commercial
(19)	Hua Guo Yong (2012) Di No. 0000333	23,789.52	22 April 2082	Residential
			22 April 2052	Commercial
(20)	Hua Guo Yong (2012) Di No. 0000346	6,061.29	22 April 2082	Residential
			22 April 2052	Commercial
	Total:	**714,534.35**		

4. As advised by the Reorganized Target Group, 14 parcels of land of the property mentioned in note 3 were subject to a mortgage in favour of Shandong Province International Trust Co., Ltd. as of the valuation date.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. Huazhou LVGEM is legally in possession of the land use rights of the property by the means of grant and is the sole legal user of the land use rights of the property. Within the land use rights term, Huazhou LVGEM has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of property in accordance with relevant land use rights grant contract and aforesaid State-owned Land Use Rights Certificate, in compliance with the provisions of the relevant mortgage contracts; and

b. According to the Reorganized Target Group's written confirmation, except for the land use right mortgage mentioned above, the property is not subject to any restrictions arising from any sequestration, mortgage or any other rights.

6. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Construction Land Planning Permit	N/A
d.	Construction Work Planning Permit	N/A
e.	Construction Work Commencement Permit	N/A
f.	Pre-sale Permit	N/A
g.	Construction Work Completion and Inspection Certificate/Table	N/A

7. Our valuation has been made on the following basis and analysis:

In undertaking our valuation of the property, we have made reference to recent transaction prices of lands within the same district. These comparable properties are selected as they have characteristics comparable to the property. The accommodation value of land comparables for residential and commercial uses range from RMB370 to RMB600 per sq.m. The unit rates assumed by us are consistent with the relevant comparables after due adjustment. Due adjustments to the unit rates of those transactions have been made to reflect these factors including but not limited to transaction time, location, size and shape of land in arriving at the key assumption. In valuing the property, we have adopted the assumed accommodation value of RMB625 per sq.m.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 July 2015 *RMB*
25.	2 parcels of land of Phase II of Zhonghe Tixiang Famous Garden located at the junction of Longzhou South Road and Haitang Road Yiyang City Hunan Province The PRC (中核緹香名苑二期)	The property comprises 2 parcels of land with a total site area of approximately 27,371.10 sq.m. which is planned to be developed into a residential and commercial development known as Phase II of Zhonghe Tixiang Famous Garden. The property is located at the junction of Longzhou South Road and Haitang Road which are the main arterial roads in the area. The locality of the property is a well developed residential area with adequate public facilities. The property is within 20 minutes' walk to Yiyang Government and Yiyang Grand Theatre. The land use rights of the property have been granted for terms of 70 years expiring on 31 March 2077, 3 March 2078 for residential use and 40 years expiring on 31 March 2047, 3 March 2048 for commercial use, respectively.	The property was vacant as of the valuation date.	70,000,000 (100% interest attributable to the Reorganized Target Group: RMB70,000,000)

Notes:

1. Pursuant to 2 State-owned Land Use Rights Grant Contracts – No. GF-2000-2601 dated 21 August 2007 entered into between the State-owned Land Resources and Building Administration Bureau of Yiyang City and Yiyang Zhonghe Real Estate Co., Ltd. (益陽中核置業有限公司) ("**Yiyang Zhonghe**", a wholly-owned subsidiary of the Target Company), the land use rights of 2 parcels of land (including the land use rights of the property) were contracted to be granted to Yiyang Zhonghe with the particulars as follows:

Site Area	:	85,206.96 sq.m.
Land Use	:	Residential and Commercial use
Land Term	:	40 years for commercial use and 70 years for residential use
Plot Ratio	:	commercial≤2.4, residential≤2
Land Premium	:	RMB74,250,000

Site Area	:	12,344.06 sq.m.
Land Use	:	Residential and Commercial use
Land Term	:	40 years for commercial use and 70 years for residential use
Plot Ratio	:	commercial≤2.4, residential≤2
Land Premium	:	RMB10,739,332

2. Pursuant to 2 Construction Land Planning Permits, permission towards the planning of the aforesaid land parcels (including land parcel of the property) with a total site area of approximately 113,458.72 sq.m. has been granted to Yiyang Zhonghe.

No.	Permit No.	Site Area (sq.m.)	Issuance date
(1)	20070195	99,875.31	26 September 2007
(2)	20080039	13,583.41	7 April 2008
	Total:	**113,458.72**	

3. Pursuant to 2 State-owned Land Use Rights Certificates (the "**LURCs**"), the land use rights of the aforesaid land parcels (including the land use rights of the property) with a total site area of approximately 71,756.32 sq.m. have been granted to Yiyang Zhonghe. The details are set out as follows:

No.	LURC No.	Site Area (sq.m.)	Expiry Date	Usage
(1)	Yi Guo Yong (2012) No. D00168	69,151.13	31 March 2047	Commercial
			31 March 2077	Residential
(2)	Yi Guo Yong (2013) No. D00041	2,605.19	3 March 2048	Commercial
			3 March 2078	Residential
	Total:	**71,756.32**		

4. Pursuant to a Meeting Minutes on Terms Change of Land Use Rights and relevant Compensation of Government Charges Expenses of Yiyang City (益陽市經營性建設用地使用權出讓改變規劃設計條件補交土地差價會議紀要) dated 27 August 2012, the land use rights of the property have a total site area of approximately 27,371.10 sq.m..

5. According to the information provided by Yiyang Zhonghe, the remaining land premium of approximately RMB7,000,000 will be used for the government charges expenses of Phase II of Zhonghe Tixiang Famous Garden.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. Yiyang Zhonghe is legally in possession of the land use rights of the property by the means of grant and is the sole legal user of the land use rights of the property. Within the land use rights term, Yiyang Zhonghe has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of property in accordance with relevant land use rights grant contract and aforesaid State-owned Land Use Rights Certificate; and

   b. According to the Reorganized Target Group's written confirmation, the property is not subject to any restrictions arising from any sequestration, mortgage or any other rights.

7. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Construction Land Planning Permit	Yes
d.	Construction Work Planning Permit	N/A
e.	Construction Work Commencement Permit	N/A
f.	Pre-sale Permit	N/A
g.	Construction Work Completion and Inspection Certificate/Table	N/A

8. Our valuation has been made on the following basis and analysis:

In undertaking our valuation of the property, we have made reference to recent transaction prices of lands within the same district. These comparable properties are selected as they have characteristics comparable to the property. The accommodation value of land comparables for residential and commercial uses range from RMB700 to RMB1,000 per sq.m. The unit rates assumed by us are consistent with the relevant comparables after due adjustment. Due adjustments to the unit rates of those transactions have been made to reflect these factors including but not limited to transaction time, location, size and shape of land in arriving at the key assumption.

We are of the opinion that the calculated value of the property as of the valuation date would be RMB77,000,000. Further, the calculated amount of value in existing status after deducting the estimated resettlement expense (as mentioned in note 5) of total RMB7,000,000 is in the sum of RMB70,000,000. The above calculated amount can be used for reference only as resettlement expense may be subject to change.

VALUATION CERTIFICATE

Group VI – Property interest to be redeveloped by the Reorganized Target Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 July 2015 *RMB*
26.	A parcel of land located at No. 4088 Qiaoxiang Road Nanshan District Shenzhen City Guangdong Province The PRC (美景)	The property comprises a parcel of land with a site area of approximately 13,865 sq.m. which is planned to be redeveloped into an industrial complex named as Meijing Research and Development Industry Park as advised by the Reorganized Target Group. The property is located at No. 4088 Qiaoxiang Road, Nanshan District Shenzhen City. The locality of the property is a well developed residential area served by adequate public facilities. The property is within 20 minutes' walk to Railway Line 1 and Line 2. As advised by the Reorganized Target Group, upon completion, the development will have a total planned gross floor area of approximately 89,848.20 sq.m. The details are set out as below:	The property was currently occupied by existing buildings and not yet cleared as of the valuation date.	No commercial value

Usage	**Planned Gross Floor Area (sq.m.)**
R&D buildings	25,484.20
Resettlement R&D buildings	20,000.00
Ancillary buildings	20,435.80
Commercial	2,000.00
Others	3,128.20
Basement (including 350 car parking spaces)	18,800.00
Total:	**89,848.20**

The land use rights of the property have been granted for a term of 50 years expiring on 28 February 2048 for industrial use.

Notes:

1. Pursuant to a Real Estate Title Certificate – Shen Fang Di Zi Di No. 4000074698, a parcel of land with a site area of approximately 13,865 sq.m. have been granted to Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司) ("**LVGEM Real Estate**", a wholly-owned subsidiary of the Target Company) and Shenzhen Shawei Industry Co., Ltd. (深圳市沙尾實業股份有限公司) ("**Shawei Industry**") for a term of 50 years expiring on 28 February 2048 for industrial use.

   Pursuant to the above mentioned Real Estate Title Certificate, 6 industrial buildings (including 3 staff quarter buildings) are erected thereon the property with a total gross floor area of approximately 30,569.62 sq.m. which are jointly owned by LVGEM Real Estate (40%) and Shawei Industry (60%). However, As advised by the Reorganized Target Group, these buildings will be demolished according to the redevelopment plan.

2. As advised by the Reorganized Target Group, the property will be redeveloped into a new industrial complex named as Meijing Research and Development Industrial Park. Applications in respect of the redevelopment planning and construction works of the property have been submitted to the relevant authorities and are subject to further official approvals. If the applications were approved, the redevelopment of the property will have a total planned gross floor area of approximately 89,848.20 sq.m. which includes a total planned plot ratio accountable area of approximately 67,920 sq.m. (please refer to A Reply Letter relating to the Planning Application of the Urban Regeneration Unit of Meijing Industrial Park (關於南山區沙河街道美景工業苑城市更新單元規劃審查的復函) – Shen Gui Tu Han No. [2015] 1146)

3. Pursuant to an Opinion relating to the Planning Application of the Urban Regeneration Unit of Meijing Industrial Park (關於美景工業苑城市更新單元產業規劃的意見) issued by Economic Development Bureau, Shenzhen Nanshan District (深圳市南山區經濟促進局) dated 30 May 2014, it is suggested that the planning application in respect of a parcel of land with a total site area approximately 13,865 sq.m. (Land Lot No. T405-0012) complies with the direction of the industrial zone which focuses on the development of the three industries including next generation information technology, cultural creativity and internet.

4. Pursuant to a Shenzhen Social Investment Project Recording Certificate (深圳市社會投資項目備案證) – Shen Nan Shan Fa Gai Bei An (2014) No.0032 dated 17 November 2014, permission towards the planning of various land parcels (including the property) has been granted to LVGEM Real Estate with the particulars as follows:

Project Name	:	Meijing Industry Urban Regeneration Unit (美景工業苑城市更新單元)
Total Investment Amount	:	RMB2,036,140,000
Project Capital	:	RMB2,036,140,000
Construction Period	:	From May 2016 to December 2018

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. LVGEM Real Estate and Shawei Industry have legally obtained the aforesaid Real Estate Title Certificate and are the owner of the buildings erected thereon the property. According to the Reorganized Target Group's written confirmation, applications in respect of redevelopment of the land parcel of the property are in accordance with the relevant laws and regulations. The property is in the process of applying for the relevant approvals. Up to now, the land parcel of the property has been included into the first batch of Shenzhen Urban Regeneration Unit Plan 2014. LVGEM Real Estate is in the process of continuing to improve the results of Regeneration Unit Plan and applying for the confirmation of Special Planning of Urban Regeneration Unit from Shenzhen urban regeneration authorities according to a Reply Letter – Shen Gui Tu Han No. [2015]1146 issued by Urban Planning, Land & Resources Commission of Shenzhen Municipality.

6. As advised by the Reorganized Target Group, the property will be redeveloped into a new industrial complex, the existing buildings will be demolished in the future 1 to 2 years and the designated urban redeveloper cannot be altered during the redevelopment procedure. The redevelopment complies with the urban regeneration of the industrial zone, applications in respect of the redevelopment planning and construction works of the property have been submitted to the relevant authorities and are subject to further official approvals. Therefore, we have attributed no commercial value to the property as the final approval has not been obtained, the existing buildings will be demolished and the designated urban redeveloper cannot be altered during the redevelopment procedure. However, for reference purpose, we are of the opinion that the market value of the property as of the valuation date would be RMB304,000,000, assuming (a) there is no legal impediment for the redevelopment of the property and the relevant redevelopment planning and construction approvals have been obtained by the Reorganized Target Group; (b) the existing buildings erected thereon the property have been demolished and there is no outstanding relocation and resettlement costs; and (c) the resettlement R&D buildings of the redevelopment plan with a total gross floor area of approximately 20,000 sq.m. will be transferred to third parties for free after completion and thus have not been taken into account in our valuation.

VALUATION CERTIFICATE

Group VII – Property interest to be acquired by the Reorganized Target Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 July 2015 *RMB*
27.	Various parcels of land located at Liguang Village Guanlan Town Bao'an District Shenzhen City Guangdong Province The PRC (黎光)	The property comprises various parcels of land with a site area of approximately 271,201.78 sq.m. (subject to the final confirmation of relevant local authority) which is planned to be developed into a residential, commercial and industrial development as advised by the Reorganized Target Group. The property is located at Liguang Village, Guanlan Town, Bao'an District, Shenzhen City. The locality of the property is a mature residential area served by a good natural environment nearby Guanlanhu Liguang Golf Club. The property is within close proximity to Dongguan City.	The property was currently occupied by existing building and not yet cleared as of the valuation date.	No commercial value

Notes:

1. Pursuant to an agreement dated 16 January 2011 entered into among Guangdong Zhongyinpeng Investment Development Co., Ltd. (廣東中銀鵬投資發展有限公司) ("**Zhongyinpeng**"), Shenzhen LVGEM Real Estate Development Co., Ltd. (深圳市綠景房地產開發有限公司) ("**LVGEM Real Estate**", a wholly-owned subsidiary of the Target Company) and Shenzhen Guanglan Liguang Share-holding Cooperation (深圳市觀瀾黎光股份合作公司) ("**Guanlan Liguang**"), Zhongyinpeng agreed to transfer all its rights and obligations of Project Nos. 1 and 2 to LVGEM Real Estate.

   Pursuant to the Joint-redevelopment Project of Liguang Old Town Contract (《合作開發黎光舊村改造項目合同》) dated 25 April 2010 entered into between Zhongyinpeng and Guanlan Liguang, Zhongyinpeng and Guanlan Liguang were granted the rights and obligations of the joint-redevelopment project of Liguang Old Town ("**Project No. 1**") with particulars as follows:

Project No.	:	1
Site Area of Redevelopment	:	53,085 sq.m.
Site Area	:	42,266 sq.m.
Land Use	:	Residential and Commercial
Plot Ratio	:	3.7
Gross Floor Area	:	156,300 sq.m.
Saleable Gross Floor Area	:	144,700 sq.m.

Pursuant to an agreement dated 18 August 2005 entered between Zhongyinpeng and Guanlan Liguang, Zhongyinpeng and Guanlan Liguang were granted the joint-development rights and obligations of the development project of the compensated land of Bei Hu Ling (背湖岭) after government expropriation ("**Project No. 2**") with particulars as follows:

Project No.	:	2
Site Area	:	Approximately 112,194 sq.m.
Land Use	:	Residential and Commercial
Plot Ratio	:	1.5
Gross Floor Area	:	168,291 sq.m. (subject to the final confirmation of relevant local authority)
Saleable Gross Floor Area	:	168,291 sq.m. (subject to the final confirmation of relevant local authority)
Remarks	:	Shenzhen Government has recorded a parcel of land with a total site area of approximately 50,000 sq.m. and the remaining parcels of land are still being negotiated.

2. Pursuant to an agreement dated 5 February 2015 entered into between Zhongyinpeng and LVGEM Real Estate, Zhongyinpeng agreed to transfer all its rights and obligations of Project Nos. 3 and 4 to LVGEM Real Estate.

Pursuant to an agreement dated 26 April 2010 entered between Zhongyinpeng and Guanlan Liguang, Zhongyinpeng and Guanlan Liguang were granted the joint-development rights and obligations of the development project of a compensated land of Hu Die Gu (蝴蝶谷) after government expropriation ("**Project No. 3**") with particulars as follows:

Project No.	:	3
Site Area	:	85,000 sq.m. (subject to the final confirmation of relevant local authority)
Land Use	:	Industrial

In 2007, Shenzhen Zhuoya Investment Co., Ltd. (深圳市卓雅投資有限公司) ("**Shenzhen Zhuoya**", a connected party of Zhongyinpeng) obtained the development rights and obligations of Hu Die Gu (蝴蝶谷) ("**Project No. 4**") with particulars as follows:

Project No.	:	4
Land Lot No.	:	A0932-0696
Site Area	:	31,741.78 sq.m.
Land Use	:	Industrial

3. As of the valuation date, the land particulars of the property were still in negotiation between the Reorganized Target Group and relevant parties. The property was not assigned to the Reorganized Target Group and thus the title of the property was not vested in the Reorganized Target Group. Therefore we have attributed no commercial value to the property.

The information set out in this Appendix does not form part of the Accountants' Report on the Target Group from KPMG, the reporting accountants of the Target Group, as set out in "Appendix III – Accountants' Report on the Target Group", and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the Accountants' report set out in "Appendix III – Accountants' Report on the Target Group" and published financial information of the Group set out in "Appendix IV – Financial Information of the Group".

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(I) Basis of preparation of the unaudited pro forma consolidated financial information of the enlarged group

On 21 January 2014, a conditional sales and purchase agreement was entered into between China LVGEM Property Holdings Limited ("China LVGEM"), a company ultimately wholly beneficially owned by Mr. Wong Hong King ("Mr. Wong"), and a shareholder of LVGEM (China) Real Estate Investment Company Limited ("the Company"), to acquire 64.83% of the then aggregated issued share capital of the Company ("the 2014 Acquisition"). The 2014 Acquisition was completed on 8 May 2014. Subsequent to the completion of the 2014 Acquisition, China LVGEM's interest in the Company increased to 81.50%, after the acquisition of additional shares of the Company as a result of the general offer and exercise of share options of the Company. China LVGEM's holding in the Company subsequently reduced to 73.03% as a result of disposal of shares of the Company through open market and placement in order to maintain the public float of the Company and the conversion of convertible notes by the note holders of the Company during the year ended 31 December 2014.

On 2 June 2015, Urban Thrive Holdings Limited ("Urban Thrive"), a wholly owned subsidiary of the Company (as the purchaser) and Mr. Wong (as the seller) entered into an agreement pursuant to which Mr. Wong conditionally agreed to sell and Urban Thrive conditionally agreed to purchase the entire equity interest in Green View Holding Company Limited ("Green View") for a total consideration of HK$13,785,000,000 ("the Acquisition") as described more fully in the circular. Before the Acquisition, agreements were signed between certain subsidiaries within Green View and its subsidiaries ("the Target Group") and certain entities controlled by Mr. Wong, pursuant to which certain subsidiaries of the Target Group would be disposed to the entities controlled by Mr. Wong at a total consideration of RMB682,955,000 as described under the section "History and Reorganization of the Target Group" in the circular.

The Acquisition involves acquisition of businesses from China LVGEM within 24 months of China LVGEM gaining control of the Company and constitutes a reverse takeover (as defined under the Takeovers Code) for the Company by the Target Group. As the Company and the Target Group are under common control of Mr. Wong, who will continue to be the controlling shareholder of the Enlarged Group upon completion of the Acquisition, the Acquisition is expected to be accounted for under the merger basis of accounting as if the combination of the Company and the Target Group had occurred from 8 May 2014, the date when the Company and the Target Group first came under common control of Mr. Wong. In applying merger accounting, the consolidated financial statements of the Enlarged Group will be prepared as a continuation of the financial statements of the Target Group with the assets and liabilities of the Target Group recognised and measured at their carrying

amounts. The 2014 Acquisition will be accounted for as an acquisition by the Target Group on 8 May 2014 taking into consideration of the requirements of International Financial Reporting Standard 3 "Business Combinations". Accordingly, the assets and liabilities of the Group are recognized and measured at their fair value on 8 May 2014 and the results and cash flows of the Group are included in the consolidated financial statements of the Enlarged Group from 8 May 2014, the date of acquisition of the Company by the Target Group for financial reporting purposes.

The unaudited pro forma financial information is prepared to provide information on the Enlarged Group reflecting the completion of the Acquisition on the basis of notes set out below for illustrating the effect of the Acquisition, as if the Acquisition had taken place on 30 June 2015 for the preparation of the unaudited pro forma consolidated statement of financial position and the unaudited pro forma net tangible assets attributable to the equity holders of the Company. For the preparation of the unaudited pro forma consolidated statement of profit or loss, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows, it is assumed that the Acquisition had taken place on 1 January 2014, which would reflect the acquisition of the Company by the Target Group and the 2014 Acquisition had taken place on 8 May 2014, the date from which the Group and the Target Group are under common control of Mr. Wong. The Directors of the Company consider that such basis is appropriate for reflecting the accounting treatment to be adopted upon completion of the Acquisition and providing the relevant information to the shareholders of the Company.

The information is prepared for illustrative purposes only and because of its hypothetical nature, it does not purport to represent what the results and cash flows, or financial position of the Enlarged Group would have been upon completion of the Acquisition in any future periods or on any future days.

The unaudited pro forma consolidated statement of financial position as of 30 June 2015 is prepared based on (i) the unaudited consolidated statement of financial position of the Group as of 30 June 2015 as extracted from the condensed consolidated financial statements set out in Appendix IV to this circular and (ii) the audited consolidated statement of financial position of the Target Group as of 30 April 2015 as extracted from the Accountants' Report on the Target Group set out in Appendix III to this circular, after making pro forma adjustments to the Acquisition, as if the Acquisition had completed on 30 June 2015.

The unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2014 are prepared based on (i) the audited consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 December 2014 as extracted from the consolidated financial statements set out in Appendix IV to this circular and (ii) the audited consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Target Group for the year ended 31 December 2014 as extracted from the Accountants' Report on the Target Group set out in Appendix III to this circular, after making pro forma adjustments to the Acquisition, as if the Acquisition had completed on 1 January 2014 which would reflect the acquisition of the Company by the Target Group on 8 May 2014.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

				Pro forma adjustments				Pro forma adjustments						Pro forma adjustment	Scenario A	Pro forma adjustment	Scenario B
	The Group as of 30 June 2015	The Group as of 30 June 2015	The Target Group as of 30 April 2015	Elimination of assets and liabilities of the Disposed Subsidiaries	Elimination of investment costs and intercompany balances and transactions between the Disposed Subsidiaries and the Remaining Subsidiaries	Consideration for the disposal of the Disposed Subsidiaries	The Target Group as if the disposal of the Disposed Subsidiaries taken place on 30 April 2015	Goodwill arising on acquisition of the Company on 8 May 2014	Exercise of share options of the Group subsequent to 8 May 2014	Conversion of convertible notes of the Group subsequent to 8 May 2014	Adjustment on profit or loss in respect of fair value of identifiable assets/liabilities on 8 May 2014	Transaction costs related to the Acquisition	Sub-total for the Enlarged Group before placing of Placing Shares and issuance of Convertible Preference Shares, and Consideration Shares and payment of cash as a consideration of the Acquisition	Placing of 600,000,000 Placing Shares at issue price of HK$2.2 per share, and issuance of 1,909,342,511 Consideration Shares and 4,205,706,033 Convertible Preference Shares at issue price of HK$2.06 per share and payment of HK$1,188 million in cash as a consideration of the Acquisition	Unaudited pro forma for the Enlarged Group as of 30 June 2015	Placing of 1,661,734,611 Placing Shares at issue price of HK$2.2 per share, and issuance of 5,094,546,345 Consideration Shares at issue price of HK$2.06 per share and payment of HK$3,290.2 million in cash as a consideration of the Acquisition	Unaudited pro forma for the Enlarged Group as of 30 June 2015
	HK$'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 1)*	*(Note 2)*	*(note 3)*	*(note 4)*	*(note 3)*		*(note 5)*	*(note 6)*	*(note 7)*	*(note 8)*	*(note 9)*		*(note 10)*		*(note 10)*	
Non-current assets																	
Property, plant and equipment	9,831	7,865	375,043	(6,629)			368,414						376,279		376,279		376,279
Intangible assets	–	–	3,826				3,826						3,826		3,826		3,826
Goodwill	–	–	–				–	226,372					226,372		226,372		226,372
Investment properties	586,734	469,387	11,294,875				11,294,875						11,764,262		11,764,262		11,764,262
Interest in joint ventures	–	–	525,104				525,104						525,104		525,104		525,104
Other investments	–	–	347,767		745,430	(745,430)	347,767						347,767		347,767		347,767
Deferred tax assets	1,304	1,043	239,404		(17,792)		221,612						222,655		222,655		222,655
	597,869	478,295	12,786,019				12,761,598						13,466,265		13,466,265		13,466,265
Current assets																	
Inventories	410,592	328,474	5,599,140	(806,051)	48,428		4,841,517	66,612			(23,913)		5,212,690		5,212,690		5,212,690
Prepaid tax	20,471	16,377	34,740	(239)			34,501						50,878		50,878		50,878
Trade and other receivables	22,307	17,847	469,180	(97,485)	210,061		581,756						599,603		599,603		599,603
Restricted cash	14,525	11,620	1,522,765				1,522,765						1,534,385		1,534,385		1,534,385
Bank balances and cash	374,634	299,707	713,547	(10,453)			703,094					(38,307)	964,494	105,600	1,070,094	245,749	1,210,243
	842,529	674,025	8,339,372				7,683,633						8,362,050		8,467,650		8,607,799

	The Group as of 30 June 2015	The Group as of 30 June 2015	The Target Group as of 30 April 2015	Pro forma adjustments: Elimination of assets and liabilities of the Disposed Subsidiaries	Pro forma adjustments: Elimination of investment costs and intercompany balances and transactions between the Disposed Subsidiaries and the Remaining Subsidiaries	Pro forma adjustments: Consideration for the disposal of the Disposed Subsidiaries	Pro forma adjustments: The Target Group as if the disposal of the Disposed Subsidiaries taken place on 30 April 2015	Pro forma adjustments: Goodwill arising on acquisition of the Company on 8 May 2014	Pro forma adjustments: Exercise of share options of the Group subsequent to 8 May 2014	Pro forma adjustments: Conversion of convertible notes of the Group subsequent to 8 May 2014	Pro forma adjustments: Adjustment on profit or loss in respect of fair value of identifiable assets/liabilities on 8 May 2014	Pro forma adjustments: Transaction costs related to the Acquisition	Pro forma adjustment: Placing of 600,000,000 Placing Shares at issue price of HK$2.2 per share, and issuance of 1,909,342,511 Consideration Shares and 4,265,706,033 Convertible Preference Shares at issue price of HK$2.06 per share and payment of HK$1,188 million in cash as consideration of the Acquisition	Scenario A	Pro forma adjustment: Placing of 1,661,734,611 Placing Shares at issue price of HK$2.2 per share, and issuance of 5,094,546,345 Consideration Shares at issue price of HK$2.06 per share and payment of HK$3,290.2 million in cash as a consideration of the Acquisition	Scenario B
	The Group as of 30 June 2015	The Group as of 30 June 2015	The Target Group as of 30 April 2015	Elimination of assets and liabilities of the Disposed Subsidiaries	Elimination of investment costs and intercompany balances and transactions between the Disposed Subsidiaries and the Remaining Subsidiaries	Consideration for the disposal of the Disposed Subsidiaries	The Target Group as if the disposal of the Disposed Subsidiaries taken place on 30 April 2015	Goodwill arising on acquisition of the Company on 8 May 2014	Exercise of share options of the Group subsequent to 8 May 2014	Conversion of convertible notes of the Group subsequent to 8 May 2014	Adjustment on profit or loss in respect of fair value of identifiable assets/liabilities on 8 May 2014	Transaction costs related to the Acquisition	Sub-total for the Enlarged Group before placing of Placing Shares and issuance of Convertible Preference Shares, and Consideration Shares and payment of cash as consideration of the Acquisition	Unaudited pro forma for the Enlarged Group as of 30 June 2015	Sub-total for the Enlarged Group before placing of Placing Shares and issuance of Convertible Preference Shares, and Consideration Shares and payment of HK$3,290.2 million in cash as a consideration of the Acquisition	Unaudited pro forma for the Enlarged Group as of 30 June 2015
	HK$'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 1)*	*(Note 2)*	*(note 3)*	*(note 4)*	*(note 3)*		*(note 5)*	*(note 6)*	*(note 7)*	*(note 8)*	*(note 9)*			*(note 10)*	
Current liabilities																	
Trade and other payables	165,116	132,093	3,155,416	(142,271)	210,061	(189,322)	3,033,884						3,165,977	3,165,977		3,165,977	
Bank loans and other borrowings	118,823	95,058	1,622,576				1,622,576						1,717,634	1,717,634		1,717,634	
Current tax liabilities	4,547	3,638	701,542	(9,710)			691,832						695,470	695,470		695,470	
	288,486	230,789	5,479,534				5,348,292						5,579,081	5,579,081		5,579,081	
Net current assets	554,043	442,236	2,859,838				2,335,341						2,782,969	2,888,569		3,028,718	
Total assets less current liabilities	1,151,912	921,531	15,645,857				15,096,939						16,249,234	16,354,834		16,494,983	
Non-current liabilities																	
Bank loans and other borrowings	11,375	9,100	6,516,720				6,516,720						6,525,820	6,525,820		6,525,820	
Deferred tax liabilities	53,376	42,701	2,174,315	(10,863)			2,163,452	20,819			(7,474)		2,219,498	2,219,498		2,219,498	
	64,751	51,801	8,691,035				8,680,172						8,745,318	8,745,318		8,745,318	
Net assets	1,087,161	869,730	6,954,822				6,416,767						7,503,916	7,609,516		7,749,665	

	The Group as of 30 June 2015	The Group as of 30 June 2015	The Target Group as of 30 April 2015	Pro forma adjustments: Elimination of assets and liabilities of the Disposed Subsidiaries	Pro forma adjustments: Elimination of investment costs and intercompany balances and transactions between the Disposed Subsidiaries and the Remaining Subsidiaries	Pro forma adjustments: Consideration for the disposal of the Disposed Subsidiaries	Pro forma adjustments: The Target Group as if the disposal of the Disposed Subsidiaries taken place on 30 April 2015	Pro forma adjustments: Goodwill arising on acquisition of the Company on 8 May 2014	Pro forma adjustments: Exercise of share options of the Group subsequent to 8 May 2014	Pro forma adjustments: Conversion of convertible notes of the Group subsequent to 8 May 2014	Pro forma adjustments: Adjustment on profit or loss in respect of fair value of identifiable assets/liabilities on 8 May 2014	Pro forma adjustments: Transaction costs related to the Acquisition	Pro forma adjustment: Placing of 600,000,000 Placing Shares at issue price of HK$2.2 per share, and issuance of Sub-total for the Enlarged Group before placing of Placing Shares and issuance of Convertible Preference Shares as Consideration Shares and payment of cash as a consideration of the Acquisition	Scenario A	Pro forma adjustment: Placing of 1,661,734,611 Placing Shares at issue price of HK$2.2 per share, and issuance of 5,094,546,345 Consideration Shares at issue price of HK$2.06 per share and payment of HK$3,290.2 million in cash as a consideration of the Acquisition	Scenario B
	HK$'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 1)*	*(Note 2)*	*(note 3)*	*(note 4)*	*(note 3)*	*(note 5)*	*(note 5)*	*(note 6)*	*(note 7)*	*(note 8)*	*(note 9)*		*(note 10)*			*(note 10)*	
Capital and reserves																		
Share capital	13,842	11,074	11	(97,604)	97,604		11	(11)					11,074	20,075	31,149	54,050	65,124	
Share premium	579,346	463,477	-	(745,816)	745,816		-	(422,520)					40,957	4,182,522	4,223,479	11,219,699	11,260,656	
Convertible Preference Shares	-	-	-				-						-	6,931,003	6,931,003		-	
Share option reserve	-	-	-				-	(1,738)	1,738				-		-		-	
Convertible note equity reserve	-	-	-				-	(384)		384			-		-		-	
Merger reserve	89,936	71,949	-				-	(71,949)					-		-		-	
Other reserve	-	-	9,200			(62,475)	(53,275)	795,672	(13,620)	(25,119)			703,658	(10,793,953)	(10,090,295)	(10,793,953)	(10,090,295)	
Property revaluation reserve	2,119	1,695	-				-	(1,695)					-		-		-	
Exchange reserve	100,825	80,660	15,284	63,614			78,898	(81,658)					77,900		77,900		77,900	
Statutory reserve	23,040	18,432	53,630	(3,941)			49,689	(12,836)					55,285		55,285		55,285	
Retained profits	168,231	134,585	6,862,198	35,732	(67,354)	(493,633)	6,336,943	(128,146)			(16,439)	(38,307)	6,208,636		6,208,636		6,208,636	
Total equity attributable to equity shareholders of the Group	977,339	781,872	6,940,323				6,412,266						7,177,510		7,517,157		7,657,306	
Non-controlling interests	109,822	87,858	14,499	(9,998)			4,501	197,430	11,882	24,735			326,406	(234,047)	92,359	(234,047)	92,359	
Total equity	1,087,161	869,730	6,954,822				6,416,767						7,503,916		7,609,516		7,749,665	

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE ENLARGED GROUP

				Pro forma adjustment		Pro forma adjustments			
	The Group for the year ended 31 December 2014	The Group for the year ended 31 December 2014	The Target Group for the year ended 31 December 2014	Elimination of results of the Disposed Subsidiaries for the year ended 31 December 2014	The Target Group for the year ended 31 December 2014 as if the disposal of the Disposed Subsidiaries taken place on 1 January 2014	Elimination of financial results of the Group from 1 January 2014 to 7 May 2014	Adjustment on profit or loss in respect of fair value of identifiable assets/liabilities of the Group on 8 May 2014	Transaction costs related to the Acquisition	Unaudited pro forma for the Enlarged Group for the year ended 31 December 2014
	HK$'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 1)	*(note 1)*	*(note 2)*	*(note 3)*		*(note 11)*	*(note 8)*	*(note 9)*	
Turnover	524,305	419,444	4,850,634	(13,103)	4,837,531	(21,400)			5,235,575
Cost of sales	(415,833)	(332,666)	(2,493,449)	3,941	(2,489,508)	12,760	(16,947)		(2,826,361)
Gross profit	108,472	86,778	2,357,185		2,348,023				2,409,214
Other revenue	8,182	6,546	18,613	(979)	17,634	(2,531)			21,649
Other net income	1,284	1,027	–		–				1,027
Gain on disposal/deregistration of subsidiaries	39,166	31,333	–		–	(31,333)			–
Impairment loss on goodwill	(16)	(13)	–		–				(13)
Selling expenses	(13,568)	(10,855)	(41,455)	2,843	(38,612)	853			(48,614)
Administrative and other operating expenses	(96,867)	(77,494)	(151,098)	10,395	(140,703)	57,799		(38,307)	(198,705)
Profit from operation before increase in fair value of investment properties	46,653	37,322	2,183,245		2,186,342				2,184,558
Increase in fair value of investment properties	(9,765)	(7,812)	895,341		895,341				887,529
Profit from operation after increase in fair value of investment properties	36,888	29,510	3,078,586		3,081,683				3,072,087
Finance costs	(1,653)	(1,322)	(217,324)	2,185	(215,139)	314			(216,147)
Share of profit of associates	7,038	5,630	–		–	(5,630)			–
Share of loss of joint ventures	–	–	(40)		(40)				(40)
Profit before taxation	42,273	33,818	2,861,222		2,866,504				2,855,900
Income tax expenses	(27,574)	(22,059)	(1,132,263)	10,582	(1,121,681)	3,310	5,297		(1,135,133)
Profit for the year	14,699	11,759	1,728,959		1,744,823				1,720,767
Profit for the year attributable to:									
Equity holders of the Company	16,326	13,061	1,728,473	15,862	1,744,335	11,371	(11,650)	(38,307)	1,718,810
Non-controlling interests	(1,627)	(1,302)	486	2	488	2,771			1,957
	14,699	11,759	1,728,959		1,744,823				1,720,767

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE ENLARGED GROUP

				Pro forma adjustment		Pro forma adjustments			
	The Group for the year ended 31 December 2014	The Group for the year ended 31 December 2014	The Target Group for the year ended 31 December 2014	Elimination of total comprehensive income of the Disposed Subsidiaries for the year ended 31 December 2014	The Target Group for the year ended 31 December 2014 as if the disposal of the Disposed Subsidiaries taken place on 1 January 2014	Elimination of financial results of the Group from 1 January 2014 to 7 May 2014	Adjustment on profit or loss in respect of fair value of identifiable assets/liabilities of the Group on 8 May 2014	Transaction costs related to the Acquisition	Unaudited pro forma for the Enlarged Group for the year ended 31 December 2014
	HK$'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 1)	*(note 1)*	*(note 2)*	*(note 3)*		*(note 11)*	*(note 8)*	*(note 9)*	
Profit for the year	14,699	11,759	1,728,959	15,864	1,744,823	14,142	(11,650)	(38,307)	1,720,767
Other comprehensive income for the year (after tax and reclassification adjustments)									
Items that may be reclassified to profit or loss:									
– Exchange differences on translation	(20,625)	(16,500)	(135)	(702)	(837)	16,394			(943)
– Available-for-sale securities:									
net movement in the fair value reserve	–	–	(165)		(165)				(165)
– Share of exchange differences on translation of an associate	(3,227)	(2,582)	–		–	2,582			–
– Reclassification of exchange reserve upon disposal/ deregistration of subsidiaries	(30,104)	(24,083)	–		–	24,083			–
Other comprehensive income for the year	(53,956)	(43,165)	(300)		(1,002)				(1,108)
Total comprehensive income for the year	(39,257)	(31,406)	1,728,659		1,743,821				1,719,659
Attributable to:									
Equity holder of the Group	(33,189)	(26,551)	1,728,173	15,160	1,743,333	50,867	(11,650)	(38,307)	1,717,692
Non-controlling interests	(6,068)	(4,855)	486	2	488	6,334			1,967
Total comprehensive income for the year	(39,257)	(31,406)	1,728,659		1,743,821				1,719,659

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

	The Group for the year ended 31 December 2014	The Group for the year ended 31 December 2014	The Target Group for the year ended 31 December 2014	Pro forma adjustments			Pro forma adjustments				Pro forma adjustment	Scenario A	Pro forma adjustment	Scenario B
				Elimination of cash flows of the Disposed Subsidiaries for the year ended 31 December 2014	Elimination of cashflow between the Disposed Subsidiaries and the Remaining Subsidiaries for the year ended 31 December 2014	The Target Group as if the disposal of the Disposed Subsidiaries taken place on 1 January 2014	Elimination of cash flow of the Group from 1 January 2014 to 7 May 2014	Cash flow from acquisition of the Group as of 8 May 2014	Adjustment on profit or loss in respect of fair value of identifiable assets/liabilities of the Group on 8 May 2014	Transaction costs related to the Acquisition	Sub-total for the Enlarged Group before placing of Placing Shares and issuance of Convertible Preference Shares, and Consideration Shares and payment of cash as a consideration of the Acquisition	Placing of 600,000,000 Placing Shares at issue price of HK$2.2 per share, and issuance of 1,909,342,511 Consideration Shares and 4,205,706,033 Convertible Preference Shares at issue price of HK$3.46 per share and payment of HK$3,188 million in cash as a consideration of the Acquisition	Unaudited pro forma for the Enlarged Group as of 31 December 2014	Placing of 1,661,734,611 Placing Shares at issue price of HK$2.2 per share, and issuance of 5,094,546,345 Consideration Shares at issue price of HK$2.06 per share and payment of HK$3,290.2 million in cash as a consideration of the Acquisition	Unaudited pro forma for the Enlarged Group as of 31 December 2014
	HK$'000 (*Note 1*)	*RMB'000* (*Note 1*)	*RMB'000* (*Note 2*)	*RMB'000* (*note 3*)	*RMB'000* (*note 4*)	*RMB'000*	*RMB'000* (*note 11*)	*RMB'000* (*note 5*)	*RMB'000* (*note 8*)	*RMB'000* (*note 9*)	*RMB'000*	*RMB'000*	*RMB'000* (*note 10*)	*RMB'000*
Profit before taxation	42,273	33,818	2,861,222	5,282		2,866,504	10,832		(16,947)	(38,107)	2,855,900			2,855,900
Adjustments for:														
Change in fair value of investment properties	9,765	7,812	(895,341)			(895,341)					(887,529)	(887,529)		(887,529)
Depreciation and amortization	1,918	1,534	48,444	(481)		47,963	(643)				48,854	48,854		48,854
Gain on disposal of property, plant and equipment	(184)	(147)	-			-					(147)	(147)		(147)
Finance costs	1,653	1,322	217,324	(2,185)		215,139	(314)				216,147	216,147		216,147
Interest income	(8,182)	(6,546)	(8,491)	979		(7,512)	2,057				(12,001)	(12,001)		(12,001)
Investment income	-	-	(9,372)			(9,372)					(9,372)	(9,372)		(9,372)
Gain on disposal/deregistration of subsidiaries	(39,166)	(31,333)	-			-	31,333				-	-		-
Loss on early repayment of loans from non-controlling shareholders	72	58	-			-	(38)				-	-		-
Share of profits of associates	(7,038)	(5,630)	-			-	5,630				-	-		-
Share of loss of joint ventures	-	-	40			40					40	40		40
Impairment loss on goodwill	16	13	-			-					13	13		13
Impairment loss on amount due from an associate	19	15	-			-	(15)				-	-		-
Impairment loss on properties held for sale	2,318	1,854	-			-					1,854	1,854		1,854
Changes in working capital:														
- Change in inventories	320,419	256,335	749,715	59,914		809,629	(11,971)		16,947		1,070,940	1,070,940		1,070,940
- Change in restricted cash	-	-	(353,980)			(353,980)					(353,980)	(353,980)		(353,980)
- Change in trade and other receivables	26,685	21,348	(53,215)	(27,501)	34,318	(46,398)	1,454				(23,596)	(23,596)		(23,596)
- Change in trade and other payables	(394,430)	(315,544)	(3,117,588)	(23,837)	(34,318)	(3,175,743)	1,048				(3,490,239)	(3,490,239)		(3,490,239)

	The Group for the year ended 31 December 2014	The Group for the year ended 31 December 2014	The Target Group for the year ended 31 December 2014	Pro forma adjustments: Elimination of cash flows of the Disposed Subsidiaries for the year ended 31 December 2014	Pro forma adjustments: Elimination of cashflow between the Disposed Subsidiaries and the Remaining Subsidiaries for the year ended 31 December 2014	Pro forma adjustments: The Target Group as if the disposal of the Disposed Subsidiaries taken place on 1 January 2014	Pro forma adjustments: Elimination of cash flow of the Group from 1 January 2014 to 7 May 2014	Pro forma adjustments: Cash flow from acquisition of the Group as of 8 May 2014	Pro forma adjustments: Adjustment on profit or loss in respect of fair value of identifiable assets/liabilities of the Group on 8 May 2014	Pro forma adjustments: Transaction costs related to the Acquisition	Pro forma adjustment: Sub-total for the Enlarged Group before placing of Placing Shares and issuance of Convertible Preference Shares, and Consideration Shares and payment of cash as a consideration of the Acquisition	Pro forma adjustment: Placing of 600,000,000 Placing Shares at issue price of HK$2.2 per share, and issuance of 1,909,342,511 Consideration Shares and 4,205,706,033 Convertible Preference Shares at issue price of HK$2.06 per share and payment of HK$3,188 million in cash as a consideration of the Acquisition	Scenario A: Unaudited pro forma for the Enlarged Group as of 31 December 2014	Pro forma adjustment: Placing of 1,661,734,611 Placing Shares at issue price of HK$2.2 per share, and issuance of 5,094,546,345 Consideration Shares at issue price of HK$2.06 per share and payment of HK$3,290.2 million in cash as a consideration of the Acquisition	Scenario B: Unaudited pro forma for the Enlarged Group as of 31 December 2014
	HK$'000 (Note 1)	*RMB'000 (Note 1)*	*RMB'000 (Note 2)*	*RMB'000 (note 3)*	*RMB'000 (note 4)*	*RMB'000*	*RMB'000 (note 11)*	*RMB'000 (note 5)*	*RMB'000 (note 8)*	*RMB'000 (note 9)*	*RMB'000*	*RMB'000 (note 10)*	*RMB'000*	*RMB'000 (note 10)*	*RMB'000*
Cash used in operations	(43,862)	(35,091)	(561,242)	12,171		(549,071)	39,353			(38,307)	(583,116)		(583,116)		(583,116)
Interest paid	(2,046)	(1,637)	-			-	538				(1,079)		(1,079)		(1,079)
PRC Corporate Income Tax paid	-	-	(190,727)	1,456		(189,271)					(189,271)		(189,271)		(189,271)
PRC Land Appreciation Tax paid	(7,211)	(5,769)	(27,896)	207		(27,689)	3,673				(29,785)		(29,785)		(29,785)
Net cash used in operating activities	(53,119)	(42,497)	(779,865)	13,834		(766,031)	43,564			(38,307)	(803,251)		(803,251)		(803,251)
Investing activities															
Payment for purchase of property, plant and equipment	(1,749)	(1,399)	(20,316)	1,476		(18,840)	30				(20,209)		(20,209)		(20,209)
Proceeds from disposal of property, plant and equipment	345	276	-			-					276		276		276
Net cash inflow on disposal of subsidiaries	182,798	146,238	-			-	(146,238)				-		-		-
Withdrawal of short-term time deposits with maturity beyond three months but within one year	78,000	62,400	-			-	(62,400)				-		-		-
Withdrawal of structured bank deposits	1,277	1,022	-			-	(1,022)				-		-		-
Placement of structured bank deposits	(88,750)	(71,000)	-			-					(71,000)		(71,000)		(71,000)
Withdrawal of restricted bank deposits	56,736	45,389	-			-	(2,985)				42,404		42,404		42,404
Placement of restricted bank deposits	(43,841)	(35,073)	-			-					(35,073)		(35,073)		(35,073)
Repayment from an associate	225	180	-			-	(180)				-		-		-
Advance to a joint venture	-	-	(16,600)			(16,600)					(16,600)		(16,600)		(16,600)
Proceeds from disposal of other current assets	-	-	835			835					835		835		835
Payment for intangible assets	-	-	(1,395)			(1,395)					(1,395)		(1,395)		(1,395)
Payment for purchases of other investment	-	-	(152,485)			(152,485)					(152,485)		(152,485)		(152,485)
Net cash inflows from acquisition of the Group	-	-	-			-		380,529			380,529		380,529		380,529
Payment for expenditure in investment properties	-	-	(509,508)			(509,508)					(509,508)		(509,508)		(509,508)
Interest received	8,182	6,546	8,491	(979)		7,512	(2,057)				12,001		12,001		12,001
Payment for acquisition of the Target Group	-	-	-			-					-	(950,400)	(950,400)	(2,632,188)	(2,632,188)
Net cash generated from/(used in) investing activities	193,223	154,579	(690,978)	497		(690,481)	(214,852)	380,529			(370,225)	(950,400)	(1,320,625)	(2,632,188)	(3,002,413)

	Pro forma adjustments					Pro forma adjustments						Pro forma adjustment	Scenario A	Pro forma adjustment	Scenario B
	The Group for the year ended 31 December 2014	The Group for the year ended 31 December 2014	The Target Group for the year ended 31 December 2014	Elimination of cash flows of the Disposed Subsidiaries for the year ended 31 December 2014	Elimination of cashflow between the Disposed Subsidiaries and the Remaining Subsidiaries for the year ended 31 December 2014	The Target Group as if the disposal of the Disposed Subsidiaries taken place on 1 January 2014	Elimination of cash flow of the Group from 1 January 2014 to 7 May 2014	Cash flow from acquisition of the Group as of 8 May 2014	Adjustment on profit or loss in respect of fair value of identifiable assets/liabilities of the Group on 8 May 2014	Transaction costs related to the Acquisition	Sub-total for the Enlarged Group before placing of Placing Shares and issuance of Convertible Preference Shares, and Consideration Shares and payment of consideration of the Acquisition	Placing of 600,000,000 Placing Shares at issue price of HK$2.2 per share, and issuance of 1,909,342,511 Consideration Shares and 4,205,706,033 Convertible Preference Shares at issue price of HK$2.06 per share and payment of HK$3,088 million in cash as a consideration of the Acquisition	Unaudited pro forma for the Enlarged Group as of 31 December 2014	Placing of 1,661,734,611 Placing Shares at issue price of HK$2.2 per share, and issuance of 5,094,546,345 Consideration Shares at issue price of HK$2.06 per share and payment of HK$3,290.2 million in cash as a consideration of the Acquisition	Unaudited pro forma for the Enlarged Group as of 31 December 2014
	HK$'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 1)*	*(Note 2)*	*(note 3)*	*(note 4)*		*(note 11)*	*(note 5)*	*(note 8)*	*(note 9)*		*(note 10)*		*(note 10)*	
Financing activities															
Proceeds from issue of shares	5,469	4,375	-			-					4,375	1,056,000	1,060,375	2,877,937	2,882,312
Acquisition of additional interest in a subsidiary	(46,459)	(37,167)	-			-	37,167				-		-		-
Repayment of loans from non-controlling shareholders of a subsidiary	(26,460)	(21,168)	-			-	21,168				-		-		-
Proceeds from bank loans and other borrowings	30,108	24,086	4,390,000			4,390,000	(24,086)				4,390,000		4,390,000		4,390,000
Repayment of bank loans and other borrowings	(56,168)	(44,934)	(1,866,741)			(1,866,741)	37,215				(1,874,460)		(1,874,460)		(1,874,460)
Interest paid	(1,441)	(1,153)	(605,929)	2,185		(603,744)	474				(604,423)		(604,423)		(604,423)
Net cash (used in)/generated from financing activities	(94,951)	(75,961)	1,917,330	2,185		1,919,515	71,938				1,915,492	1,056,000	2,971,492	2,877,937	4,793,429
Net increase in cash and cash equivalents	45,153	36,121	446,487	16,516		463,003	(99,330)	380,529		(38,307)	742,016	105,600	847,616	245,749	987,765
Cash and cash equivalents at 1 January	356,305	285,204	652,388	(24,249)		628,339	(265,204)				628,339		628,339		628,339
Effect of foreign exchange rate changes	(7,270)	(5,815)	43	(1)		42	4,005				(1,768)		(1,768)		(1,768)
Cash and cash equivalents at 31 December	394,388	315,510	1,099,118	(7,734)		1,091,384	(380,529)	380,529		(38,307)	1,368,587	105,600	1,474,187	245,749	1,614,336
Represented by:															
Bank balances and cash	483,138	386,510	1,099,118	(7,734)		1,091,384	(380,529)	380,529		(38,307)	1,439,587	105,600	1,545,187	245,749	1,685,336
Less: Structured bank deposits	(88,750)	(71,000)	-			-					(71,000)		(71,000)		(71,000)
	394,388	315,510	1,099,118	(7,734)		1,091,384	(380,529)	380,529		(38,307)	1,368,587	105,600	1,474,187	245,749	1,614,336

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS OF THE ENLARGED GROUP

			Scenario A: Placing of 600,000,000 Placing Shares at issue price of HK$2.2 per share, and issuance of 1,909,342,511 Consideration Shares and 4,205,706,033 Convertible Preference Shares at issue price of HK$2.06 per share and payment of HK$1,188 million in cash as a consideration of the Acquisition		Scenario B: Placing of 1,661,734,611 Placing Shares at issue price of HK$2.2 per share, and issuance of 5,094,546,345 Consideration Shares at issue price of HK$2.06 per share and payment of HK$3,290.2 million in cash as a consideration of the Acquisition	
	Unaudited net tangible assets of the Group as of 30 June 2015	Unaudited net tangible assets of the Group per share as of 30 June 2015	Unaudited pro forma adjusted net tangible assets of the Enlarged Group as of 30 June 2015	Unaudited pro forma adjusted net tangible assets of the Enlarged Group per share as of 30 June 2015	Unaudited pro forma adjusted net tangible assets of the Enlarged Group as of 30 June 2015	Unaudited pro forma adjusted net tangible assets of the Enlarged Group per share as of 30 June 2015
	RMB'000	*RMB*	*RMB'000*	*RMB*	*RMB'000*	*RMB*
	Note 12	*Note 13*	*Note 14*	*Note 15*	*Note 14*	*Note 15*
Net tangible assets attributed to equity holders of the Company	781,872	0.56	7,286,959	1.87	7,427,108	0.91

Notes:

1. For the preparation of unaudited pro forma consolidated statement of financial position, the amounts are extracted from the condensed consolidated financial statements of the Group for the six months ended 30 June 2015, whereas for the preparation of unaudited pro forma consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, and consolidated statement of cash flows, the amounts are extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2014, both are set out in Appendix IV to this circular, other than certain reclassification in order to conform with presentation of the Accountants' Report on the Target Group.

   For the purpose of preparation of the unaudited pro forma financial information, the presentation currency of the Group is changed from Hong Kong dollars ("HK$") to Renminbi ("RMB"), the presentation currency of the Target Group. The results and cash flows of the Group for the year ended 31 December 2014 and items of the consolidated statement of financial position as of 30 June 2015 presented in HK$ are translated into RMB at the exchange rate of HK$1 to RMB0.8.

2. The amounts are extracted from the Accountants' Report on the Target Group as set out in Appendix III to this circular.

3. In accordance with agreements between certain subsidiaries within the Target Group and certain entities controlled by Mr. Wong in May 2015, certain subsidiaries of the Target Group ("the Disposed Subsidiaries") would be disposed to certain entities controlled by Mr. Wong before the acquisition of the Target Group by the Company, at a total consideration of RMB682,955,000. Pursuant to the reorganization of the Target Group, certain properties of one of the Disposed Subsidiaries, Shenzhen Wanghaiyikang Industrial Development Co., Ltd ("Wanghaiyikang") were disposed to an independent third party and the remaining properties would be transferred to a subsidiary in the Target Group before the Acquisition. Details of the disposal are set out under the section "History and Reorganization of the Target Group" in the circular.

   Management of the Target Group plans to settle the RMB682,955,000 of the consideration as follows:

   – RMB189,322,000 was offset against the amount due to Mr. Wong by the Target Group, RMB89,062,000 of which arose from dividend declared by the Target Group to Mr. Wong on 30 April 2015;

   – RMB493,633,000 was settled against dividend declared to Mr. Wong by the Target Group on 31 August 2015.

   The adjustments on items on the consolidated statement of financial positions were made as if the disposal of the Disposed Subsidiaries based on the proposed plan for settlement of the consideration had been taken place on 30 June 2015. The adjustments on items on the consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of cash flows were made as if the disposal of the Disposed Subsidiaries had been taken place on 1 January 2014.

   The amount of RMB62,475,000, representing the difference of the consideration of RMB682,955,000 and the carrying amount of investment in the Disposed Subsidiaries by the remaining subsidiaries of the Target Group ("the Remaining Subsidiaries") was debited against other reverse of the Target Group. The dividends of RMB493,633,000 was declared in accordance with the settlement plan of the consideration was debited against retained profits of the Target Group.

   The combined assets and liabilities of the Disposed Subsidiaries as of 30 April 2015 and the combined results and combined cash flows of the Disposed Subsidiaries for the year ended 31 December 2014, excluding Wanghaiyikang which operation was retained in the Target Group subsequent to the disposal of Wanghaiyikang by the Target Group, are extracted from Note 1(b) to Section B of the Accountants' Report on the Target Group set out in Appendix III to this circular.

   The disposal of the Disposal Subsidiaries and the plan for settlement of the consideration by management of the Target Group (including dividends declared or to be declared for settlement of the consideration) was considered as part of the reorganization of the Target Group which is an integral part of the Acquisition, and thus was reflected in the unaudited pro forma financial information of the Enlarged Group. The plan for declaration of dividends which does not relate to the disposal of the Disposed Subsidiaries was not taken into account in the unaudited pro forma financial information. The final outcome of the disposal will be reflected in the consolidated financial statements of the Target Group for the year ending 31 December 2015 upon completion of the Acquisition.

4. The adjustment represents elimination of investment costs and inter-company balances and transactions between the Disposed Subsidiaries and the Remaining Subsidiaries as of 30 April 2015 and elimination of cash flows between the Disposed Subsidiaries and the Remaining Subsidiaries for the year ended 31 December 2014 respectively.

5. On 21 January 2014, a conditional sale and purchase agreement was entered into between China LVGEM and a shareholder of the Company, to acquire 858,800,792 ordinary shares, representing 64.83% of the then aggregated issued share capital of the Company ("the 2014 Acquisition"). The total consideration involved is HK$944,681,000 (approximately RMB755,745,000). The 2014 Acquisition was completed on 8 May 2014. Immediately after the completion, China LVGEM became the immediate holding company of the Company.

In addition, on 5 June 2014, 239,759,791 ordinary shares and 480,000 share options of the Company with consideration of HK$264,151,000 (approximately RMB211,321,000) were acquired by China LVGEM due to the unconditional mandatory cash offer under Rule 26.1(a) of the Takeovers Code. Upon the completion of the cash offer, China LVGEM's equity interest in the Company increased to 82.93%, representing 1,098,560,583 ordinary shares of the Company.

China LVGEM's equity interest in the Company was reduced to 81.50% as a result of the issuance issue of 23,270,000 new shares upon exercise of share options by individual third parties at an exercise price of HK$0.235 per share. To maintain the minimum public float of the Company, China LVGEM in aggregate disposed 87,716,000 ordinary shares of the Company with total consideration of HK$200,967,000 (approximately RMB160,774,000) from 24 July 2014 to 6 August 2014 and China LVGEM's equity interest in the Company was further reduced to 74.99%. In addition, on 7 August 2014, the convertible note holders of the Company converted the convertible notes with principal amount of HK$40 million into 36,363,635 ordinary shares of the Company. Subsequent to the conversion, China LVGEM's equity interest in the Company reduced to approximately 73.03%.

On 2 June 2015, Urban Thrive Holdings Limited ("Urban Thrive"), a wholly owned subsidiary of the Company (as the purchaser) and Mr. Wong (as the seller) entered into an acquisition agreement pursuant to which Urban Thrive has conditionally agreed to acquire, and Mr. Wong has conditionally agreed to sell his equity interests in the Target Group. The consideration for the Acquisition shall be HK$13,785,000,000, which shall be satisfied by either option as set out in paragraph (a) or (b) below:

(a) Scenario A – If 600,000,000 new ordinary shares of HK$0.01 each of the Company ("the Placing Shares") ("the Placing") have been placed at the issue price of HK$2.2 per share at the time of the completion of the Acquisition ("the Completion") and assuming that there will not be any further Placing, 1,909,342,511 new ordinary shares of HK$0.01 each of the Company ("the Consideration Shares") and 4,205,706,033 new non-redeemable convertible preference shares of HK$0.01 each of the Company ("Convertible Preference Shares") will be issued and allotted to Mr. Wong (or to his nominee as he may direct in writing) at the issue price of HK$2.06 per share, and payment of HK$1,188,000,000 (equivalent to RMB950,400,000) in cash; or

(b) Scenario B – If the maximum amount of 1,661,734,611 shares will be placed at HK$2.2 per share at the time of the Completion, the Company will allot and issue to Mr. Wong (or to his nominee as he may direct in writing) 5,094,546,345 Consideration Shares at the issue price of HK$2.06 per share, and payment of HK$3,290,235,000 (equivalent to RMB2,632,188,000) in cash.

The Placing Shares will be settled for cash and will be used to settle part of the consideration for the Acquisition.

The commission payable to the placing agents of RMB46,716,000 is estimated to be 2.5% on the fund raised for maximum amount of 1,061,734,611 shares to be placed, which will be debited against share premium of the Company. No commission was required for the 600,000,000 Placing Shares which have already been conditionally placed at the time of this circular.

As the Company and the Target Group are under common control of Mr. Wong, who will continue to be the controlling shareholder of the Enlarged Group upon completion of the Acquisition, the Acquisition is expected to be accounted for under the merger basis of accounting as if the combination of the Company and the Target Group had occurred from 8 May 2014, the date when the Company and the Target Group first came under common control of Mr. Wong. In applying merger accounting, the consolidated financial statements of the Enlarged Group will be prepared as a continuation of the financial statements of the Target Group with the assets and liabilities of the Target Group recognised and measured at their carrying amounts. The 2014 Acquisition will be accounted for as an acquisition by the Target Group on 8 May 2014 taking into consideration of the requirements of International Financial Reporting Standard 3 "Business Combinations". Accordingly, the assets and liabilities of the Group are recognized and measured at their fair value on 8 May 2014 and the results and cash flows of the Group are included in the consolidated financial statements of the Enlarged Group from 8 May 2014, the date of acquisition of the Company by the Target Group for financial reporting purposes.

The initial acquisition of 64.83% equity interest in the Group by China LVGEM on 8 May 2014, together with acquisition of additional 239,759,791 ordinary shares and 480,000 share options of the Company on 5 June 2014 upon the unconditional mandatory cash offer under Rule 26.1(a) of the Takeovers Code, and the subsequent disposals of 87,716,000 ordinary shares of the Company from 24 July 2014 to 6 August 2014 in order to maintain the minimum public float of the Company, are treated as a single acquisition.

For the purpose of preparation of the unaudited pro forma financial information applying the acquisition method of accounting to reflect the reverse acquisition, the net consideration of HK$1,007,865,000 (equivalent to RMB806,292,000) paid by China LVGEM is the deemed consideration paid by the Target Group to acquire the Group ("Deemed Consideration").

The pro forma adjustment represents:

(i) The recognition of goodwill of RMB226,372,000. Goodwill is determined as the excess of the Deemed Consideration and the amount of non-controlling interests in the Group over the fair values of the identifiable assets acquired and liabilities assumed of the Group as of the acquisition date. The directors of the Company have assessed the fair values of the identifiable assets acquired and liabilities assumed of the Group at 8 May 2014, translated from HK$ to RMB at the exchange rate of HK$1 to RMB0.8. For the purpose of calculation of goodwill, the directors of the Company considered that changes in fair value of net identifiable assets of the Group from 8 May 2014 to 7 August 2014 were insignificant. Goodwill is calculated as follows:

	RMB'000	*RMB'000*
Deemed Consideration		806,292
Net assets acquired:		
Net asset value of the Group as of 8 May 2014*	762,381	
Fair value adjustments on inventories	66,612	
Effect of deferred tax liabilities	(20,819)	
Total net assets acquired	808,174	
Non-controlling interests in the Group at 8 May 2014	(34,899)	
	773,275	
Non-controlling interests, based on 25% of fair value of net identifiable assets of the Group	(193,355)	
Identified assets acquired and liabilities assumed		579,920
Goodwill arising from the 2014 Acquisition		226,372

*Net asset value of the Group as of 8 May 2014 is represented by:

	RMB'000
Share capital	10,597
Share premium	422,520
Share option reserve	1,772
Convertible note equity reserve	384
Merger reserve	71,949
Property valuation reserve	1,695
Exchange reserve	82,027
Statutory reserve	12,836
Retained profits	123,702
	727,482
Non-controlling interests	34,899
	762,381

Goodwill arising from the 2014 Acquisition is tested for impairment at least annually or whenever events or changes in circumstances indicate that its carrying amount may not be recoverable in accordance with the accounting policies of the Group and the requirements of International Accounting Standard 36 "Impairment of Assets" ("IAS 36").

The directors of the Company have assessed the impairment of goodwill in accordance with IAS 36, which requires the recoverable amount of a cash generating unit (i.e. the Company and its subsidiaries) determined as the higher of its value in use or fair value less costs of disposal. The directors of the Company measured the fair value less costs of disposal of the cash generating unit by reference to the market price of the Company's shares quoted on the Stock Exchange and concluded that no impairment is considered necessary. The directors of the Company will assess the impairment of goodwill and intangible assets under IAS 36 in the future.

(ii) The elimination of the share capital of the Target Group and pre-acquisition reserves on consolidation.

(iii) The fair value adjustments of RMB66,612,000 on inventories held by the Group, and the corresponding deferred tax liabilities of RMB20,819,000 upon the 2014 Acquisition.

(iv) The recognition of other reserve of RMB795,672,000, representing:

	RMB'000
Deemed Consideration	806,292
Difference between the issued capital of the Company and the Target Group at 8 May 2014	(10,586)
Reclassification of share option reverse to other reserve upon the general offer	(34)
	795,672

(v) The recognition of non-controlling interests of RMB197,430,000, representing:

	RMB'000
Non-controlling interests, based on 25% of fair value of net identifiable assets of the Group	193,355
Share of results and other comprehensive income for the period from 8 May 2014 to 30 June 2015	4,075
	197,430

(vi) The adjustment to retained earnings of RMB128,146,000 comprises pre-acquisition retained earnings of the Group of RMB123,702,000 and share of results by non-controlling interest from 8 May 2014 to 30 June 2015 of RMB4,444,000.

(vii) The adjustment to exchange reserve of RMB81,658,000 represents the pre-acquisition exchange reserve of the Group of RMB82,027,000, less share of other comprehensive expense by non-controlling interest from 8 May 2014 to 30 June 2015 of RMB369,000.

(viii) The adjustment to share option reserve of RMB1,738,000 represents the pre-acquisition share option reserve of the Group of RMB1,772,000, less an amount of RMB34,000 reclassified to other reserve upon acquisition of share options by China LVGEM under the general offer.

The adjustments are not expected to have continuing effect on the Enlarged Group's unaudited pro forma consolidated income statement and unaudited pro forma statement of cash flows.

6. The adjustment represents effect of exercise of 23,270,000 share options of the Group at the exercise price of HK$0.235 per share on 5 June 2014 as set out in note 5.

7. The adjustment represents effect of conversion of convertible note of the Group with principal value of HK$40,000,000 on 7 August 2014.

8. The adjustment represents additional cost of sales and the corresponding tax effect in relation to fair value adjustment on inventories of the Group upon the 2014 Acquisition as set out in note 5. The adjustments is not expected to have continuing effect on the Enlarged Group's unaudited pro forma statement of cash flows but would have continuing effect on the Enlarged Group's unaudited pro forma statement of cash flows but would have continuing effect on the Enlarged Group's unaudited pro forma consolidated income statement.

9. The adjustment represents expenditures incurred directly to the Acquisition including financial advisor fees, legal fees, printing costs, accountants fees, and other related expenses of approximately RMB38,037,000. The adjustment has no continuing effect to the Enlarged Group but will be reflected in the consolidated statement of profit or loss and consolidated statement of cash flows of the Group in the year these expenses actually incurred.

10. The adjustment illustrates the financial effects of:

(a) Scenario A: 600,000,000 Placing Shares have been placed at the time of the Completion at the issue price of HK$2.2 per share and 1,909,342,511 Consideration Shares and 4,205,706,033 Convertible Preference Shares will be allotted and issued to Mr. Wong (or to his nominee as he may direct in writing) at the issue price of HK$2.06 per share, and payment of HK$1,188,000,000 (equivalent to RMB950,400,000) in cash as a consideration of the Acquisition.

(b) Scenario B: Maximum amount of 1,661,734,611 Placing Shares will be placed at the issue price of HK$2.2 per share at the time of Completion, and 5,094,546,345 Consideration Shares will be allotted and issued to Mr. Wong (or to his nominee as he may direct in writing) at the issue price of HK$2.06 per share, and payment of HK$3,290,235,000 (equivalent to RMB2,632,188,000) in cash as a consideration of the Acquisition.

In addition, non-controlling interests of RMB234,047,000 is reallocated to other reserve as if the Acquisition had taken place on 30 June 2015.

11. The adjustment represents the elimination of the results and cash flows for the period from 1 January 2014 to 7 May 2014 based on the management accounts prepared by the directors of the Company on the basis that the 2014 Acquisition would be reflected in the consolidated financial statements of the Enlarged Group as an acquisition of the Company by the Target Group on 8 May 2014.

12. The unaudited net tangible assets of the Group as of 30 June 2015 is based on the amount of unaudited net tangible assets attributable to the equity holders of the Company as of 30 June 2015, which is extracted from the condensed consolidated financial statements of the Group for the year ended 30 June 2015 and translated into RMB at the exchange rate of HK$1 to RMB0.8.

13. The number of shares used for the calculation of the unaudited net tangible assets of the Group per share is 1,384,240,281, being the number of ordinary shares in issue as of 30 June 2015.

14. The unaudited pro forma adjusted net tangible assets of the Enlarged Group as of 30 June 2015 is calculated based on the amount of the unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company as of 30 June 2015, which is extracted from the unaudited pro forma consolidated statement of financial position of the Enlarged Group, after deducting goodwill and intangible assets of approximately RMB226,372,000 and RMB3,826,000 respectively.

15. Scenario A – Assuming 600,000,000 Place Shares have been placed at the issue price of HK$2.2 per share and 1,909,342,511 Consideration Shares and 4,205,706,033 Convertible Preference Shares will be issued to acquire the Target Group at issue price of HK$2.06 per share, the number of shares used for the calculation of the unaudited pro forma adjusted net tangible assets of the Enlarged Group per share is 3,893,582,792 comprising 1,384,240,281 ordinary shares in issue as of 30 June 2015 and 600,000,000 Placing Shares and 1,909,342,511 Consideration Shares to be issued upon the completion of the Acquisition as described in note 5 above.

Scenario B – Assuming placing of 1,661,734,611 new shares at the price of HK$2.2 per share, and 5,094,546,345 Consideration Shares will be issued to acquire the Target Group at issue price of HK$2.06 per Share, the number of shares used for the calculation of the unaudited pro forma adjusted net tangible assets of the Enlarged Group per share is 8,140,521,237, comprising 1,384,240,281 ordinary shares in issue as of 30 June 2015, 1,661,734,611 Placing Shares and 5,094,546,345 Consideration Shares to be issued upon the completion of the Acquisition as described in note 5 above.

The commission payable to the placing agents and estimated amount of proceeds used to settle the consideration to Mr. Wong upon the completion of the Acquisition are set out in note 5.

16. Apart from the above, no adjustments have been made to the unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss and other comprehensive income, unaudited pro forma consolidated statement of cash flows and unaudited pro forma statement of adjusted net tangible assets to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 June 2015 where applicable.

17. The translation between HK$ and RMB had been made at the rate of HK$1 to RMB0.8. No representation is made that HK$ have been, could have been or could be converted to RMB, or vice versa, at that rate or at any other rates or at all.

(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this circular.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

30 October 2015

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

TO THE DIRECTORS OF LVGEM (CHINA) REAL ESTATE INVESTMENT COMPANY LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of LVGEM (China) Real Estate Investment Company Limited (the "Company") and its subsidiaries (collectively 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 financial position and the unaudited pro forma statement of adjusted net tangible assets as of 30 June 2015 and the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2014 and related notes as set out in Part A of Appendix VI to the circular dated 30 October 2015 (the "Circular") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix VI to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of the Target Group on the Group's financial position as of 30 June 2015 and its financial performance and cash flows for the year ended 31 December 2014 as if the transaction had taken place at 30 June 2015 and 1 January 2014 respectively. As part of this process, information about the Group's financial position as of 30 June 2015 has been extracted by the Directors from the Group's published condensed consolidated financial statements for the six months ended 30 June 2015, on which a review report has been published and the Group's financial performance and cash flows for the year ended 31 December 2014 has been extracted by the Directors from the Group's published financial statements for the year ended 31 December 2014, on which an audit report has been published. Information about the Target Group's financial position as of 30 April 2015 and the Target Group's financial performance and cash flows for the year ended 31 December 2014 has been extracted by the Directors from the Target Group's accountants' report as set out in Appendix III to the Circular.

Directors' Responsibilities for the Pro Forma Financial Information

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

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

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

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the 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 pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as of 30 June 2015 or 1 January 2014 would have been as presented.

A reasonable assurance engagement to report on whether the 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 pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

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

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

The engagement also involves evaluating the overall presentation of the 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 pro forma financial information has been properly compiled on the basis stated;

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

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

KPMG
Certified Public Accountants
Hong Kong

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 December 2004 under the Companies Law. Our Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and the Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, inter alia, that the liability of members of our Company is limited and that the objects for which our Company is established are unrestricted (and therefore include acting as an investment company), and that our Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

(b) By special resolution our Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 14 November 2005. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Share certificates

Every person whose name is entered as a member in the register of members shall be entitled without payment to receive a certificate for his shares. The Companies Law prohibits the issue of bearer shares to any person other than an authorized or recognized custodian defined in the Companies Law. The requirement on all service providers to implement appropriate due diligence procedures on the identity of a client in order to "know your client" as a result of proceeds of crime legislation mandates that special procedures should be followed when issuing bearer shares.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words "restricted voting" or "limited voting" or "non-voting" or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Subject to the Companies Law, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and the Memorandum and Articles, any share may, with the sanction of a special resolution, be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which

may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) Disclosure of interest in contracts with the Company or with any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

(aa) the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or

(ee) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(vi) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all traveling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including

pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed shall hold office only until the next general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to their number), and shall then be eligible for re-election. There is no shareholding qualification for Directors.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier

than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification nor is there any specified upper age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;

(bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

(cc) if, without special leave, he is absent from meetings of the Board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the Board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;

(gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or

(hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) Borrowing powers

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarized above, in common with the Articles in general, may be varied with the sanction of a special resolution of the Company.

(ix) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers.

(x) Proceedings of the Board

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith or in priority thereto.

(e) Alteration of capital

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

The Company may by special resolution reduce its share capital or undistributable reserve in any manner authorized, and subject to any conditions prescribed, by law.

(f) Special resolution-majority required

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been given in accordance with the Articles, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the

shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice has been given for shorter than the period required under the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been given in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorized representative shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a poll except for resolution relating purely to a procedural or administrative matter (which has the meaning ascribed to it in the Listing Rules), in which case, the chairman of the meeting may, in good faith, decide to allow such resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the results of the show of hands, a poll may be demanded by:

(i) at least two members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or

(ii) any member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iii) a member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorized as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized in accordance with this provision shall be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person was an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorized by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of account of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorized by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of

these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than twenty-one days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting (whether for the passing of a special resolution and/or an ordinary resolution) shall be called by notice in writing of not less than 21 clear days and not less than 20 clear business days and an extraordinary general meeting called for the passing of a special resolution shall be called by notice in writing of not less than 21 clear days and not less than 10 clear business days, and a general meeting of the Company other than an annual general meeting or an extraordinary general meeting for the passing of a special resolution shall be called by notice in writing of not less than 14 clear days and not less than 10 clear business days. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or by any other means authorized in writing by the member concerned or (in the case of a notice) by publishing it by way of advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available.

Subject to the Companies Law and the Listing Rules, a notice or document (including any "corporate communication" within the meaning ascribed thereto under the Listing Rules) may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorized by the member concerned or by publishing it on a computer network (including by publishing it on the Company's website) and giving to the member concerned a notice notifying that the notice or other document (including any "corporate communication" within the meaning ascribed thereto under the Listing Rules) has been so published (a "notice of availability"). The notice of availability may be given to the member by any of the means set out above.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of Directors in place of those retiring;

(dd) the appointment of auditors;

(ee) the fixing of the remuneration of the Directors and of the auditors;

(ff) the granting of any mandate or authority to the Board to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange and the number of any securities repurchased by the Company since the granting of such mandate; and

(gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

(k) Transfer of shares

Subject to the Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may accept provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a newspaper circulating generally in Hong Kong or, where applicable, any other newspapers in accordance with the requirements of the Stock Exchange, at such times and for such periods as the Board may determine. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(l) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by any stock exchange of the Relevant Territory (as defined in the Articles).

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(n) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and

(ii) all dividends shall be apportioned and paid rateably in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the moneys so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the

notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(t) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

(i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;

(ii) upon the expiry of the 12 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and

(iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

Our Company was incorporated in the Cayman Islands as an exempted company on 23 December 2004 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, our Company must conduct its operations mainly outside the Cayman Islands. Moreover, our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

In accordance with the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance

provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorized by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) the Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorized in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of sections 34 and 37A(7) of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

(i) an act which is ultra vires the company or illegal;

(ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and

(iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one- fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions in the Companies Law on the power of directors to dispose of assets of a company, however the directors have certain duties of care, diligence and skill and also fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

Section 59 of the Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If our Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet:

(i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to our Company or its operations; and

(ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by our Company:

(aa) on or in respect of the shares, debentures or other obligations of our Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for our Company is for a period of twenty years from 10 September 2013.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of the company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court. The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where our Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, our Company's legal advisor on Cayman Islands law, has sent to our Company a letter of advice which summarizes certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection – Documents available for inspection" in Appendix VI to this circular. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

B. FURTHER INFORMATION ABOUT THE GROUP

1. Incorporation of the Company

The Company was incorporated in Cayman Islands under the Companies Law as an exempted company with limited liability on December 23, 2004 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company on June 7, 2005 under the then Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), which is now Part 16 of the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

Pursuant to a special resolution passed at an extraordinary general meeting held on August 15, 2014, the Company changed its name to LVGEM (China) Real Estate Investment Company Limited. The Company has established a place of business in Hong Kong at Suites 1701-1703, 17/F., Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong. Mr. Lai Siu Hung of Flat 308, Block 24, Heng Fa Chuen, Chai Wan, Hong Kong was appointed as the authorized representative of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company was incorporated in the Cayman Islands, it operates subject to the Cayman Islands Companies Law and its constitution comprising the memorandum of association and articles of association. As disclosed in the section headed "Letter from the Board" of this circular, the Company proposed to amend its existing memorandum and articles of association by way of adoption of the amended and restated Memorandum and Articles. For more information, see "Summary of the Constitution of our Company and Cayman Islands Companies, Law" as set out in Appendix VII to this circular.

2. Change in share capital of the Group

(a) the Company

There have been the following changes to the share capital of the Company within the two years immediately preceding the date of this circular:

(i) On August 7, 2014, the Company has allotted and issued a total of 36,363,635 ordinary Shares to Asia Financial Holdings Limited and Asia Insurance Company, Limited at the conversion price of HK$1.10 per conversion share.

(ii) For the year ended December 31, 2014, the Company issued 23,270,000 ordinary Shares of HK$0.01 each in relation to the exercise of the share options by certain employees of the Group.

(b) other members of the Group

There has been no alteration in the share capital of any other members of the Group within the two years immediately preceding the date of this circular.

3. Repurchases of Shares

This section includes information relating to the repurchase of securities required by the Listing Rules which is set out as follows:

(1) Shareholders' approval

All proposed repurchases of shares by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by special approval of a particular transaction. The Company's sole listing is on the Stock Exchange.

(2) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the articles of association of the Company and the applicable laws of the Cayman Islands. The laws of the Cayman Islands provide that Shares may only be repurchased out of profits of the Company, out of the share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorized by the articles of association of the Company and subject to the provisions of the Companies Law, out of capital under certain circumstances. Any premium payable on a repurchase over the par value of the Shares to be repurchased must be provided for out of either or both the profits of the Company or the Company's share premium account or, if so authorized by its articles of association and subject to the provisions of the Companies Law, out of capital under certain circumstances.

(3) Exercise of the Share buy-back mandate

The Shares proposed to be repurchased by the Company must be fully paid up. Under the Listing Rules, the total number of shares which a company is authorized to repurchase on the Stock Exchange is shares representing up to a maximum of 10% of the existing shares of the Company in issue as of the date of the resolution granting such general mandate.

(4) Reasons for repurchase

Although the Directors have no present intention of repurchasing any Shares, they believe that it is in the best interests of the Company and the Shareholders to have a general authority from Shareholders to enable the Directors to purchase Shares on the market. Such

repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

(5) Funding of repurchases

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the articles of association of the Company and the applicable laws of the Cayman Islands.

(6) General

(a) None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates has any present intention to sell the Shares to the Company or its subsidiaries.

(b) The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Share buy-back mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

(c) If on exercise of the power to repurchase Shares pursuant to the Share buy-back mandate, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for purposes of the Takeovers Code. As a result, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of a repurchasing company and thereby become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. The Directors are not aware of any consequences which the exercise in full of the Share buy-back mandate would have under the Takeovers Code.

(d) The Company has not repurchased any of its Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date and will not repurchase its Shares if public float is less than 25%.

(e) No connected person has notified the Company that he or she has a present intention to sell Shares to the Company, and no connected person has undertaken not to sell any of Shares held by him or her to the Company.

C. FURTHER INFORMATION ABOUT THE REORGANIZED TARGET GROUP

1. Changes in the share capital of members of the Reorganized Target Group

There has not been any change to the share capital of any members of the Reorganized Target Group within the two years immediately preceding the date of this circular save as provided in the section headed "History and Reorganization of the Reorganized Target Group – the Reorganized Target Group" of this circular.

2. Restructuring of the Reorganized Target Group

In preparation for the Acquisition, the Reorganized Target Group undertook the Reorganization and disposed of the Disposed Subsidiaries. Please refer to the section headed "History and Reorganization of the Reorganized Target Group – Reorganization" of this circular.

3. Intellectual Property of the Enlarged Group

Trademarks

As of the Latest Practicable Date, the Reorganized Target Group had registered the following trademarks in the PRC:

Trademark	Registration Number	Class	Name of Registered Proprietor	Date of Registration	Expiry Date
橘州新城	8573774	37	Huazhou LVGEM Real Estate Development Co., Ltd.	December 7, 2011	December 6, 2021
	7445933	43	Shenzhen LVGEM Real Estate Development Co., Ltd.	November 28, 2010	November 27, 2020

As of the Latest Practicable Date, the following trademarks were licensed to the Enlarged Group which, in the opinion of the directors of the Reorganized Target Group, are material to the business of the Enlarged Group:

Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
佐阾	10876582	35	LVGEM Management Group	PRC	August 14, 2013	August 13, 2023
佐阾	10876672	36	LVGEM Management Group	PRC	August 14, 2013	August 13, 2023
佐阾	10876730	37	LVGEM Management Group	PRC	August 14, 2013	August 13, 2023
佐阾	10876779	39	LVGEM Management Group	PRC	August 14, 2013	August 13, 2023
佐阾	10876826	41	LVGEM Management Group	PRC	August 21, 2013	August 20, 2023
佐阾	10876503	42	LVGEM Management Group	PRC	August 21, 2013	August 20, 2023
佐阾	10876940	43	LVGEM Management Group	PRC	August 28, 2013	August 27, 2023

Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
佐阾	10876463	44	LVGEM Management Group	PRC	August 21, 2013	August 20, 2023
zoll	10876530	35	LVGEM Management Group	PRC	August 21, 2013	August 20, 2023
zoll	10881352	36	LVGEM Management Group	PRC	August 14, 2013	August 13, 2023
zoll	10881444	37	LVGEM Management Group	PRC	August 14, 2013	August 13, 2023
zoll	10881471	39	LVGEM Management Group	PRC	August 14, 2013	August 13, 2023
zoll	10881549	42	LVGEM Management Group	PRC	November 21, 2013	November 20, 2023
zoll	10881582	43	LVGEM Management Group	PRC	August 14, 2013	August 13, 2023
zoll	10876431	44	LVGEM Management Group	PRC	August 21, 2013	August 20, 2023

Domain name

As of the Latest Practicable Date, the Reorganized Target Group was the registered proprietor of the following domain name:

Domain Name	Name of Registered Proprietor	Expiry Date
zollsz.com	Shenzhen LVGEM Asset Management Co., Ltd.	February 27, 2017
lvgemam.com	Shenzhen LVGEM Asset Management Co., Ltd.	October 19, 2025
lvgemgroup.com.cn	Shenzhen LVGEM Real Estate Development Co., Ltd.	July 10, 2022

D. DISCLOSURE OF INTERESTS

1. Interests of Directors

As of the Latest Practicable Date, none of the Directors had any interests or short position in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning in Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of SFO); or (ii) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

2. Interests of substantial shareholders

As of the Latest Practicable Date, the following companies (other than a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group:

Interests in issued Shares (exclude the interests in respect of the Consideration Shares and conversion of the Convertible Preference Shares) as of the Latest Practicable Date

Name of shareholder	Capacity and nature of interest	Number of Shares/ underlying Shares	Approximate percentage of the Company's issued share capital	*Note*
China LVGEM	Beneficial owner	1,010,844,583L	73.03%	*1, 2*
Go Great	Interests of controlled corporation	1,010,844,583L	73.03%	*1, 2*
Mr. Wong Hong King	Interests of controlled corporation	1,010,844,583L	73.03%	*1, 2*

Notes:

(1) The Letter "L" denotes a long position in the Shares and/or underlying Shares; the letter "S" denotes a short position in the Shares and/or underlying Shares.

(2) China LVGEM is owned as to 100% by Go Great, which is in turn owned as to 100% by Mr. Wong Hong King. Accordingly, Go Great and Mr. Wong Hong King are deemed to be interested in the 1,010,844,583 Shares held by China LVGEM.

Pursuant to the Acquisition Agreement, Consideration Shares will be issued to satisfy part of the consideration for the Acquisition. In addition, Convertible Preference Shares may also be issued to satisfy part of the consideration. The table below illustrates the interests and long positions of the substantial shareholders in Shares and underlying Shares upon Completion.

		Assuming Placing of only 600,000,000 new Shares was conducted						
	Capacity and nature of interest	Immediately upon Completion *(Note 1)*			Immediately upon Completion and assuming all Convertible Preference Shares have been converted *(Note 2)*		Assuming completion of the Placing of an aggregate of 1,661,734,611 new Shares to investors *(Note 3)*	
		Number of Shares	Number of Convertible Preference Shares	Approximate percentage of the Company's issued Shares	Number of Shares	Approximate percentage of the Company's issued Shares	Number of Shares	Approximate percentage of the Company's issued Shares
China LVGEM	Beneficial owner	2,920,187,094	4,205,706,033	75.00	7,125,893,127	88.00	6,105,390,928	75.00
Go Great International Limited	Interests of controlled corporation	2,920,187,094	4,205,706,033	75.00	7,125,893,127	88.00	6,105,390,928	75.00
Mr. Wong	Interests of controlled corporation	2,920,187,094	4,205,706,033	75.00	7,125,893,127	88.00	6,105,390,928	75.00

Notes:

(1) This represents the shareholding structure of the Company upon Completion where only 600,000,000 Placing Shares have been placed. The shareholding percentage of Mr. Wong and his associates in the Company only takes into account the Shares held but not the Convertible Preference Shares held. The relevant Shares are held by China LVGEM. China LVGEM is wholly owned by Go Great, which is in turn wholly owned by Mr. Wong.

(2) This represents the shareholding structure of the Company upon Completion where no Placing is being conducted and assuming that all 4,205,706,033 Convertible Preference Shares issued to Mr. Wong are converted into Conversion Shares. The figure is for illustration purpose only. Holders of the Convertible Preference Shares may not exercise the conversion rights if upon conversion, the percentage of Shares held by the public would fall below the minimum public float requirement under Rule 8.08 of the Listing Rules.

(3) This represents the shareholding structure of the Company upon Completion where the Company has conducted a Placing and a maximum of 1,661,734,611 Shares have been placed.

Save as disclosed above, the Directors of the Company were not aware, as of the Latest Practicable Date, of any person who had an interest or short position in the Shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group.

3. Particulars of Service Contracts

None of the Directors has entered or has proposed to enter into any service agreements with the Company or any members of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(a) Others

(i) Save as disclosed above, none of the Directors has entered into any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(ii) None of Directors or chief executive received any fees or emoluments in respect of their services to the Group in 2012, 2013 and 2014. Details of the Directors' remuneration are also set out in Note 7 to Section B in the section headed "Accountants' Report of the Reorganized Target Group" set out in Appendix III to this circular.

(iii) Under the arrangements currently in force, the aggregate of the remuneration and benefits in kind payable to the Directors for the year ending December 31, 2015 is estimated to be approximately HK$8,099,000.

(iv) None of the Directors or any past directors of any members of the Group or the five highest paid individuals has been paid any sum of money for 2012, 2013 and 2014 (i) as an inducement to join or upon joining the Company or (ii) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

(v) There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind for 2012, 2013 and 2014.

(vi) None of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, the Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of the Company.

4. Competing Interest of Directors

Please refer to the section "Relationship with the Controlling Shareholders" in this circular.

5. Fees or Commissions Received

Save as disclosed in this circular, none of the Directors or any of the persons whose names are listed under the section headed "G. Other Information – Consents of Experts" below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of the Group within the two years immediately preceding the date of this circular.

6. Disclaimers

Save as disclosed in this circular:

(a) none of the Directors or chief executive of the Company is aware of any other Director or chief executive of the Company who has any interests or short positions in any shares and underlying shares in, and debentures of, the Company or any associated corporation (within the meaning of the SFO) which will be required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, under section 352 of the SFO, to be entered in the register referred to in that section, or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code;

(b) none of the Directors nor any of the persons whose names are listed in the sub-section headed "G. Other Information – Consents of Experts" in this Appendix is interested in the promotion of the Company or in any assets which have within the two years immediately preceding the issue of this circular been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(c) none of the Directors nor any of the persons whose names are listed in the sub-section headed "G. Other Information – Consents of Experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group;

(d) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this circular to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the introduction or related transaction as mentioned in this circular; and

(e) so far as is known to the Directors, none of the Directors, their respective associates or Shareholders who are interested in 5% or more of the issued share capital of the Company have any interests in the five largest customers or the five largest suppliers of the Group.

E. SHARE OPTION SCHEME

The following is a summary of the principal terms of the share option scheme adopted by the Shareholders on November 14, 2005 (the "**Share Option Scheme**").

1. Purpose

The purpose of the Share Option Scheme is to enable the Company to grant options to Eligible Participant(s) (as defined below) as incentives or rewards for their contribution or potential contribution to the Company and/or any of its subsidiaries and/or any of the entities in which any member of the Group holds any equity interest (the "**Invested Entities**").

2. Who may join

The Board may, at its discretion, offer any full-time or part-time employees, executives, officers or directors (including executive and non-executive directors) of the Company or any of its subsidiaries or any of the Invested Entities and any advisors, consultants, agents, suppliers, customers and distributors who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries and/or any of the Invested Entities (the "**Eligible Participants**"), options to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph 5 below. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

3. Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) of the Company must not exceed 10% of the Shares in issue on the date of approval and adoption of the Share Option Scheme by the Shareholders. Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit.

Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(a) refresh this limit at any time to 10% of the Shares in issue as of the date of the approval by the Shareholders in general meeting (options previously granted under any share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised options) will not be counted for the purpose of calculating the limit as refreshed); and/or

(b) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board whereupon the Company shall send a circular to the Shareholders containing, amongst others, a generic description of the specified participants who may be granted

such options, the number and terms of the options to be granted and the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any scheme(s) of the Company if this will result in the 30% limit being exceeded.

4. Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant.

Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

5. Price of Shares

The subscription price for a Share in respect of any particular option granted under the Share Option Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day (and for this purpose shall be taken to be the date of the Board meeting at which the Board resolves to grant the proposed options); (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share.

6. Granting options to connected persons

Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding the independent non-executive Director who is the grantee of the options).

If the Board determines to offer to grant options to a substantial shareholder (as defined in the Listing Rules) of the Company or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which would result in the Shares issued and to be issued

upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant:

(a) representing in aggregate over 0.1% of the Shares in issue on the date of the grant; and

(b) having an aggregate value in excess of HK$5 million, based on the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of each grant,

such further grant of options shall be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which all connected persons of the Company shall abstain from voting in favour of the resolution concerning the grant of such options, and/or such other requirements prescribed under the Listing Rules from time to time. A connected person of the Company will be permitted to vote against the grant only if his intention to do so has been stated in the circular.

7. Restriction on the time of grant of options

The Company shall not grant any option after inside information has come to its knowledge until it has announced the information pursuant to the requirements of the Listing Rules. In particular, no option shall be granted during the period commencing one month immediately preceding the earlier of (a) the date of the Board meeting for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (b) the deadline for the Company to announce its results for any year or half-year period under the Listing Rules, and where the Company has elected to publish them, any quarterly or any other interim period, and ending on the date of the results announcement.

8. Rights are personal to grantee

An option and an offer to grant an option shall be personal to the grantee and the grantee shall not in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or any offer relating to the grant of an option or attempt to do so.

9. Time of exercise of option

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The date of grant of any particular option is the date when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration is received by the Company, such date must be on or before the 30th day after the option is offered to the relevant grantee. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of adoption of the Share

Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years after the date of adoption of the Share Option Scheme by the Shareholders by an ordinary resolution at a general meeting.

10. Performance target

The Board has the discretion to require a particular grantee to achieve certain performance targets specified at the time of grant before any option granted under the Share Option Scheme can be exercised.

11. Rights on ceasing to be an Eligible Participant and death

(a) In the event of the grantee ceasing to be an Eligible Participant for any reason other than on his death, ill-health, injury, disability or the termination of his relationship with the Company and/or any of its subsidiaries and/or any of the Invested Entities on one or more of the grounds specified in paragraph 12 below, the grantee may exercise the option up to his entitlement (to the extent not already exercised) up to the date of cessation of being an Eligible Participant or such longer period as the Board may determine. In relation to a grantee who is an Eligible Participant by reason of his employment with the Company or any of its subsidiaries or any of the Invested Entities, the date of cessation of being an Eligible Participant shall be the last actual working day with the Company or the relevant subsidiary or the relevant Invested Entity whether salary is paid in lieu of notice or not.

(b) In the case of the grantee ceasing to be an Eligible Participant by reason of death, ill-health, injury or disability and none of the events which would be a ground for termination of his relationship with the Company and/or any of its subsidiaries and/or any of the Invested Entities under paragraph 12 below has occurred, the grantee or legal personal representative(s) of the grantee shall be entitled within a period of six months or such longer period as the Board may determine from the date of cessation of being an Eligible Participant or death to exercise the option in full (to the extent not already exercised).

12. Lapse of option on misconduct, bankruptcy or dismissal, etc.

If a grantee ceases to be an Eligible Participant by reason of the termination of his relationship with the Company and/or any of its subsidiaries and/or any of the Invested Entities on any one or more of the grounds that as referred to in paragraph 11(a) above; or he or she has been guilty of serious misconduct; or has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee of the Company and/or any of its subsidiaries and/or any of the Invested Entities; or has become insolvent, bankrupt or has made any arrangements or compositions with his/her creditors generally; or on any other ground as determined by the Board that would warrant the termination of his employment at common law or pursuant to any applicable laws or under the

grantee's service contract with the Company or the relevant subsidiary or the relevant Invested Entity, his option will lapse automatically and not be exercisable on the date of termination of his relationship with the Company and/or any of its subsidiaries and/or any of the Invested Entities.

13. Rights on takeover

If a general offer is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional, the grantee (or his legal personal representative(s)) shall be entitled to exercise his option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

14. Rights on scheme of arrangement for the Company

If, pursuant to the Companies Law, a compromise or arrangement between the Company and its members and/or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all the grantees (together with a notice of the existence of the provisions of this paragraph) on the same day as it despatches to members and/or creditors of the Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to 12 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting. With effect from the date of such meeting, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options in such circumstances shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement.

15. Rights on winding-up

In the event of a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all grantees and thereupon, each grantee or his legal personal representative(s) shall be entitled to exercise all or any of his options at any time not later than two business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

16. Lapse of the options

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(a) the expiry date relevant to that option;

(b) the expiry of any of the periods referred to in paragraph 11(b), 13, 14 or 15 above;

(c) the date on which the scheme of arrangement of the Company referred to in paragraph 14 above becomes effective;

(d) the date of commencement of the winding-up of the Company (as determined in accordance with the Companies Law);

(e) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his relationship with the Company and/or any of its subsidiaries and/or any of the Invested Entities on any one or more of the grounds specified in paragraph 11(a) or 12 above. A resolution of the Board or the board of directors of the relevant subsidiary or the board of directors of the relevant Invested Entity to the effect that the relationship of a grantee has or has not been terminated on one or more of the grounds specified in paragraph 11(a) or 12 above shall be conclusive; and

(f) the date on which the grantee commits a breach of paragraph 8 above or the options are cancelled in accordance with paragraph 20 below.

17. Ranking of Shares

The Shares to be allotted upon the exercise of an option shall not carry voting rights until completion of the registration of the grantee (or such other person nominated by the grantee) as the holder thereof. Subject to the aforesaid, the Shares to be allotted upon the exercise of an option shall rank pari passu in all aspects with and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation of the Company as attached to the fully-paid Shares in issue on the date of issue.

18. Effect of alterations to capital

In the event of a capitalization issue, rights issue, open offer (if there is a price dilutive element), sub-division or consolidation of shares, or reduction of capital of the Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the exercise price of each outstanding option as the auditors of the Company or an approved independent financial advisor shall certify in writing to the Board to be in their opinion fair and reasonable and in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005. Any such alterations will be made on the basis that a grantee shall have the same proportion of the equity capital of the Company for which any grantee of an option was entitled to subscribe pursuant

to the options held by him before such alteration and the aggregate subscription price payable on the full exercise of any option shall remain as nearly as possible the same as (and in any event not greater than) it was before such event.

No such alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

19. Alterations of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

(a) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; or

(b) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the Share Option Scheme), shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect an option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

20. Cancellation of options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. Where the Company cancels options, the grant of new options to the same grantee may only be made under the Share Option Scheme with available unissued options (excluding the cancelled options) within the limit approved by the Shareholders.

21. Termination of the Share Option Scheme

The Company may by resolution in general meeting or the Board may at any time resolve to terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

22. Disclosure in annual and interim reports

The Company shall disclose details of the Share Option Scheme and other schemes of the Company and its subsidiaries in the annual and interim reports of the Company in compliance with the Listing Rules in force from time to time.

F. SUMMARY OF MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the Company or any member of the Enlarged Group within two years preceding the date of this circular and are or may be material:

(a) the sale and purchase agreement dated January 21, 2014 entered into between China LVGEM Property Holdings Limited as purchaser and Belbroughton Limited, Mr. Taochaifu Choofuang, Mr. Tao Richard, Mr. Tao Paul and Tian Xiang Business Limited as vendors (together as the "**Vendors**") pursuant to which the purchaser acquired 858,800,792 Shares at the consideration of HK$944,680,871.20;

(b) a share transfer agreement dated May 29, 2015 entered into between the Target Company and Jinling Holdings Limited pursuant to which the Target Company transferred the entire issued share capital in Jin Xin to Jinling Holdings Limited at a consideration of HK$231,194,520;

(c) a share transfer agreement dated May 12, 2015 entered into between LVGEM Real Estate, LVGEM Management Group and Shenzhen Jinshunlai Investment Development Co., Ltd. (深圳市金順來投資發展有限公司) pursuant to which LVGEM Real Estate and LVGEM Management Group transferred their respective 90% and 10% of the registered capital of Wanghaiyikang to Shenzhen Jinshunlai Investment Development Co., Ltd. (深圳市金順來投資發展有限公司) at a consideration of RMB25,240,000 and RMB2,800,000, respectively;

(d) a share transfer agreement dated May 11, 2015 entered into between LVGEM Real Estate and Zhuhai LVGEM Real Estate pursuant to which LVGEM Real Estate transferred its 90% interest in the registered capital of Zhuhai Huijing to Zhuhai LVGEM Real Estate at a consideration of RMB90,000,000;

(e) a share transfer agreement dated May 13, 2015 entered into between Zhuhai LVGEM Real Estate and LVGEM Property Management pursuant to which Zhuhai LVGEM Real Estate acquired the 51% interest in Zhuhai Management held by LVGEM Property Management at a consideration of RMB1,530,000;

(f) a share transfer agreement dated May 12, 2015 entered into between Shenzhen Longkanghong and LVGEM Management Group pursuant to which Shenzhen Longkanghong transferred its 100% interest in the registered capital of Shenzhen Lvshen to LVGEM Management Group at a consideration of RMB381,230,000;

(g) the First Placing Agreement;

(h) the Second Placing Agreement; and

(i) the Agreement.

G. OTHER INFORMATION

1. Material Change

As of the date of this circular, the Directors are not aware of any material change in the financial or trading position of the Group since December 31, 2014, being the date to which the latest published audited financial statements of the Group were made up.

2. Litigation proceedings of the Enlarged Group

As of the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation/arbitration or claim of material importance was pending or threatened against the any member of the Enlarged Group.

3. Sole Sponsor

China Galaxy International Securities (Hong Kong) Co. Limited has been appointed the Sole Sponsor of the Company for the deemed new listing application of the Company.

4. Promoter

The Company has no promoter for the purpose of the Listing Rules.

5. Total Expenses

The aggregate legal and other professional fees, printing and other expenses payable by the Company relating to the Acquisition, are estimated in aggregate to be approximately RMB38.3 Million.

6. Sole Sponsor's fees

The Sole Sponsor's fees for Sole Sponsor is estimated to be HK$9,360,000.

7. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this circular:

Name	Qualification
China Galaxy International Securities (Hong Kong) Co., Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
KPMG	Certified public accountants
Global Law Office	PRC legal advisor
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property valuer and industry consultant
Appleby	Cayman Islands attorneys-at-law
Octal Capital Limited	Licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

8. Consents of Experts

Each of the experts listed in paragraph 7 above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report or letter or opinion or the references to its name included herein in the form and context in which they are respectively included.

9. Interests of Experts in the Company

None of the persons named in paragraph 7 of this Appendix is interested beneficially or otherwise in any ordinary Shares or shares of any member of the Enlarged Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of the Enlarged Group.

H. MISCELLANEOUS

Save as disclosed in this circular:

(i) within the two years immediately preceding the date of this circular,

(a) no share or loan capital of the Company or any of its subsidiaries had been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(b) no commissions, discounts, brokerages or other special terms had been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries; and

(c) no share or loan capital of the Company or any of it subsidiaries was under option or was agreed conditionally or unconditionally to be put under option.

(ii) none of the persons whose names are listed in the sub-section headed "G. Other Information – Consents of Experts" in this Appendix had any 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;

(iii) there had not been any interruption in the business of the Group which may have had a significant effect on the financial position of the Group in the 12 months preceding the date of this circular;

(iv) neither the Company nor any of its subsidiaries had issued or agreed to issue any founder shares, management shares, deferred shares or any debentures;

(v) all necessary arrangements had been made with HKSCC for the Shares to continue to be accepted as eligible securities of CCASS;

(vi) the Directors were not aware of any person who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including options in respect of such capital) carrying rights to vote in all circumstances at general meetings of the Company or any of its subsidiaries; and

(vii) none of the Company's equity or debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

The English text of this circular shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of the Company at Suites 1701-1703, 17/F., Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong during 9:00 a.m. to 5:00 p.m. on any Business Day from the date of this circular up to and including the date of the EGM:

(a) the Memorandum and Articles of Association of the Company;

(b) the letter from the Board dated October 30, 2015, the text of which is set out in the section headed "Letter from the Board" in this circular;

(c) the letter of recommendation from the Independent Board Committee to the Independent Shareholders dated October 30, 2015, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;

(d) the letter of advice from the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders dated October 30, 2015, the text of which is set out in the section headed "Letter from the Independent Financial Advisor" in this circular;

(e) the annual reports of the Company for the years ended December 31, 2012, 2013 and 2014 (the "**Annual Reports**");

(f) the interim report of the Company for the six months ended June 30, 2015 (the "**2015 Interim Report**");

(g) the accountants' reports on the Target Company and its subsidiaries during the Track Record Period prepared by KPMG, the text of which are set out in Appendix III to this circular;

(h) the report from KPMG relating to the unaudited pro forma financial information of the Enlarged Group, the text of which are set out in Appendix VI to this circular;

(i) the property valuation report from Jones Lang LaSalle Corporate Appraisal and Advisory Limited relating to the properties of the Reorganized Target Group as set out in Appendix V to this circular;

(j) the letter of advice summarising certain aspects of Cayman Islands company law prepared by Appleby referred to in Appendix VII to this circular;

(k) the material contracts referred to in the section headed "F. Summary of Material Contracts" in Appendix VIII to this circular;

(l) the written consents referred to in the sub-section headed "G. Other Information – F. Consents of Experts" in Appendix VIII to this circular; and

(m) a copy of this circular.



綠景(中國)地產投資有限公司

LVGEM LVGEM (CHINA) REAL ESTATE INVESTMENT COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(HKSE Stock Code: 95)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of LVGEM (China) Real Estate Investment Company Limited (the "**Company**") will be held at Taishan Room, Level 5, Island Shangri-la Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong on Monday, November 23, 2015 at 11:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modification) the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

   (a) the agreement dated June 2, 2015 (the "**Acquisition Agreement**") entered into between Urban Thrive Holdings Limited (the "**Purchaser**"), a wholly owned subsidiary of the Company, and Mr. Wong Hong King ("**Mr. Wong**"), a copy of which is tabled at the meeting and marked "**A**" and initialed by the chairman of the meeting for identification purpose, in relation to the acquisition by the Purchaser of all the issued shares in Green View Holding Company Limited for the consideration of HK$13,785,000,000 (the "**Acquisition**") be and is hereby approved, confirmed and ratified;

   (b) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granting the listing of, and permission to deal in, the Consideration Shares (as defined in the circular of the Company dated October 30, 2015 (the "**circular**")), the allotment and issue of the Consideration Shares in accordance with the terms and conditions of the Acquisition Agreement to partly satisfy the consideration of the Acquisition be and is hereby approved and confirmed;

   (c) the allotment and issue of the Convertible Preference Shares (as defined in the circular) to partly satisfy the consideration for the Acquisition be and is hereby approved and confirmed;

   (d) conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares (as defined in the circular), the allotment and issue of the Conversion Shares upon the conversion of the Convertible Preference Shares be and is hereby approved and confirmed; and

   (e) any director of the Company be and is hereby generally and unconditionally authorized to do all such further acts and things and to sign and execute all such other or further documents (if any) and to take all such steps which in his/her opinion may be necessary, appropriate, desirable or expedient to implement and/or give effects to the Acquisition Agreement and the transactions contemplated thereunder."

2. "**THAT**

(a) the proposed placing by the Company of up to 1,661,734,611 ordinary shares of HK$0.01 each (the "**Placing Shares**") to not less than six independent investors at the placing price of HK$2.20 per Placing Share (the "**Placing**") be and is hereby approved;

(b) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granting the listing of, and permission to deal in, the Placing Shares, the allotment and issue of the Placing Shares to the investors in accordance with the terms of Placing be and is hereby approved;

(c) any director of the Company be and is hereby generally and unconditionally authorised to do all such acts and things and to sign and execute all such other or further documents and agreements and to take all such steps which in his/her opinion may be necessary, appropriate, desirable or expedient to implement and/or give effects to the Placing."

3. "**THAT** the authorised share capital of the Company be and is hereby increased from HK$300,000,000 divided into 30,000,000,000 shares of par value HK$0.01 each (the "Ordinary Shares") to HK$366,000,000 divided into 30,000,000,000 Ordinary Shares and 6,600,000,000 convertible preference shares of par value HK$0.01 each (the "Preference Shares") by the creation of 6,600,000,000 new Preference Shares."

SPECIAL RESOLUTIONS

4. "(A) **THAT** the existing memorandum of association (the "**Memorandum**") and articles of association (the "**Articles**") of the Company be and are hereby amended by the following manner:–

(i) by deleting the existing clause 1 of the Memorandum in its entirety and replacing it with the following new clause 1:–

"1. The name of the Company is LVGEM (China) Real Estate Investment Company Limited 綠景(中國)地產投資 有限公司.";

(ii) by deleting the existing clause 7 of the Memorandum in its entirety and replacing it with the following new clause 7:–

"7. The authorised share capital of the Company is HK$366,000,000 consisting of 30,000,000,000 shares of par value HK$0.01 each and 6,600,000,000 convertible preference shares of par value HK$0.01 each with the power for the Company to increase or reduce the said capital and to issue any part of its capital, original or increased, with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions; and so that, unless the condition

of issue shall otherwise expressly declare, every issue of shares, whether declared to be preference or otherwise, shall be subject to the power hereinbefore contained.";

(iii) by deleting the words "2004 Revision" in existing article 1.(a) of the Articles and replacing them with the words "as revised";

(iv) by deleting the words "2004 Revision" in the existing definition of "Companies Law" in article 1.(b) of the Articles and replacing them with the words "as revised";

(v) by inserting the following new definition of "CPS Holder" immediately following the existing definition of "Companies Ordinance" in article 1.(b) of the Articles:–

""CPS Holder" means a holder of Preference Shares;";

(vi) by inserting the following new definition of "Preference Share(s)" immediately following the existing definition of "Paid" in article 1.(b) of the Articles:–

""Preference Share(s)" means convertible preference share(s) of par value HK$0.01 each in the share capital of the Company;";

(vii) by deleting the existing article 6 of the Articles in its entirety and replacing it with the following new article 6:–

"6. The authorised share capital of the Company on the date of the adoption of these Articles is HK$366,000,000 divided into 30,000,000,000 shares of par value HK$0.01 each (the "Ordinary Shares") and 6,600,000,000 Preference Shares of par value HK$0.01 each.";

(viii) by deleting the existing article 42 of the Articles in its entirety and replacing it with the following new article 42:–

"42. Fully paid Shares shall be free from any restriction with respect to the right of the holder thereof to transfer such Shares (except when permitted by the HK Stock Exchange) and shall also be free from all liens. The Board however, may, in its absolute discretion, refuse to register (a) a transfer of any Share which is not fully paid to a person of whom it does not approve or any Share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists; (b) a transfer of any Share (whether fully paid up or not) to more than 4 joint holders or a transfer of any Shares (not being a fully paid up Share) on which the Company has a lien; and (c) a transfer of any Preference Share which does not comply with the Listing Rules.";

(ix) by inserting the words "all Shareholders and" immediately before the words "such persons as are" in existing article 65 of the Articles;

(x) by deleting the existing article 189 of the Articles in its entirety and replacing it with the following new article 189:–

"189. If the Company shall be wound up, the surplus assets remaining after payment to all creditors shall be applied in the following manner and order of priority:

(a) first, an amount up to aggregate paid-up share capital of the total issued Preferred Shares to the CPS Holders in proportion to their respective shareholding in Preference Shares;

(b) second, an amount up to aggregate paid-up share capital of the total issued Ordinary Shares to the holders of Ordinary Shares in proportion to their respective shareholding in the Ordinary Shares; and

(c) third, with regard to the balance to the CPS Holders and the holders of Ordinary Shares in proportion to their respective shareholding in the Ordinary Shares calculated on the assumption that all Preference Shares held by the CPS Holders have been converted into Ordinary Shares pursuant to these Articles.";

(xi) by inserting the following new article 197 immediately following the existing article 196 of the Articles:–

"197. Notwithstanding any provisions of these Articles:–

(a) CPS Holders have no right to vote on any resolutions of the Company except for (i) the variation of rights of CPS Holders under Article 5 and (ii) the Special Resolutions referred to under Articles 188 and 190;

(b) at any general meeting and in respect of any resolution which a CPS Holder is entitled to vote, on a show of hands every CPS Holder who is present in person (or, in the case of a CPS Holder being a corporation, by its duly authorised representative) or by proxy, shall have one vote, and on a poll every CPS Holder present in person (or, in the case of a CPS Holder being a corporation, by its duly authorised representative) or by proxy, shall have one vote for every Preference Share of which he is the holder. On a poll a CPS Holder entitled to more than one vote need not use all his votes or cast all his votes in the same way;

(c) the Preference Shares may not be redeemed by the Company or the CPS Holders;

(d) subject to the Listing Rules, a CPS Holder has the right to convert any number of Preference Share held by such CPS Holder into Ordinary Share(s) ("Conversion") by providing not less than 5 clear days written notice to the Board and such notice shall be a form prescribed by the Board from time to time;

(e) a Conversion shall be effected in such manner as the Board may, subject to the Articles and as the Companies Law or other applicable laws or regulations may allow, from time to time determine. Without prejudice to the generality of the foregoing, any Preference Shares to be converted under a Conversion may be effected by the repurchase of such Preference Shares on the relevant date of Conversion and the repurchase price consideration be applied as payment in full for the subscription of the new Ordinary Shares to be issued under the Conversion;

(f) each Preference Share is convertible into one Ordinary Share; and

(g) if and whenever the Ordinary Shares are consolidated or sub-divided into share(s) with a different par value, then the same consolidation or sub-division shall be effected on the Preference Shares."; and

(B) the amended and restated memorandum and articles of association of the Company, a copy of which has been produced to this meeting and marked "B" and initialed by the Chairman of this meeting for the purpose of identification, which consolidates all of the previously approved amendments of the memorandum and articles of association of the Company including the amendments referred to in Resolution (A) above be approved and adopted as the new memorandum and articles of association of the Company in substitution for and to the exclusion of the existing memorandum and articles of the Company with immediate effect."

By Order of the Board
LVGEM (China) Real Estate Investment Company Limited
HUANG Jingshu
Chairman

Hong Kong, October 30, 2015

Principal Office in Hong Kong:
Suites 1701-1703
17/F., Dah Sing Financial Centre
108 Gloucester Road
Wanchai
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the meeting by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

3. In order to be valid, the instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority must be delivered to the office of Tricor Investor Services Limited, the Company's share registrars and transfer office in Hong Kong at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting thereof (as the case may be).

4. Completion and return of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) and in such event, the instrument appointing a proxy shall be deemed to be revoked.

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